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Arizona Corporation Commission

2000 JAN 11 A 9 39

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
VAIL WATER COMPANY FOR AN INCREASE)
IN ITS WATER RATES FOR CUSTOMERS)
WITHIN PIMA COUNTY, ARIZONA)

DOCKET NO. W-01651B-99-0406

**NOTICE OF FILING
TESTIMONY**

Pursuant to the Hearing Officer's Procedural Order dated August 9, 1999, and as amended August 25, 1999, the Applicant, Vail Water Company hereby files the Rebuttal Testimony and Exhibits of Ronald L. Kozoman, CPA.

Respectfully submitted this 11 day of January, 2000

Richard L. Sallquist
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Attorneys for Vail Water Company

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AD. COMM. DIVISION

REBUTTAL TESTIMONY OF

RONALD L. KOZOMAN

FILED ON BEHALF OF

VAIL WATER COMPANY

AD. COMM. DIVISION
DOCKETED
JAN 11 2000
[Signature]

PERMANENT RATE APPLICATION

DOCKET NO. W-01651B-99-406

FILED JANUARY 11, 2000

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**REBUTTAL TESTIMONY OF
RONALD L. KOZOMAN
FILED ON BEHALF OF
VAIL WATER COMPANY
PERMANENT RATE APPLICATION
DOCKET NO. W-01651B-99-406
FILED JANUARY 11, 2000**

6 Q. Please state your name and address?

7 A. **Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, AZ 85015.**

8 Q. Are you the same Ronald L. Kozoman who filed direct testimony in the instant case?

9 A. **Yes.**

10 Q. What is the purpose of this testimony?

11 A. **I will provide rebuttal testimony to the recommendations set forth by the Staff of**
12 **the Arizona Corporation Commission ("ACC" or the "Commission") for the rate**
13 **application filed by Vail Water Company, hereafter referred to as the Company.**

14 Q. Would you please summarize the issues in the case as to rate base, income statement, cost
15 of capital, and rate design.

16 A. **The rate base issues are: (1) the amount of plant to be included as in service; (2) the**
17 **inclusion of the Prepaid Water or previous charges paid to the Central Arizona**
18 **Project ("CAP") for the water allocation, and (3) the amount of working capital**
19 **required by the Company. The working capital is a function of the allowed**
20 **expenses.**

21 **The major issues relating to the revenues and expenses are the level of**
22 **revenue needed by the Company, the expense level for depreciation, the expense for**
23

1 the Central Arizona Project ("CAP") purchased water, property taxes, and interest
2 expense.

3 The cost of capital issue is the amount of debt which should be allowed, and
4 the interest rate on that debt on the Water Infrastructure Financing Authority
5 ("WIFA") loans.

6 The rate design issues are, of course, driven by the revenue requirement.
7 Additionally, the amount that should be charged as the monthly minimum, and the
8 amount that should be charged for the commodity rate are at issue.

9 The Company proposes a two step phase in plan will allow the financing
10 which will provide for the needed plant. Additionally, customers will only be
11 charged for plant, which is actually in service.

12 Q Would you please explain what you have termed as the Company's phase in plans?

13 A. The Company proposes two step rate increases. Each step rate increase is
14 contingent on the completion of plant which will be financed with the WIFA loan(s).
15 The Company requests that the Commission set rates which recover both the
16 depreciation and interest expense associated with the in service plant.

17 The ACC Staff proposes approval of the WIFA loan and has designed rates
18 which are supposed to recover the interest and principal payments on the loan.
19 However, ACC Staff have not provided for the depreciation on the plant financed
20 with the loans, as the plant is not in service at this date. ACC Staff proposes a net
21 income of approximately \$5,700. The plant installed with the WIFA loan totals
22 \$819,000. Assuming a 3% to 4% depreciation rate on this plant, results in
23 additional operating expense (depreciation) of approximately \$24,500 to \$32,760.

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The Company would immediately operate at a loss. To reach profitability would require another rate case, at a cost of approximately \$40,000.

Rather than spend another \$40,000 for a rate case, the Company's proposed phase 1 and 2 rate increases would negate the need for another rate case, the cost of which is borne by customers.

The Company's proposed phase in of plant would consist of would two rate increases. The first rate increase would be effective on July 15, 2000, or as soon as the Company completes the plant additions. This increase would recover the Company's expenses and the interest and depreciation related to the Chlorinating of Well No. 6 and the 12 inch main interconnect. The costs of these two projects are approximately \$33,000 and \$320,000 respectively. The rate increase to existing customers would be approximately 26%.

The second rate increase would be effective on February or March, 2001, or as soon as the Company completes the construction of the new plant. This increase would recover the Company's expenses and the interest and depreciation related to the Booster Station No. 2 upgrade, the Andrads Booster Station Rebuild, and the 6,700 linear feet of 12 inch main. The costs of these three projects are approximately \$171,500, \$90,500, and \$204,500 respectively. I have listed the plant to be financed with the WIFA loan by component, the cost, and the estimated date of in-service, and attached as Rebuttal Schedule B-2, Page 2. The rate increase to existing customers would be approximately 16% over the phase 1 rate increase. The total of the phase 1 and 2 rate increases would be approximately 46%.

1 **The Company proposes that an ACC Staff Engineer be required to certify**
2 **that the plant is in service prior to the Commission authorizing either of the**
3 **increases. The ACC Audit Staff could chose to (1) audit the plant during**
4 **construction of the plant, or (2) have the Company provide invoices as the plant is**
5 **being constructed, to verify the actual costs.**

6 **I commend the ACC Staff in deriving a solution to the Company's problem**
7 **of having to pay for the CAP water, with no way to recover the costs from**
8 **customers. However, to moderate the rate increases and for reasons listed below,**
9 **the Company proposes that Staff's proposed \$1,000 CAP Hookup Tariff should be**
10 **accounted for as revenue, rather than as a Contribution in Aid of Construction**
11 **("CIAC"). The Company also proposes that the CAP purchased water expense be**
12 **included as an expense in the income statement, rather than an offset against the**
13 **Staff's proposed CIAC.**

14 **The Company agrees with the ACC Staff's proposed set aside of funds in the**
15 **amount of \$8.45 per month (surcharge) per customer for the WIFA loan debt**
16 **service.**

17 **Q. Why do you propose that the CAP Hookup fee be accounted for as revenue, rather than as**
18 **a Contribution in Aid of Construction?**

19 **A. There is an income tax problem with ACC Staff's proposed CAP Hookup Fee being**
20 **treated as a Contribution in Aid of Construction. The income tax code requires that**
21 **the CIAC must be expended on plant within two years of the receipt of the CIAC, or**
22 **the CIAC becomes taxable income. The payment of the CAP Water expense would**
23 **not qualify as plant, thus the CIAC is fully taxable. The Company can expense the**

1 CAP purchased water for income tax purposes, and thus offset the CAP Hookup
2 Fee. However, if funds greater than the cost of the CAP purchased water are
3 received, the Company would have taxable income. While the Company is not a
4 taxable entity, the share owners of the Company would have taxable income, but no
5 way to get a cash distribution from the Company to pay taxes on the taxable income,
6 due to the proposed CIAC accounting.

7 ACC Staff, in response to a Company data request, responded that the
8 Prepaid CAP Water Rights would not be included in the Company's rate base. If
9 the Company does not collect the anticipated \$60,000 in annual CAP Hookup Fees,
10 and the Prepaid Water rights in the amount of \$70,188, from new customers, the
11 Company is financing an ever growing prepaid expense, with no way to recover the
12 capital costs associated with the expenditure. However, if the Company were to
13 collect CAP Hookup Tariff funds greater than \$60,000 (and the \$70,188 of prepaid
14 water rights), the excess hookup fees would be a treated as a contribution and used
15 as an offset against the Company rate base investments. I have prepared an exhibit
16 showing the result of over or under collecting the prior and future costs of CAP
17 purchased water. The exhibit, attached as Exhibit A, shows that the Company
18 could either under and/or over collect the costs associated with the CAP purchased
19 water. If as anticipated by ACC Staff, the Company adds exactly 60 customers per
20 year, the prepaid CAP charges will not be collected. If the Company has either 50
21 or 80 customer additions per year, the result in the future is either a substantial over
22 or under collection. The substantial over or under collection will be a major
23 problem for both the Company and the Commission Staff in the future.

1 **The real problem with accounting for a fee as a contribution, is the impact on**
2 **a small water company's rate base. When the rate base is offset with large amounts**
3 **of CIAC, the Company's return on a diminished rate base is insufficient to allow the**
4 **Company to pay for any unexpected repair or expense. The Commission could set**
5 **operating margins for companies with little or no rate base, but has not done so.**
6 **The ACC Staff also replied in their response to the Company's data request that**
7 **their proposed CAP Hookup Tariff could be reviewed in a future rate case. My**
8 **opinion is that the accounting for the CAP purchased water, which is an expense,**
9 **should be treated as an expense, and the recovery of CAP expense in rates charged**
10 **new and existing customers is more appropriate.**

11 **Q. Has the Commission ever allowed hookup fees or other types of fees similar to the ACC**
12 **Staff's proposed CAP Hookup Tariff to be accounted for as revenues?**

13 **A. Yes. The Commission allowed both Chaparral City Water Company and Rio Verde**
14 **Utilities new customer fees or charges to pay for plant already in service or for plant**
15 **which would be constructed in the future in their last rate cases,. These fees or**
16 **charges were accounted for a revenue to offset the rates charged existing customers.**
17 **The Commission also authorized Pima Utilities (rate case decided in December**
18 **1999) a hookup fee for new customers. This hookup fee will be accounted for a**
19 **revenue. The result was that rates charged existing customers were lowered with**
20 **the hookup fee, as the hookup fee was used to offset the need for revenues from the**
21 **existing customers.**

22 **The Commission also allowed Citizens Utilities Villages at Desert Hills, in**
23 **their application of a Certificate of Convenience and Necessity, a hookup fee to new**

1 customers which would be accounted for a revenue. The hookup fee is also used to
2 offset expenses, as well as providing funds to install plant.

3 **In the instant case, the \$60,000 assumed by ACC Staff and the net CAP**
4 **purchased water expense have been included on the income statement as revenue, as**
5 **the Company's rebuttal.**

6 Q. Are there other major issues on which you disagree with the ACC Staff proposals for the
7 instant case?

8 A. **The only issues on which there is disagreement is the proposed share owner debt**
9 **financing, the inclusion of the prepaid water costs in rate base, depreciation**
10 **expense, and the property taxes. I will address these issues later in my testimony.**

11 Q. Please address the ACC Staff's adjustments to rate base accepted by the Company?

12 A. **The Company is accepting all of the ACC Staff's proposed adjustments to plant,**
13 **accumulated depreciation, amortization of CIAC, advances in aid of construction,**
14 **and removal of the WIFA Reserve Fund from rate base.**

15 Q. What ACC Staff adjustments to the Company's rate base is the Company not accepting?

16 A. **The Staff adjustments not accepted by the Company are (1) removal of the Prepaid**
17 **Water Rights; (2) the amount of working capital, which is really a function of the**
18 **allowable expenses, and (3) the inclusion of transportation equipment purchased by**
19 **the Company in May of 1999.**

20 Q. Would you please address these issues?

21 A. **The Prepaid Water Rights should be included in the Company's rate base for the**
22 **same reason that ACC Staff included the prepayments for liability insurance. The**
23 **Prepaid Water Rights are also a prepayment. Inclusion of the Prepaid Water**

1 Rights in the Company's rate base is proper until the Company fully amortizes the
2 prepayment.

3 The ACC Staff indicated in a response to a Company data request that there
4 would be a "double" recovery by including the Prepaid Water Rights in the
5 Company's rate base, and inclusion of the amortization of the Prepaid Water Right
6 on the income statement. That is not possible. After the Prepaid Water Rights are
7 fully recovered via amortization on the income statement, the amortization will stop.
8 The prepaid liability insurance is included in the Company's rate base, and expense
9 recovery is allowed in the Company rates charged customers via inclusion of the
10 liability insurance expense in the income statement. When the prepaid insurance is
11 fully amortized, the prepaid insurance as a rate base element will cease. If the
12 Company is over earning as a result of inclusion of prepaid in the Company's rate
13 base, or customer growth, or any other reason, the Commission can issue an Order
14 to Show Cause why the rates should not be reduced. At that time, all rate base
15 elements and all expenses would be reviewed.

16 If a "double" recovery were somehow possible, then the plant should be
17 excluded from rate base, as depreciation on this same plant is being recovered on
18 the income statement.

19 At this date, the Company has expended over \$70,000 to maintain the rights
20 to its CAP allocation. Staff are not contending that the CAP expenditure was
21 imprudent. Additionally, customers have never paid rates which included CAP
22 charges. Thus there is no basis for exclusion from the Company's rate base.
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1 A. The Company will accept all Staff adjustments to expenses except (1) depreciation
2 on plant; (2) property taxes; (3) interest expense on the loans, and (4) the reduction
3 of the cost of a fax telephone line for the water utility office.

4 Q. Would you please address these expense items?

5 A. The difference in the Company's proposed depreciation and the ACC Staff's is due
6 to the amount of plant included as in service, and subject to depreciation. The first
7 difference is the transportation equipment, to which I previously testified. The
8 amount of the transportation equipment addition is \$20,247. This transportation
9 equipment was purchased in May 1999 with proceeds from share owner loans.

10 Plant for the equipping well number 6 with chlorinating equipment in the
11 amount of \$33,016 and the 12 inch main interconnect in the amount of \$319,506 are
12 added in the Company's proposed phase 1 rate increase. The composite
13 depreciation, which is applied to the 1983 Staff adjustment and amortization of the
14 CIAC changes depending on what type of water plant is added. As an example, the
15 addition of mains at a depreciation rate of 2.00% would lower the composite
16 depreciation rate, while transportation equipment at a depreciation rate of 13.30%
17 would increase the composite depreciation rate. Thus, the composite depreciation
18 rate changes from the Company's proposed phase 1 rate increase to the phase 2 rate
19 increase.

20 In the Company proposed phase 2 rate increase, Booster station upgrades at
21 water plant number 2 in the amount of \$171,468, 6,700 linear feet of 12 inch main at
22 a cost of \$204,484, and the rebuilding of the Andrads Booster Station, at a cost of
23 \$90,527 are added to plant in service. The difference in depreciation expense

1 between the Staff and the Company in the proposed phase 1 increase is the Staff's
2 proposed depreciation expense of \$44,095 vs. the Company's proposed \$59,411, or
3 \$15,316. In the Company's proposed phase 2 increase the difference in depreciation
4 is the Staff's proposed depreciation expense of \$44,095 and the Company's
5 proposed \$84,639, or \$40,544.

6 As I previously testified, if the increased depreciation expense is not included
7 in rates charged customers, the Company will immediately experience a net loss
8 rather than the Staff's proposed net income of \$5,694.

9 Property Taxes

10 ACC Staff used the property tax bill which was received in 1998. The
11 property tax bill received in 1998 was based on the 1997 plant and revenues. The
12 Staff's property tax bill totaled \$14,624. The tax bill received in 1996 was \$12,679.
13 The 1999 property tax bill (based on 1998 data) is \$20,609. The 1998 data only
14 includes approximately 3 months of revenues with the higher rates granted from the
15 1996 rate case (Commission Decision 61110, Dated 9/98).

16 Property tax is based on full cash value. Full cash value is determined by the
17 Arizona Department of Revenue ("ADOR"), Centrally Valued Properties Division.
18 ADOR's computation of full cash value is dependent on revenues and plant. In the
19 instant case, the plant has and will increase over what was reported at December 31,
20 1998. The revenues in 1999 will be higher than the 1998 revenues due to having 12
21 months of revenues at the higher rates granted in the prior decision. Revenues will
22 increase further for the rates proposed by both parties in the instant case.
23

1 **The computation of full cash value has one, and only one variable. That**
2 **variable is the percentage of revenue and plant which is used by ADOR. Either**
3 **revenue and/or plant can be multiplied by 0% to 100% in determining ADOR's**
4 **correlated value. Income taxes, while not an issue in the instant case are based on**
5 **several variables for revenues (water sold, other water revenues, NSF Check**
6 **charges, establishment fees, etc.) and numerous variables for expenses (power,**
7 **wages and salaries, payroll tax, rents, depreciation expense, water testing, etc.). If**
8 **income taxes can be computed based on proposed revenues and expenses with any**
9 **degree of certainty, then property taxes can also be computed based on proposed**
10 **revenues and plant.**

11 **I have computed the full cash value based on 50% of plant and 50% of**
12 **revenues to derive the correlated value. I have also prepared what I term the**
13 **margin of error, which computes the possible error from using 0 to 100% of**
14 **revenues and 0% to 100% of plant, compared to using 50% of revenues and 50% of**
15 **plant. The margin of error is deducted from the computed property taxes using**
16 **50% of revenues and 50% of plant. Thus, there is no possibility that the Company**
17 **can over collect property tax. In fact, the Company will under collect the property**
18 **taxes, as ADOR, to my knowledge has seldom, if ever used either 100% or revenues**
19 **or 100% of plant to derive full cash value. As a sidebar, the ADOR staff person**
20 **(Mr. Steve Francois) who computes the full cash value starts the determination of**
21 **full cash value by using 50% of revenues and 50% of plant for all water companies.**
22 **He then re-computes full cash value for water utilities, based on special**
23 **circumstances.**

1 **The revenues and plant for Vail Water Company since 1994 to the instant**
2 **rate case are:**

3

	<u>Plant</u>	<u>Revenue</u>
4		
5	\$ 981,443	\$128,117
6	1,227,774	158,997
7	1,435,165	185,008
8	1,492,502	209,334
9	2,182,299	260,719
10	Adjusted 1998	2,140,183 343,697
11	Staff Proposed	2,140,183 423,783
12	Company Proposed	
13	Phase 1	2,512,953 512,424
14	Phase 2	2,967,388 581,462.

15

16 **There is little or no possibility that the property tax will be will be less than**
17 **or even equal to the \$14,624 recommended by Staff, which was based on 1997 plant**
18 **of \$1,492,502 and 1997 revenues of \$260,719.**

19 **I propose that the property taxes be set based on the proposed revenues and**
20 **proposed plant used by the Commission in the instant case. The property tax**
21 **computations are shown on Rebuttal Schedule C-2, pages 4 (phase 1) and 8 (phase**
22 **2). The increase in property taxes, if not allowed to be included in rates charged**
23 **customers, will also cause the Company to experience a net loss.**

1 Q. But, Mr. Kozoman, aren't you accepting the ACC Staff's estimate of customer growth?
2 And, wouldn't that customer growth offset the increase in both depreciation and property
3 taxes?

4 A. Yes, I am accepting the ACC Staff's estimate of customer growth. However, as an
5 example, assume that allowed depreciation expense is approximately \$5.75 per
6 customer per month based on ACC Staff's depreciation expense, and approximately
7 \$11.00 per customer based on the Company's proposed depreciation in the instant
8 case. As customers are added, additional plant will be required. If Staff's proposed
9 rates are use adopted in the instant case, each new customer would pay monthly
10 rates which include \$5.75 in depreciation. But, in reality the depreciation is \$11.00
11 per customer. Until the Company more than doubles its customer base (more than
12 double is required to compensate for additional plant being added for each new
13 customer), the Company will under collect depreciation expense.

14 The same holds true for property taxes. Staff proposes approximately \$1.90
15 per month per customer for property taxes. The Company's proposed property tax
16 is approximately \$5.31 per customer. As new customers are added, more plant is
17 needed. Additionally more customers equate to higher revenues. Higher plant and
18 higher revenues also equate to higher property taxes. Property taxes will not be
19 recovered by the Company, if the property tax per customer, if the property tax is
20 set at 35% of the real cost per customer.

21 Q. Please address the interest expense issue?

22 A. The interest on the WIFA loan is now 75% of 7.93%, or approximately 5.95%. The
23 5.81% (75% of 7.75%) as used in the Company's direct filing, and the Staff's filing

1 is not being offered to Vail Water Company, as interest rate have increased. (Per
2 telephone call with Mr. Dick Jefferies of WIFA on December 29, 1999). Thus, I
3 have increased the monthly and annual payments to reflect this higher interest rate.
4 There is always the chance that increases rates could decline by the time Vail Water
5 actually takes the WIFA loan, but there is also a chance that interest rates will
6 continue to increase.

7 While I agree with ACC Staff that the WIFA required debt reserve can earn
8 approximately 5.60%, the earnings are not available to the Company to compute
9 debt service. At the end of the first year, the Debt Reserve will be approximately
10 \$14,000. The \$14,000 debt reserve fund multiplied by 5.60% (which will actually be
11 earned in the second year of the loan, not the first) is approximately \$785. I did not
12 include the \$785 as a part of the debt service. Instead, I included other income
13 (after operating income on the income statement) of \$711 as being available to
14 service debt.

15 WIFA Debt Service includes operating income plus depreciation and
16 amortization (the numerator) divided by debt service (principal and interest
17 payments on debt, and other payment obligations), or the divisor. Payments on
18 advances in aid of construction and meter deposit refunds are also included in the
19 debt service or divisor. Thus, I increased the advance in aid repayments in the ratio
20 of revenues on which the advance repayments were made to the proposed revenues
21 (excluding miscellaneous revenues and the CAP Hookup Fee Tariff) to derive the
22 advance in aid of construction repayments based on the proposed revenues.
23

1 While ACC Staff did not prepare a debt service schedule based on their
2 proposed rates. I did. The debt service would only be .96:1 based on Staff's
3 operating income and WIFA payments of approximately \$69,000 when combined
4 with the meter deposit refunds and advance in aid of construction payments are
5 included. The debt service of .96:1, also includes Staff's estimated revenues from
6 customer growth, which is approximately \$18,000 more than ACC Staff shows on
7 Schedule SSA-5.

8 By including the Staff's proposed CAP Hookup Tariff as revenue, rather
9 than as a CIAC, the Company can meet WIFA's debt service requirement.

10 ACC Staff proposed that none of the Company's proposed loans from share
11 owners be approved as debt. In a response to a Company data request, Staff replied
12 that debt cannot be used to finance operating losses. I will accept Staff's position on
13 funding operating losses with debt.

14 However, the share owners loans were needed to meet cash shortfalls for
15 both operating expenses and plant additions. The engineering charges of \$38,093
16 included in the Outside Services, which Staff capitalized to plant, and the
17 transportation equipment in the amount of \$20,247 were funded by share owners,
18 and were not operating losses. Thus, these share owner loans should be accorded
19 debt status. The total share owners loans which I propose should be treated as debt
20 is \$58,340. The \$58,340 will be amortized over twenty (20) years at a 10.25%
21 interest rate. The repayment of the \$58,340 loan is included in the debt service
22 schedules, which are attached as Schedule D-4-S. The balance of the proposed stock
23 owner loans will be treated as equity.

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I need to reiterate what I testified in the Company's direct filing. Vail Water Company has subsidized customers over the years by over \$1,100,000, via operating and net losses in providing service to customers. The Commission Staff now requests that Company provide \$293,000 further subsidization to customers. In the last rate case, \$50,000 of proposed debt was converted to equity. The unadjusted net loss in 1998 was \$141,410. The \$50,000 equity addition was made worthless by the continuing losses. The \$50,000 was just another subsidy to customers.

At some point, rates need to reflect actual costs to provide service to customers. If rates are correctly set in the instant case, the Company provided subsidization to customer will finally stop. Rates have to include the Company's proposed depreciation expense and the property taxes at proposed rates, or the Company will continue to operate at a loss. If the Commission does not include the depreciation rates on the new plant, or the property taxes at proposed rates in the Company's proposed Phase 1 and 2 rate increases, the Company's only option will be to pursue another rate case. The cost of the rate case will be passed on to customers. At cost of at least \$40,000 for the rate case, the cost per customer is \$1.30 per month. The \$40,000 combined with the \$60,000 spent on the last rate case results in a cost to customers of \$3.25 per month, if the both rate cases were amortized over a four year period.

- Q. What is the cost of the telephone fax line added at the water utility's office?
- A. The telephone fax line's annual cost is \$420. The telephone fax line is needed by the water utility office, and is in service.
- Q. How did you set the rate of return to derive the Company's proposed rates?

1 A. The rate of return was set based on debt service of 1.20:1. The loans from WIFA in
 2 the amount of \$352,522 and the share owners' loans of \$58,340 are included in the
 3 debt service computations for the phase 1 increase. The meter deposit refunds and
 4 repayments of advances in aid of construction are also included in the debt service
 5 computations for the Company's proposed Phase 1 rate increase.

6 In the Company's proposed Phase 2 rate increase, the WIFA loan is
 7 increased to \$819,000.

8 Q. What are the present rates?

9 A. The present rates are:

<u>Meter Size</u>	<u>Monthly Minimum</u>	<u>Gallons Included in Monthly Minimum</u>
14 5/8 x 3/4	\$14.40	0
15 3/4	14.40	0
16 1	19.00	0
17 1 1/2	25.00	0
18 2	46.00	0
19 3	67.50	0
20 4	100.00	0
21 6	280.00	0
22 Bulk Water	0.00	0.

1 Commodity charge per 1,000 gallons over the gallons included in the month

2 minimum is \$3.75. Bulk water per 1,000 gallons is \$3.75.

3 Q. What are the proposed phase 1 rates?

4 A. The proposed phase 1 rates are:

5			
6			Gallons
7	Meter	Monthly	Included
8	<u>Size</u>	<u>Minimum</u>	in
9			Monthly
10			<u>Minimum</u>
	5/8 x 3/4	\$20.00	0
	3/4	30.00	0
	1	50.00	0
	1 1/2	100.00	0
	2	160.00	0
	3	320.00	0
	4	500.00	0
	6	1,000.00	0
	Bulk Water	0.00	0.

17 Commodity charge per 1,000 gallons over the gallons included in the month

18 minimum is \$4.35. Bulk water per 1,000 gallons is \$4.35.

19 Q. How do the proposed phase 1 rates impact customers on a 5/8 x 3/4 inch meter who use
20 an average of 7,940 gallons per month?

21 A. The customer's bill will increase from \$44.18 to \$54.54, or \$10.36 per month. This
22 equates to an increase of approximately 23.50%.
23

1 Q. What are the proposed phase 2 rates?

2 A. The proposed phase 2 rates are:

<u>Meter Size</u>	<u>Monthly Minimum</u>	<u>Gallons Included in Monthly Minimum</u>
5/8 x 3/4	\$21.75	0
3/4	32.63	0
1	54.38	0
1 1/2	108.75	0
2	174.00	0
3	348.00	0
4	543.75	0
6	1,087.50	0
Bulk Water	0.00	0.

17 **Commodity charge per 1,000 gallons over the gallons included in the month**
18 **minimum is \$5.24. Bulk water per 1,000 gallons is \$5.24.**

19 Q. How do the proposed phase 2 rates impact customers on a 5/8 x 3/4 inch meter who use
20 an average of 7,940 gallons per month?

21 A. The customer's bill will increase from \$54.54 to \$63.36, or \$8.82 per month in the
22 Company's proposed phase 2 rate increase. This equates to an increase of
23 approximately 16.00%. The combined phase 1 and phase 2 increases result in bills

1 to customers increasing from \$44.18 to \$63.36, or an increase of \$19.18. This is an
2 increase of approximately 43%.

3 Q. How does the total of the phase 1 and phase 2 increase compare to what the Company
4 sought in its direct filing?

5 A. In the Company's direct filing the average bill for a customer on a 5/8 x 3/4 inch
6 meter would have increased from \$44.18 to \$84.87. The dollar increase would have
7 been \$40.69, while the percentage increase was approximately 92%. Thus, the
8 customer's bill under the Company's proposed phase 1 and phase 2 increases goes
9 up by \$19.18 compared to \$40.69 based on the Company's direct filing.

10 Q. How do the proposed phase 2 rates for a customer on a 5/8 x 3/4 meter using 7,940
11 compare to the ACC Staff proposed rates?

12 A. Staff's proposed rates would result in a bill of \$50.99, compared to the Company's
13 proposed bill of \$63.36.

14 Q. Do ACC Staff's proposed rates include the depreciation on the plant financed with the
15 WIFA loan?

16 A. No.

17 Q. Do rates under the Company's proposed phase 1 and 2 increases include depreciation,
18 property taxes at proposed rates, and sufficient operating income to qualify for the WIFA
19 loan?

20 A. Yes, they do.

21 Q. How is it possible to include the plant and the related depreciation and have an increase
22 of only \$12.37 (\$63.36-50.99) over the Staff's recommended rates?
23

1 A. The main reason the proposed rates are lower than the direct filing rates is due to
2 treating the ACC Staff's proposed CAP Hookup fee to new customers as revenues.

3 Additionally, I have included the ACC Staff expected customer additions to
4 pay the WIFA surcharge in the amount of approximately \$18,000 in the total
5 revenues on Rebuttal Schedule C-1.

6 Finally, the rates are lower than the rate proposed in the Company's direct
7 filing because the expenses as adjusted by Staff are substantially lower due to
8 capitalizing much of the engineering costs incurred during the test year.

9 Q. Does that conclude your rebuttal testimony?

10 A. Yes, it does.

11
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23

Vail Water Company / Phase 1 Increase
Index of Rebuttal Filing Schedules

Sch.
No.

- Exhibit A** Impact of Accounting for ACC Staff's CAP Hookup fee as a Contribution in Aid of Construction
- A-1 Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification
 - B-1 Schedule showing the elements of original cost rate bases.
 - B-2 Schedule listing pro forma adjustments to gross plant in service, accumulated depreciation, and Contributions in Aid of Contributions in Aid of Construction for the original cost rate base
 - B-3 Omitted - Original Cost Requested for Fair Value
 - B-4 Omitted - Original Cost Requested for Fair Value
 - B-5 Schedule showing the computation of working capital allowance.
 - C-1 Test year income statement, with pro forma adjustments.
 - C-2 Schedules showing the detail of all pro forma adjustments.
 - D-4-S** Debt Service
 - H-1 Comparison of revenues by customer classification or other classification of revenue for the test year, at present and proposed rates.
 - H-2 Comparison of revenues by class of service and by rate schedule for the test year at present and proposed rates
 - H-3 Comparison of present and proposed rates schedules.
 - H-4 Typical bill analysis.

Vail Water Company
 ACC Staff's Proposed CAP Hook up Fee
 Accounted for as Contributions in Aid of Construction
 Test Year Ended December 31, 1998

Exhibit A
 Page 1
 Witness: Kozmin

Year	Customer Additions	Cumulative Customer Additions	Customer CIAC	Prepaid Water Rights	Current CAP Costs	CAP Costs Recovered in Rates	Addition or Deduction from Prepaid Water Rights	Net CAP Costs Prepaid Water Rights -
				70,000				70,000
1	60	60	60,000		80,000	20,000		70,000
2	60	120	60,000		82,000	20,000	2,000	72,000
3	60	180	60,000		82,000	20,000	2,000	74,000
4	60	240	60,000		82,000	20,000	2,000	76,000
5	60	300	60,000		82,000	20,000	2,000	78,000
6	60	360	60,000		82,000	20,000	2,000	80,000
7	60	420	60,000		82,000	20,000	2,000	82,000
8	60	480	60,000		82,000	20,000	2,000	84,000
9	60	540	60,000		82,000	20,000	2,000	86,000
10	60	600	60,000		82,000	20,000	2,000	88,000
11	60	660	60,000		82,000	20,000	2,000	90,000
12	60	720	60,000		82,000	20,000	2,000	92,000
13	60	780	60,000		82,000	20,000	2,000	94,000
14	60	840	60,000		82,000	20,000	2,000	96,000
15	60	900	60,000		82,000	20,000	2,000	98,000
16	60	960	60,000		82,000	20,000	2,000	100,000
17	60	1,020	60,000		82,000	20,000	2,000	102,000
18	60	1,080	60,000		82,000	20,000	2,000	104,000
19	60	1,140	60,000		82,000	20,000	2,000	106,000
20	60	1,200	60,000		82,000	20,000	2,000	108,000
21	60	1,260	60,000		82,000	20,000	2,000	110,000
22	60	1,320	60,000		82,000	20,000	2,000	112,000
23	60	1,380	60,000		82,000	20,000	2,000	114,000
24	60	1,440	60,000		82,000	20,000	2,000	116,000
25	60	1,500	60,000		82,000	20,000	2,000	118,000
26	60	1,560	60,000		82,000	20,000	2,000	120,000
27	60	1,620	60,000		82,000	20,000	2,000	122,000
28	60	1,680	60,000		82,000	20,000	2,000	124,000
29	60	1,740	60,000		82,000	20,000	2,000	126,000
30	60	1,800	60,000		82,000	20,000	2,000	128,000
31	60	1,860	60,000		82,000	20,000	2,000	130,000
32	60	1,920	60,000		82,000	20,000	2,000	132,000
33	60	1,980	60,000		82,000	20,000	2,000	134,000
34	60	2,040	60,000		82,000	20,000	2,000	136,000
35	60	2,100	60,000		82,000	20,000	2,000	138,000
36	60	2,160	60,000		82,000	20,000	2,000	140,000
37	60	2,220	60,000		82,000	20,000	2,000	142,000
38	60	2,280	60,000		82,000	20,000	2,000	144,000
39	60	2,340	60,000		82,000	20,000	2,000	146,000
40	60	2,400	60,000		82,000	20,000	2,000	148,000
41	60	2,460	60,000		82,000	20,000	2,000	150,000
42	60	2,520	60,000		82,000	20,000	2,000	152,000
43	60	2,580	60,000		82,000	20,000	2,000	154,000
44	60	2,640	60,000		82,000	20,000	2,000	156,000
45	60	2,700	60,000		82,000	20,000	2,000	158,000
46	60	2,760	60,000		82,000	20,000	2,000	160,000
47	60	2,820	60,000		82,000	20,000	2,000	162,000
48	60	2,880	60,000		82,000	20,000	2,000	164,000
49	60	2,940	60,000		82,000	20,000	2,000	166,000
50	60	3,000	60,000		82,000	20,000	2,000	168,000
51	60	3,060	60,000		82,000	20,000	2,000	170,000
52	60	3,120	60,000		82,000	20,000	2,000	172,000
53	60	3,180	60,000		82,000	20,000	2,000	174,000

va-l Water Company
 ACC Staff's Proposed CAP Hook-up Fee
 Accounted for as Contributions in Aid of Construction
 Test year Ended December 31, 1998

Exhibit A
 Page 2
 Witness Kozjma

Year	Customer Additions	Cumulative Customer Additions	Customer CIAC	Prepaid Water Rights 70,000	Current CAP Costs	CAP Costs Recovered in Rates	Addition or Deduction from Prepaid Water Rights	Net CAP Costs Prepaid Water Rights +
1	50	50	50,000		80,000	20,000	10,000	80,000
2	50	100	50,000		82,000	20,000	12,000	92,000
3	50	150	50,000		82,000	20,000	12,000	104,000
4	50	200	50,000		82,000	20,000	12,000	116,000
5	50	250	50,000		82,000	20,000	12,000	128,000
6	50	300	50,000		82,000	20,000	12,000	140,000
7	50	350	50,000		82,000	20,000	12,000	152,000
8	50	400	50,000		82,000	20,000	12,000	164,000
9	50	450	50,000		82,000	20,000	12,000	176,000
10	50	500	50,000		82,000	20,000	12,000	188,000
11	50	550	50,000		82,000	20,000	12,000	200,000
12	50	600	50,000		82,000	20,000	12,000	212,000
13	50	650	50,000		82,000	20,000	12,000	224,000
14	50	700	50,000		82,000	20,000	12,000	236,000
15	50	750	50,000		82,000	20,000	12,000	248,000
16	50	800	50,000		82,000	20,000	12,000	260,000
17	50	850	50,000		82,000	20,000	12,000	272,000
18	50	900	50,000		82,000	20,000	12,000	284,000
19	50	950	50,000		82,000	20,000	12,000	296,000
20	50	1,000	50,000		82,000	20,000	12,000	308,000
21	50	1,050	50,000		82,000	20,000	12,000	320,000
22	50	1,100	50,000		82,000	20,000	12,000	332,000
23	50	1,150	50,000		82,000	20,000	12,000	344,000
24	50	1,200	50,000		82,000	20,000	12,000	356,000
25	50	1,250	50,000		82,000	20,000	12,000	368,000
26	50	1,300	50,000		82,000	20,000	12,000	380,000
27	50	1,350	50,000		82,000	20,000	12,000	392,000
28	50	1,400	50,000		82,000	20,000	12,000	404,000
29	50	1,450	50,000		82,000	20,000	12,000	416,000
30	50	1,500	50,000		82,000	20,000	12,000	428,000
31	50	1,550	50,000		82,000	20,000	12,000	440,000
32	50	1,600	50,000		82,000	20,000	12,000	452,000
33	50	1,650	50,000		82,000	20,000	12,000	464,000
34	50	1,700	50,000		82,000	20,000	12,000	476,000
35	50	1,750	50,000		82,000	20,000	12,000	488,000
36	50	1,800	50,000		82,000	20,000	12,000	500,000
37	50	1,850	50,000		82,000	20,000	12,000	512,000
38	50	1,900	50,000		82,000	20,000	12,000	524,000
39	50	1,950	50,000		82,000	20,000	12,000	536,000
40	50	2,000	50,000		82,000	20,000	12,000	548,000
41	50	2,050	50,000		82,000	20,000	12,000	560,000
42	50	2,100	50,000		82,000	20,000	12,000	572,000
43	50	2,150	50,000		82,000	20,000	12,000	584,000
44	50	2,200	50,000		82,000	20,000	12,000	596,000
45	50	2,250	50,000		82,000	20,000	12,000	608,000
46	50	2,300	50,000		82,000	20,000	12,000	620,000
47	50	2,350	50,000		82,000	20,000	12,000	632,000
48	50	2,400	50,000		82,000	20,000	12,000	644,000
49	50	2,450	50,000		82,000	20,000	12,000	656,000
50	50	2,500	50,000		82,000	20,000	12,000	668,000
51	50	2,550	50,000		82,000	20,000	12,000	680,000
52	50	2,600	50,000		82,000	20,000	12,000	692,000
53	50	2,650	50,000		82,000	20,000	12,000	704,000

Vail Water Company
 ACC Staff's Proposed CAP Hook-up Fee
 Accounted for as Contributions in Aid of Construction
 Test Year Ended December 31, 1998

Exhibit A
 Page 3
 Witness: Kozomar

Year	Customer Additions	Cumulative Customer Additions	Customer CIAC	Prepaid Water Rights	Current CAP Costs	CAP Costs Recovered in Rates	Addition or Deduction from Prepaid Water Rights	Net CAP Costs Prepaid Water Rights +
1	80	80	80,000	70,000	80,000	20,000	(20,000)	50,000
2	80	160	80,000		82,000	20,000	(18,000)	32,000
3	80	240	80,000		82,000	20,000	(18,000)	14,000
4	80	320	80,000		82,000	20,000	(18,000)	(4,000)
5	80	400	80,000		82,000	20,000	(18,000)	(22,000)
6	80	480	80,000		82,000	20,000	(18,000)	(40,000)
7	80	560	80,000		82,000	20,000	(18,000)	(58,000)
8	80	640	80,000		82,000	20,000	(18,000)	(76,000)
9	80	720	80,000		82,000	20,000	(18,000)	(94,000)
10	80	800	80,000		82,000	20,000	(18,000)	(112,000)
11	80	880	80,000		82,000	20,000	(18,000)	(130,000)
12	80	960	80,000		82,000	20,000	(18,000)	(148,000)
13	80	1,040	80,000		82,000	20,000	(18,000)	(166,000)
14	80	1,120	80,000		82,000	20,000	(18,000)	(184,000)
15	80	1,200	80,000		82,000	20,000	(18,000)	(202,000)
16	80	1,280	80,000		82,000	20,000	(18,000)	(220,000)
17	80	1,360	80,000		82,000	20,000	(18,000)	(238,000)
18	80	1,440	80,000		82,000	20,000	(18,000)	(256,000)
19	80	1,520	80,000		82,000	20,000	(18,000)	(274,000)
20	80	1,600	80,000		82,000	20,000	(18,000)	(292,000)
21	80	1,680	80,000		82,000	20,000	(18,000)	(310,000)
22	80	1,760	80,000		82,000	20,000	(18,000)	(328,000)
23	80	1,840	80,000		82,000	20,000	(18,000)	(346,000)
24	80	1,920	80,000		82,000	20,000	(18,000)	(364,000)
25	80	2,000	80,000		82,000	20,000	(18,000)	(382,000)
26	80	2,080	80,000		82,000	20,000	(18,000)	(400,000)
27	80	2,160	80,000		82,000	20,000	(18,000)	(418,000)
28	80	2,240	80,000		82,000	20,000	(18,000)	(436,000)
29	80	2,320	80,000		82,000	20,000	(18,000)	(454,000)
30	80	2,400	80,000		82,000	20,000	(18,000)	(472,000)
31	80	2,480	80,000		82,000	20,000	(18,000)	(490,000)
32	80	2,560	80,000		82,000	20,000	(18,000)	(508,000)
33	80	2,640	80,000		82,000	20,000	(18,000)	(526,000)
34	80	2,720	80,000		82,000	20,000	(18,000)	(544,000)
35	80	2,800	80,000		82,000	20,000	(18,000)	(562,000)
36	80	2,880	80,000		82,000	20,000	(18,000)	(580,000)
37	80	2,960	80,000		82,000	20,000	(18,000)	(598,000)
38	80	3,040	80,000		82,000	20,000	(18,000)	(616,000)
39		3,040			82,000	20,000	62,000	(554,000)
40		3,040			82,000	20,000	62,000	(492,000)
41		3,040			82,000	20,000	62,000	(430,000)
42		3,040			82,000	20,000	62,000	(368,000)
43		3,040			82,000	20,000	62,000	(306,000)
44		3,040			82,000	20,000	62,000	(244,000)
45		3,040			82,000	20,000	62,000	(182,000)
46		3,040			82,000	20,000	62,000	(120,000)
47		3,040			82,000	20,000	62,000	(58,000)
48		3,040			82,000	20,000	62,000	4,000
49		3,040			82,000	20,000	62,000	66,000
50		3,040			82,000	20,000	62,000	128,000
51		3,040			82,000	20,000	62,000	190,000
52		3,040			82,000	20,000	62,000	252,000
53		3,040			82,000	20,000	62,000	314,000

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Computation of Increase in Gross Revenue Requirements
 As Adjusted

EXHIBIT
 REBUTTAL SCHEDULE A-1
 PAGE 1
 WITNESS: Kozoman

Line No.	Original Cost					
1	Adjusted Rate Base	\$564,868				
2						
3	Adjusted Operating Income	(\$128,475)				
4						
5	Current Rate of Return	-22.74%				
6						
7	Required Operating Income	\$40,251				
8	(From Schedule C-1, Line 33) to Produce					
9	a Required Debt Service Coverage of	1.20				
10	(Debt Service From Schedule					
11	D-4-S, Page 2, Line 25)					
12						
13						
14	Operating Income Deficiency	\$168,726				
15						
16	Gross Revenue Conversion Factor	1				
17						
18	Increase in Gross Revenue Requirement	\$168,726				
19	Requirement					
20						
21						
22						
23	<u>Customer and/or Meter Classification</u>	<u>Present Rates</u>	<u>Phase 1 Proposed Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>% of Total Increase</u>
24	From Customers on:					
25	5/8 x 3/4 Inch Meters:	\$311,752	\$384,892	\$73,140	23.46%	43.35%
26	1 Inch Meters	\$2,971	\$4,760	\$1,789	60.24%	1.06%
27	2 Inch Meters	\$1,700	\$3,251	\$1,552	91.30%	0.92%
28	6 Inch Meters	\$3,390	\$12,035	\$8,645	255.01%	5.12%
29	Standpipe					0.00%
30	Revenue Annualization 5/8 x 3/4" Meters	23,344	28,895	5,551	23.78%	3.29%
31	Miscellaneous Revenues	3,341	3,341	0		
32	<u>ACC Staff Estimated Customer Growth for:</u>					
33	WIFA Surcharge		18,049	18,049	N/A	10.70%
34	CAP Purchased Water		60,000	60,000	N/A	35.56%
35						
36	Total Revenues	\$346,497	\$515,223	\$168,726	48.69%	100.00%
37	Rates Charged Existing Customers	\$346,497	\$437,174	\$90,677	26.17%	

Vail Water Company / Phase 1 Increase
Test Year Ended December 31, 1998
Summary of Original Cost
Rate Base Elements

EXHIBIT
REBUTTAL SCHEDULE B-1
PAGE 1
WITNESS: Kozoman

Line No.		Original Cost Rate Base
1	Gross Utility Plant in Service	\$2,512,952
2		
3	Less: Accumulated Depreciation	500,987
4		
5	Net Utility Plant in Service	\$2,011,965
6		
7		
8	Less:	
9	Customer Advances for	
10	Construction	1,341,985
11	Meter Deposits	37,895
12	Contributions in Aid of	
13	Construction - Net of Amortization	183,005
14	Deferred Income Taxes	
15	Deferred Investment Tax	
16	Taxes	
17		
18	Add:	
19	Prepaid Water Rights	70,188
20	WIFA Reserve Fund	6,036
21	Allowance for Working Capital	39,564
22		
23	Total Rate Base	<u>\$564,868</u>
24		

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Original Cost Rate Base
 Proforma Adjustments

EXHIBIT
 REBUTTAL SCHEDULE B-2
 PAGE 1
 WITNESS: Kozolman

Line No.	Actual at end of Test Year	Company Adjusted at end of Test Year	ACC Staff Adjustments	Staff Adjusted	Company Rebuttal Adjustments	Company Rebuttal Adjustments Labels	Company Rebuttal Adjusted
1							
2	2,069,497	2,967,388	(827,205)	2,140,183	372,769	(1)	2,512,952
3							
4							
5							
6	789,095	506,760	(5,773)	500,987			500,987
7							
8	1,280,402	2,460,628	(821,432)	1,639,196	372,769		2,011,965
9							
10							
11	1,355,735	1,320,085	21,900	1,341,985			1,341,985
12							
13							
14	37,895	37,895		37,895			37,895
15							
16							
17	359,686						
18	(176,823)						
19		182,863	142	183,005			183,005
20							
21	73,882	70,188	(70,188)	(0)	70,188	(2)	70,188
22		13,870	(13,870)	0			
23							
24 (1)							
25 (2)							

Chlorination on Well No. 6 \$33,016, plus Transportation Equipment \$20,247
 Add back Prepaid Water Rights

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 WIFA Construction Loan Projects

Exhibit
 Rebuttal Schedule B-2
 Page 2
 Witness: Kozoman

Line No.	Estimated Cost	(a) Contingency Estimate	Final Cost	Estimated Completion Date	Construction
1	\$ 31,000	\$ 2,016	\$ 33,016	6/15/00	Phase 1
2	300,000	19,506	319,506	7/15/00	Phase 1
3	161,000	10,468	171,468	1/15/01	Phase 2
4	192,000	12,484	204,484	1/15/01	Phase 2
5	85,000	5,527	90,527	3/15/01	Phase 2
6	\$ 769,000	\$ 50,000	\$ 819,000		
7					
8					
9					

6.520%

(a) Contingency Estimate

Vail Water Company / Phase 1 Increase
Test Year Ended December 31, 1998
Computation of Working Capital

EXHIBIT
REBUTTAL SCHEDULE B-5
PAGE 1
WITNESS: Kozoman

Line

No.

1	Cash Working Capital (1/8 of Allowance	
2	Operation and Maintenance Expense)	
3	Pumping Power (1/24 of Pumping	\$31,266
4	Power Expense)	
5	Material and Supplies Inventories	3,781
6	Prepayments (Liability Insurance)	
7		<u>4,517</u>
8	Total Working Capital Allowance	<u><u>\$39,564</u></u>
9		
10		

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Statement of Revenues and Expense

With Chlorination of Well # 6 and 12 Inch Main Interconnect

Exhibit
 Rebuttal Schedule C-1
 Page 1
 Witness: Kozoman

Line No.	Adjusted Test Year	ACC Staff Adjustments Accepted by Company	ACC Staff Adjustment Label	ACC Staff Adjusted As Accepted by Company	Company Proposed Rebuttal Adjustments	Company Rebuttal Adjustment Label	Company Rebuttal Adjusted	Company Proposed Increase	Company Rebuttal with Proposed Increase
1	Operating Revenues:								
2	From Customers on: / Modification of needed rates		A	\$317,012			\$317,012	85,126	402,138
3	Metered Water Sales			3,341			3,341	60,000	3,341
4	Miscellaneous Revenues								
5	CAP Hookup Tariff								
6	ACC Staff Customer Growth for WIFA Surcharge								
7	Proforma Revenue Annualization			23,344			23,344	18,049	18,049
8	Total Revenues			\$343,697			\$343,697	\$168,726	\$512,424
9	Increase Percent = 31.634%								
10	Operating Expenses:								
11	Salaries	\$73,465	B	\$4,536			\$78,001		78,001
12	Purchased CAP Water	84,888					84,888		84,888
13	CAP Recharge Expense	(3,930)	C	(955)			(3,930)		(3,930)
14	Purchased Pumping Power	43,307	D				42,352		42,352
15	Water Testing	1,189	E	2,473			3,662		3,662
16	Water Treatment	874					874		874
17	Repairs and Maintenance	6,974	F	252			7,226		7,226
18	Office Supplies	19,468	G	703			20,171		20,171
19	Outside Services	123,384	H	(39,800)			83,584		83,584
20	Rate Case Expense	25,000	I	(5,000)			20,000		20,000
21	Rents	6,000					6,000		6,000
22	Transportation Expense	3,600	J	(874)			3,600		3,600
23	General Insurance	14,425	K	(118)			13,551		13,551
24	Health & Life Insurance	6,062	L	(7,209)			5,944		5,944
25	Misc. Operating Expenses	14,308	M		420	(4)	7,519		7,519
26	Property Tax	27,389	N		8,235	(3)	35,625		35,625
27	Depreciation	70,879			(11,467)	(1)	59,411		59,411
28	Amortization of Prepaid Water Rights	3,694					3,694		3,694
29	Total Operating Expenses	\$520,976		(\$45,992)	(\$2,811)		\$474,984		\$472,173
30	Operating Income	(\$177,278)	O	\$45,992	\$2,811	(2)	(\$128,475)		\$40,251
31	Interest Expense	76,811			(47,538)		29,273		29,273
32	Other Income	711					711		711
33	Net Income	(\$253,378)		(\$207,386)	\$50,350		(\$157,037)		\$11,590

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense

EXHIBIT
 REBUTTAL SCHEDULE C 2
 PAGE 1
 WITNESS: KOZOMAN

Line No		Adjustment Number					Subtotal
		1	2	3	4	5	
1	Revenues						\$0
2							
3	Expenses	(11,467)		8,236	420		(2,811)
4							
5	Operating						
6	Income	11,467	0	(8,236)	(420)	0	2,811
7							
8	Interest						
9	Expense		(47,538)				(47,538)
10	Other						
11	Income						0
12							
13							
14	Net Income	\$11,467	\$47,538	(\$8,236)	(\$420)	\$0	\$50,350
15							
16							
17							
18		Adjustment Number					Subtotal
19		6	7	8	9	10	
20	Revenues						\$0
21							
22	Expenses						(2,811)
23							
24	Operating						
25	Income	0	0	0	0	0	2,811
26							
27	Interest						
28	Expense						(47,538)
29	Other						
30	Income						0

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 1

EXHIBIT
 REBUTTAL SCHEDULE C-2
 PAGE 2
 WITNESS: KOZOMAN

Line No.	Plant Description	Company Plant Amount	ACC. Staff Adjustments	Company Rebuttal Phase 1 Plant Adds	Total Plant Adjusted	(a) Depreciation Rate	Depreciation Expense
1	Land and Land Rights	3,500			3,500	0.00%	
2	Structures & Improvements	61,770	428		62,198	2.80%	1,742
3	Wells & Springs	145,736	9,710		155,446	3.20%	4,974
4	Electric Pumping Equipment	289,392	6,289		295,681	3.60%	10,645
5	Water Treatment Plant	0		33,016	33,016	3.60%	1,189
6	Distribution Reservoirs	118,072			118,072	2.00%	2,361
7	Trans. and Distribution Lines	1,405,829	7,337	78,891	1,492,057	2.00%	29,841
8	Trans. and Distribution Lines	15,376		319,506	319,506	3.30%	10,544
9	Water Meters	105,685	89		105,774	3.30%	507
10	Office Furniture and Equipment	4,039	2,701		6,740	3.60%	3,808
11	Transportation Equipment	32,900	1,007	20,247	54,154	6.80%	458
12	Tools and Work Equipment		827		827	13.30%	7,202
13	ACC. Staff's 1983 Adjustment to Plant	(149,395)			(149,395)	7.70%	64
14	Construction Work in Progress 1996	36,593	(36,593)		0	2.74%	(4,086)
15	Construction Work in Progress 1998	78,891		(78,891)	0		0
16	WIFA Loan Improvements	819,000	(819,000)		0		0
17	Totals	2,967,388	(827,205)	372,769	2,512,952		69,249
18	Amortization of Contribution in Aid of Construction	359,686	Composite Depreciation Rate >			2.74%	(9,838)
19	Adjusted Depreciation Expense / Rebuttal Filing						59,411
20	Adjusted Depreciation Expense / Direct Filing						70,879
21	Adjustment to Depreciation Expense						(11,467)
22	Adjustment to Revenue and/or Expense						(11,467)
23	Composite Depreciation Rate computed as Depreciation Expense (excluding 1983 ACC Staff Adjustment to Plant) divided by Depreciable Plant (excluding Land and 1983 ACC Staff Adjustment to Plant)				2,360,057	2.74%	64,549
24	(a) Depreciation Rates from NARUC 1979 Study, which was used in 1996 Rate Case						

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 2

EXHIBIT
 REBUTTAL SCHEDULE C-2
 PAGE 3
 WITNESS: KOZOMAN

Line No.					
1	WIFA Loan Phase 1				
2	Interest On WIFA Loan:				
3					
4					WIFA
5	WIFA Financing				<u>Loan</u>
6	Repayment Term:				\$352,522
7	Years				20
8	Months				240
9	Interest On Notes Payable:				
10	Annual, 75% of Existing Rate of 7.93%:				5.9475%
11	Monthly				0.49563%
12	Annuity Factor for Payments				140.172714
13	Monthly Payments				2,514.91
14					
15	WIFA Notes Payable:				<u>Balance</u>
16	<u>Month</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>\$352,522</u>
17	1	\$2,514.91	\$1,747.19	\$767.72	351,754.28
18	2	2,514.91	1,743.38	771.53	350,982.75
19	3	2,514.91	1,739.56	775.35	350,207.39
20	4	2,514.91	1,735.72	779.20	349,428.20
21	5	2,514.91	1,731.85	783.06	348,645.14
22	6	2,514.91	1,727.97	786.94	347,858.20
23	7	2,514.91	1,724.07	790.84	347,067.36
24	8	2,514.91	1,720.15	794.76	346,272.60
25	9	2,514.91	1,716.21	798.70	345,473.90
26	10	2,514.91	1,712.26	802.66	344,671.25
27	11	2,514.91	1,708.28	806.63	343,864.61
28	12	2,514.91	1,704.28	810.63	343,053.98
29	Totals	<u>\$30,173.94</u>	<u>\$20,710.92</u>	<u>\$9,468.02</u>	
30	Add WIFA Reserve Fund Payment				
31		<u>\$6,035.79</u>			
32	Total WIFA Payments				
33		<u>\$36,214.73</u>			
34					
35	Interest Expense on WIFA Loan / Phase 1				<u>20,711</u>
36					

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 2

EXHIBIT
 REBUTTAL SCHEDULE C-2
 PAGE 3a
 WITNESS: KOZOMAN

Line No.					
1	Interest On Notes Payable:				
2					
3				Notes	
4				<u>Payable</u>	
5	Total Short-Term Notes Payables				
6	to be converted to Long-Term Debt			\$58,340	
7	Shareowner Loans to Finance Plant				
8	(ACC Staff Capitalized Outside Services & Vehicle)				
9	Repayment Term:				
10	Years			20	
11	Months			240	
12	Interest On Notes Payable:				
13	Annual			10.2500%	
14	Monthly			0.85417%	
15	Annuity Factor for Payments			101.869988	
16	Monthly Payments			572.69	
17					
18	Shareowner Notes Payable:				<u>Balance</u>
19	<u>Month</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	\$58,340.00
20	1	\$572.69	\$498.32	\$74.37	58,265.63
21	2	572.69	497.69	75.01	58,190.62
22	3	572.69	497.04	75.65	58,114.98
23	4	572.69	496.40	76.29	58,038.69
24	5	572.69	495.75	76.94	57,961.74
25	6	572.69	495.09	77.60	57,884.14
26	7	572.69	494.43	78.26	57,805.88
27	8	572.69	493.76	78.93	57,726.95
28	9	572.69	493.08	79.61	57,647.34
29	10	572.69	492.40	80.29	57,567.05
30	11	572.69	491.72	80.97	57,486.08
31	12	572.69	491.03	81.66	57,404.42
32	Totals	<u>6,872</u>	<u>5,937</u>	<u>936</u>	
33					
34	Interest Expense on WIFA Loan				20,711
35	Interest Expense on Shareowner Loan				5,937
36	Actual Interest Expense before WIFA & Shareowner Loans				<u>2,625</u>
37	Total Adjusted Interest Expense / Phase 1				23,273
38	Adjusted Test Year Expense - Direct Filing				76,811
39	Adjusted To Interest Expense				<u>(47,538)</u>
40					
41	Adjustment to Revenue and/or Expense				<u>(47,538)</u>
42					
43	Total Payments:				
44	WIFA Loan and Debt Reserve				\$36,215
45	Shareowner Loan				6,872
46	Actual Test Year Interest				<u>2,625</u>
47	Total Annual Payments				<u>\$45,712</u>

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 3

EXHIBIT
 REBUTTAL SCHEDULE C 2
 PAGE 4
 WITNESS: KOZOMAN

Line
 No.

Property Taxes at Proposed Rates:

	Tax at 65% of Proposed Revenue & Plant	Tax at 100% of Proposed Revenue & Plant
7 Revenues - Annualized - Proposed Rates	453,370	512,424
8 Two Times Revenue	906,739	1,024,847
10 Gross Plant	2,512,952	2,512,952
11 Less: Accumulated Depreciation	500,987	500,987
12 Net Plant or Book Value	2,011,965	2,011,965
14 Revenue / Net Plant = Utilization Factor	22.53%	25.47%
16 Department of Revenue Factor for Plant	45%	60%
17 Two Times Revenue without sales tax	906,739	1,024,847
18 Net Plant Times Utilization Factor, (L11 x L15) plus materials & supplies of:	905,384	1,207,179
19 Correlated Value, assuming 50% of plant and 50% of revenue ((L16 + L17) / 2)	906,062	1,116,013
20 CWIP at 35%	0	0
21 Transportation Equipment Deduction	19,526	24,050
22 Full Cash Value (L18 + L19 + L20)	886,536	1,091,963
23 Times Assessment Ratio	25.00%	25.00%
24 Assessed Value (L21 x L22)	221,634	272,991
25 Property Tax Rate (From Schedule C-2, Page 4d, Line 7)	14.953%	14.953%
26 Subtotal of Computed Property Tax (L23 x L 24)	\$33,141	\$40,821
27 Number of Years Property Tax Expense will be in effect:	1	3
28 Subtotal Property Taxes over Next Four Years (L25 x L26)	\$33,141	\$122,462
29 Add Property Tax on Parcels	118	118
30 Average Property Taxes Per Year for the Next Four (4) Years	\$33,259	\$122,580
31 ((L29 Col. 1 + L29 Col. 2) / 4)		\$38,960
32 Less: Maximum Margin of Error		(3,335)
33 Property Taxes at Proposed Rates in Company's Rebuttal Filing		\$35,625
34 Less: Adjusted Property Tax Expense in Company's Direct Filing		27,389
35 Increase (Decrease) in Property Taxes		\$8,236
36		
37 Adjustment to Revenues and/or Expenses		\$8,236

EXHIBIT
REBUTTAL SCHEDULE C 2
PAGE 4a
WITNESS KOZOMAN

Vail Water Company / Phase 1 Increase
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year Ended December 31, 1998
Using Company's Proposed Revenues and Net Plant

Line No.	1,024,847 Revenue	Percentage of Plant	1,207,179 Plant	Dollar amount of Revenue	Correl ated Value	Remove Transport Equipment	Full Cash Value	Assessed Value	25.00% Property Tax Expense	(a) 14.9531% Property Tax Expense	Property Tax with Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax
1	100%	0%	0	1,024,847	1,024,847	(22,085)	1,002,762	250,691	37,604	40,939	3,335	0.49%	8.15%
2	99%	1%	12,072	1,014,599	1,026,671	(22,125)	1,004,546	251,137	37,671	40,939	3,268	0.48%	7.98%
3	98%	2%	24,144	1,004,351	1,028,434	(22,164)	1,006,330	251,583	37,738	40,939	3,201	0.47%	7.82%
4	97%	3%	36,215	994,102	1,030,317	(22,203)	1,008,114	252,029	37,804	40,939	3,135	0.46%	7.66%
5	96%	4%	48,287	983,854	1,032,141	(22,243)	1,009,898	252,475	37,871	40,939	3,068	0.45%	7.49%
6	95%	5%	60,359	973,605	1,033,964	(22,282)	1,011,682	252,921	37,938	40,939	3,001	0.44%	7.33%
7	94%	6%	72,431	963,357	1,035,787	(22,321)	1,013,466	253,367	38,004	40,939	2,934	0.43%	7.17%
8	93%	7%	84,503	953,108	1,037,611	(22,360)	1,015,250	253,813	38,071	40,939	2,868	0.42%	7.00%
9	92%	8%	96,574	942,860	1,039,434	(22,400)	1,017,034	254,259	38,138	40,939	2,801	0.41%	6.84%
10	91%	9%	108,646	932,611	1,041,257	(22,439)	1,018,818	254,705	38,204	40,939	2,734	0.40%	6.68%
11	90%	10%	120,718	922,363	1,043,081	(22,478)	1,020,602	255,151	38,271	40,939	2,668	0.39%	6.52%
12	89%	11%	132,790	912,114	1,044,904	(22,518)	1,022,386	255,597	38,338	40,939	2,601	0.38%	6.35%
13	88%	12%	144,861	901,866	1,046,727	(22,557)	1,024,170	256,043	38,404	40,939	2,534	0.37%	6.19%
14	87%	13%	156,933	891,617	1,048,551	(22,596)	1,025,954	256,489	38,471	40,939	2,468	0.36%	6.03%
15	86%	14%	169,005	881,369	1,050,374	(22,636)	1,027,738	256,935	38,538	40,939	2,401	0.35%	5.86%
16	85%	15%	181,077	871,120	1,052,197	(22,675)	1,029,522	257,381	38,605	40,939	2,334	0.34%	5.70%
17	84%	16%	193,149	860,872	1,054,020	(22,714)	1,031,306	257,827	38,671	40,939	2,268	0.33%	5.54%
18	83%	17%	205,220	850,623	1,055,844	(22,753)	1,033,090	258,273	38,738	40,939	2,201	0.32%	5.38%
19	82%	18%	217,292	840,375	1,057,667	(22,793)	1,034,874	258,719	38,805	40,939	2,134	0.31%	5.21%
20	81%	19%	229,364	830,126	1,059,490	(22,832)	1,036,658	259,165	38,871	40,939	2,067	0.30%	5.05%
21	80%	20%	241,436	819,878	1,061,314	(22,871)	1,038,442	259,611	38,938	40,939	2,001	0.29%	4.89%
22	79%	21%	253,508	809,630	1,063,137	(22,911)	1,040,227	260,057	39,005	40,939	1,934	0.28%	4.72%
23	78%	22%	265,579	799,381	1,064,960	(22,950)	1,042,011	260,503	39,071	40,939	1,867	0.27%	4.56%
24	77%	23%	277,651	789,133	1,066,784	(22,989)	1,043,795	260,949	39,138	40,939	1,801	0.26%	4.40%
25	76%	24%	289,723	778,884	1,068,607	(23,028)	1,045,579	261,395	39,205	40,939	1,734	0.25%	4.24%
26	75%	25%	301,795	768,636	1,070,430	(23,068)	1,047,363	261,841	39,271	40,939	1,667	0.24%	4.07%
27	74%	26%	313,867	758,387	1,072,254	(23,107)	1,049,147	262,287	39,338	40,939	1,601	0.23%	3.91%
28	73%	27%	325,938	748,139	1,074,077	(23,146)	1,050,931	262,733	39,405	40,939	1,534	0.22%	3.75%
29	72%	28%	338,010	737,890	1,075,900	(23,186)	1,052,715	263,179	39,472	40,939	1,467	0.21%	3.58%
30	71%	29%	350,082	727,642	1,077,724	(23,225)	1,054,499	263,625	39,538	40,939	1,401	0.20%	3.42%
31	70%	30%	362,154	717,393	1,079,547	(23,264)	1,056,283	264,071	39,605	40,939	1,334	0.19%	3.26%
32	69%	31%	374,225	707,145	1,081,370	(23,303)	1,058,067	264,517	39,672	40,939	1,267	0.18%	3.10%
33	68%	32%	386,297	696,896	1,083,194	(23,343)	1,059,851	264,963	39,738	40,939	1,200	0.17%	2.93%
34	67%	33%	398,369	686,648	1,085,017	(23,382)	1,061,635	265,409	39,805	40,939	1,134	0.16%	2.77%
35	66%	34%	410,441	676,399	1,086,840	(23,421)	1,063,419	265,855	39,872	40,939	1,067	0.15%	2.61%

Includes \$118.24 tax on Parcels

EXHIBIT
REBUTTAL SCHEDULE C-2
PAGE 4b
WITNESS: KOZOMAN

Vail Water Company / Phase 1 Increase
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year Ended December 31, 1998
Using Company's Proposed Revenues and Net Plant

Line No.	1,024,847	Percentage of Revenue	1,207,179	Plant	Dollar amount of Revenue	Plant	Correlated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed Value Percent	14.9531% Property Tax Expense	(a) Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax	
1		65%		35%	666,151	422,513	1,088,663	(23,461)	1,065,203	266,301	39,938	40,939	1,000	0.15%	2.44%
2		64%		36%	555,902	434,584	1,090,487	(23,500)	1,066,987	266,747	40,005	40,939	934	0.14%	2.28%
3		63%		37%	645,654	446,656	1,092,310	(23,539)	1,068,771	267,193	40,072	40,939	867	0.13%	2.12%
4		62%		38%	635,405	458,728	1,094,133	(23,579)	1,070,555	267,639	40,138	40,939	800	0.12%	1.95%
5		61%		39%	625,157	470,800	1,095,957	(23,618)	1,072,339	268,085	40,205	40,939	734	0.11%	1.79%
6		60%		40%	614,908	482,872	1,097,780	(23,657)	1,074,123	268,531	40,272	40,939	667	0.10%	1.63%
7		59%		41%	604,660	494,943	1,099,603	(23,696)	1,075,907	268,977	40,339	40,939	600	0.09%	1.47%
8		58%		42%	594,412	507,015	1,101,427	(23,736)	1,077,691	269,423	40,405	40,939	534	0.08%	1.30%
9		57%		43%	584,163	519,087	1,103,250	(23,775)	1,079,475	269,869	40,472	40,939	467	0.07%	1.14%
10		56%		44%	573,915	531,159	1,105,073	(23,814)	1,081,259	270,315	40,539	40,939	400	0.06%	0.98%
11		55%		45%	563,666	543,230	1,106,897	(23,854)	1,083,043	270,761	40,605	40,939	333	0.05%	0.81%
12		54%		46%	553,418	555,302	1,108,720	(23,893)	1,084,827	271,207	40,672	40,939	267	0.04%	0.65%
13		53%		47%	543,169	567,374	1,110,543	(23,932)	1,086,611	271,653	40,739	40,939	200	0.03%	0.49%
14		52%		48%	532,921	579,446	1,112,367	(23,971)	1,088,395	272,099	40,805	40,939	133	0.02%	0.33%
15		51%		49%	522,672	591,518	1,114,190	(24,011)	1,090,179	272,545	40,872	40,939	67	0.01%	0.16%
16		50%		50%	512,424	603,589	1,116,013	(24,050)	1,091,963	272,991	40,939	40,939	0	0.00%	0.00%
17		49%		51%	502,175	615,661	1,117,836	(24,089)	1,093,747	273,437	41,005	40,939	(67)	-0.01%	-0.16%
18		48%		52%	491,927	627,733	1,119,660	(24,129)	1,095,531	273,883	41,072	40,939	(133)	-0.02%	-0.33%
19		47%		53%	481,678	639,805	1,121,483	(24,168)	1,097,315	274,329	41,139	40,939	(200)	-0.03%	-0.49%
20		46%		54%	471,430	651,877	1,123,306	(24,207)	1,099,099	274,775	41,206	40,939	(267)	-0.04%	-0.65%
21		45%		55%	461,181	663,948	1,125,130	(24,246)	1,100,883	275,221	41,272	40,939	(333)	-0.05%	-0.81%
22		44%		56%	450,933	676,020	1,126,953	(24,286)	1,102,667	275,667	41,339	40,939	(400)	-0.06%	-0.98%
23		43%		57%	440,684	688,092	1,128,776	(24,325)	1,104,451	276,113	41,405	40,939	(467)	-0.07%	-1.14%
24		42%		58%	430,436	700,164	1,130,600	(24,364)	1,106,235	276,559	41,472	40,939	(534)	-0.08%	-1.30%
25		41%		59%	420,187	712,236	1,132,423	(24,404)	1,108,019	277,005	41,539	40,939	(600)	-0.09%	-1.47%
26		40%		60%	409,939	724,307	1,134,246	(24,443)	1,109,803	277,451	41,605	40,939	(667)	-0.10%	-1.63%
27		39%		61%	399,691	736,379	1,136,070	(24,482)	1,111,587	277,897	41,672	40,939	(734)	-0.11%	-1.79%
28		38%		62%	389,442	748,451	1,137,893	(24,522)	1,113,371	278,343	41,739	40,939	(800)	-0.12%	-1.95%
29		37%		63%	379,194	760,523	1,139,716	(24,561)	1,115,155	278,789	41,806	40,939	(867)	-0.13%	-2.12%
26		36%		64%	368,945	772,594	1,141,540	(24,600)	1,116,939	279,235	41,872	40,939	(934)	-0.14%	-2.28%
27		35%		65%	358,697	784,666	1,143,363	(24,639)	1,118,723	279,681	41,939	40,939	(1,000)	-0.15%	-2.44%
28		34%		66%	348,448	796,738	1,145,186	(24,679)	1,120,507	280,127	42,006	40,939	(1,067)	-0.16%	-2.61%
29															

(a)

Includes \$118,24 tax on Parcels

**EXHIBIT
REBUTTAL SCHEDULE C-2**

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WITNESS: KOZOMAN

Valf Water Company / Phase 1 Increase
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year Ended December 31, 1998
Using Company's Proposed Revenues and Net Plant

Line No.	1,024,847	Percentage of Revenue	1,207,179	Plant	Dollar amount of Revenue	Plant	Carrel Value	Remove Transport Equipment	Full Cash Value	Assessed Value	25.00%	14.9531%	(a) Property Tax Expenditure	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as a Percentage of Property Tax
1		33%		808,810	338,200	808,810	1,147,009	(24,718)	1,122,291	280,573	280,573	42,073	40,939	(1,134)	-0.16%	2.77%
2		32%		820,882	327,951	820,882	1,148,833	(24,757)	1,124,076	281,019	281,019	42,139	40,939	(1,200)	-0.17%	2.93%
3		31%		832,953	317,703	832,953	1,150,656	(24,797)	1,125,860	281,465	281,465	42,206	40,939	(1,267)	-0.18%	3.10%
4		30%		845,025	307,454	845,025	1,152,479	(24,836)	1,127,644	281,911	281,911	42,273	40,939	(1,334)	-0.19%	3.26%
5		29%		857,097	297,206	857,097	1,154,303	(24,875)	1,129,428	282,357	282,357	42,339	40,939	(1,401)	-0.20%	3.42%
6		28%		869,169	286,957	869,169	1,156,126	(24,914)	1,131,212	282,803	282,803	42,406	40,939	(1,467)	-0.21%	3.58%
7		27%		881,241	276,709	881,241	1,157,949	(24,954)	1,132,996	283,249	283,249	42,473	40,939	(1,534)	-0.22%	3.75%
8		26%		893,312	266,460	893,312	1,159,773	(24,993)	1,134,780	283,695	283,695	42,539	40,939	(1,601)	-0.23%	3.91%
9		25%		905,384	256,212	905,384	1,161,596	(25,032)	1,136,564	284,141	284,141	42,606	40,939	(1,667)	-0.24%	4.07%
10		24%		917,456	245,963	917,456	1,163,419	(25,072)	1,138,348	284,587	284,587	42,673	40,939	(1,734)	-0.25%	4.24%
11		23%		929,528	235,715	929,528	1,165,243	(25,111)	1,140,132	285,033	285,033	42,739	40,939	(1,801)	-0.26%	4.40%
12		22%		941,600	225,466	941,600	1,167,066	(25,150)	1,141,916	285,479	285,479	42,806	40,939	(1,867)	-0.27%	4.56%
13		21%		953,671	215,218	953,671	1,168,889	(25,190)	1,143,700	285,925	285,925	42,873	40,939	(1,934)	-0.28%	4.72%
14		20%		965,743	204,969	965,743	1,170,713	(25,229)	1,145,484	286,371	286,371	42,940	40,939	(2,001)	-0.29%	4.89%
15		19%		977,815	194,721	977,815	1,172,536	(25,268)	1,147,268	286,817	286,817	43,006	40,939	(2,067)	-0.30%	5.05%
16		18%		989,887	184,473	989,887	1,174,359	(25,307)	1,149,052	287,263	287,263	43,073	40,939	(2,134)	-0.31%	5.21%
17		17%		1,001,958	174,224	1,001,958	1,176,183	(25,347)	1,150,836	287,709	287,709	43,140	40,939	(2,201)	-0.32%	5.38%
18		16%		1,014,030	163,976	1,014,030	1,178,006	(25,386)	1,152,620	288,155	288,155	43,206	40,939	(2,268)	-0.33%	5.54%
19		15%		1,026,102	153,727	1,026,102	1,179,829	(25,425)	1,154,404	288,601	288,601	43,273	40,939	(2,334)	-0.34%	5.70%
20		14%		1,038,174	143,479	1,038,174	1,181,652	(25,465)	1,156,188	289,047	289,047	43,340	40,939	(2,401)	-0.35%	5.86%
21		13%		1,050,246	133,230	1,050,246	1,183,476	(25,504)	1,157,972	289,493	289,493	43,406	40,939	(2,468)	-0.36%	6.03%
22		12%		1,062,317	122,982	1,062,317	1,185,299	(25,543)	1,159,756	289,939	289,939	43,473	40,939	(2,534)	-0.37%	6.19%
23		11%		1,074,389	112,733	1,074,389	1,187,122	(25,582)	1,161,540	290,385	290,385	43,540	40,939	(2,601)	-0.38%	6.35%
24		10%		1,086,461	102,485	1,086,461	1,188,946	(25,622)	1,163,324	290,831	290,831	43,606	40,939	(2,668)	-0.39%	6.52%
25		9%		1,098,533	92,236	1,098,533	1,190,769	(25,661)	1,165,108	291,277	291,277	43,673	40,939	(2,734)	-0.40%	6.68%
26		8%		1,110,605	81,988	1,110,605	1,192,592	(25,700)	1,166,892	291,723	291,723	43,740	40,939	(2,801)	-0.41%	6.84%
27		7%		1,122,676	71,739	1,122,676	1,194,416	(25,740)	1,168,676	292,169	292,169	43,807	40,939	(2,868)	-0.42%	7.00%
28		6%		1,134,748	61,491	1,134,748	1,196,239	(25,779)	1,170,460	292,615	292,615	43,873	40,939	(2,934)	-0.43%	7.17%
29		5%		1,146,820	51,242	1,146,820	1,198,062	(25,818)	1,172,244	293,061	293,061	43,940	40,939	(3,001)	-0.44%	7.33%
30		4%		1,158,892	40,994	1,158,892	1,199,886	(25,857)	1,174,028	293,507	293,507	44,007	40,939	(3,068)	-0.45%	7.49%
31		3%		1,170,963	30,745	1,170,963	1,201,709	(25,897)	1,175,812	293,953	293,953	44,073	40,939	(3,135)	-0.46%	7.66%
32		2%		1,183,035	20,497	1,183,035	1,203,532	(25,936)	1,177,596	294,399	294,399	44,140	40,939	(3,201)	-0.47%	7.82%
33		1%		1,195,107	10,248	1,195,107	1,205,356	(25,975)	1,179,380	294,845	294,845	44,207	40,939	(3,268)	-0.48%	7.98%
34		0%		1,207,179	0	1,207,179	1,207,179	(26,015)	1,181,164	295,291	295,291	44,273	40,939	(3,335)	-0.49%	8.15%

(O) Includes \$118.24 tax on Parcels

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 3

EXHIBIT
 REBUTTAL SCHEDULE C-2
 PAGE 4d
 WITNESS: KOZOMAN

Line
 No.

1 Actual Property Taxes Based on 1998 Revenue and Plant:

2	3	4	5	6	7
	Full	Assess-	Assessed	Tax	Tax
	Cash	ment	Value	Amount	Rate
	Value	Ratio	Value		
6	Arizona Department of Revenue / Centrally Valued Properties:				
7	907 52 00003	548,137	25%	137,034	20,491 0.149530792
8	Above Tax Rate Used to Compute Property Taxes at Proposed Rates				
9	<u>Parcel Number:</u>				
11	305 14 01107	500	25%	125.00	18.88 0.1510400
12	305 11 02808	660	25%	165.00	24.64 0.149333333
13	305 12 00881	500	25%	125.00	18.88 0.1510400
14	305 39 20909	1,495	25%	373.75	55.84 0.149404662
15	Total Tax on Parcels	3,155		788.75	118.24 0.149908062
16					<u>20,609</u>
17	Total 1999 Property Tax				

19 Actual Property Taxes Based on 1996 Revenue and Plant:

20	21	22	23	24	25
	Full	Assess-	Assessed	Tax	Tax
	Cash	ment	Value	Amount	Rate
	Value	Ratio	Value		
23	Arizona Department of Revenue / Centrally Valued Properties:				
24	907 52 00003	313,345	28%	87,737	12,549.8 0.143039735
26	<u>Parcel Number:</u>				
27	305 14 01107	500	28%	140.00	20.54 0.146714286
28	305 11 02808	660	28%	184.80	27.14 0.146861472
29	305 12 00881	500	28%	140.00	20.54 0.146714286
30	305 39 20909	1,495	28%	418.60	61.42 0.146727186
31	Total and Composite Tax Rate	3,155		83.40	129.64 0.146751189
32					<u>12,679</u>
33	Total 1996 Property Tax				

Vail Water Company / Phase 1 Increase
Test Year Ended December 31, 1998
Adjustment to Revenues and/or Expense
Adjustment 4

EXHIBIT
REBUTTAL SCHEDULE C-2
PAGE 5
WITNESS: KOZOMAN

Line
No.

1	Charge for Fax Line Installed at Water Company:	
2		
3		
4		
5	Per Company's Direct Filing, Adjustment No. 9:	
6	Adjustment for increases in Miscellaneous Expenses:	
7	Auto lease \$500/month	6,000
8	Cell phone \$25/month	300
9	Fax Line \$35/month	420
10	Auto fuel (20% increase)	489
11	Total Proposed Adjustment	<u>7,209</u>
12		
13	ACC Staff Adjustment, Adjustment L	
14	Auto lease \$500/month	(6,000)
15	Cell phone \$25/month	(300)
16	Fax Line \$35/month	(420)
17	Auto fuel (20% increase)	(489)
18	Total ACC Staff Adjustment	<u>(7,209)</u>
19		
20	Company Rebuttal Adjustment:	
21	Fax Line \$35/month	<u>420</u>
22		
23	Adjustment to Revenue and/or Expense	<u>420</u>

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Interest Coverage and Debt Service Computations
 with Proposed Phase 1 Debt at Present Rates

Exhibit
 Rebuttal Schedule D-4 S
 Page 1
 Witness: Kozoman

Line No.		Interest Coverage	Debt Service
1	Available for Interest Coverage:		
2	Operating Income (Sch. C-1, Line 33)	(\$128,475)	
3	Add: Other Income (Sch. C-1, Line 35)	\$711	
4	Total Available for Interest Coverage	<u>(\$127,764)</u>	
5	Interest Expense (Sch. C-1, Line 34)	29,273	
6	Interest Coverage (Line 4 / Line5)	<u><u>(4.39)</u></u>	
7			
8			
9	Available for Debt Service:		
10	Operating Income & Other Income (Line 4 above)		(\$128,475)
11	Add:		
12	Amortization of Prepaid Water Rights (Sch. C-1, Line 29)		3,694
13	Depreciation Expense (Sch. C-1, Line 28)		59,411
14	Available for Debt Service (Lines 10 + 11 + 12 +13)		<u>(\$65,370)</u>
15			
16	Debt Service (Interest and Principal Payments from Sch. C-2, Page 3a)		45,712
17	Meter and Service Line Refunds		3,790
18	Repayment of Advances in Aid of Construction:		
19	1998 Refunds (based on 1997 revenues) increased in ratio of		
20	Adjusted 1998 Revenues /		
21	/ 1997 Revenues	\$16,883	
22	(Ratio Computation listed below)	1.63850133	<u>27,663</u>
23			
24	Total Debt Service (Lines 16 + 17 +22)		<u>77,164</u>
25			
26	Debt Service Coverage (Line 14 / Line 24)		<u><u>(0.85)</u></u>
27			
28	Ratio of Proposed Revenues to 1997 Revenues:		
29	Proposed Revenues without		
30	Miscellaneous Revenues	\$340,356	
31		Divided by =	1.63850133
32	1997 Revenues without		
33	Miscellaneous Revenues	\$207,724	

Vail Water Company / Phase 1 Increase
Test Year Ended December 31, 1998
Interest Coverage and Debt Service Computations
with Proposed Phase 1 Debt at Proposed Rates

Exhibit
 Rebuttal Schedule D-4-S
 Page 2
 Witness: Kozoman

Line No.		Interest Coverage	Debt Service
1	Available for Interest Coverage:		
2	Operating Income (Sch. C-1, Line 33)	\$40,251	
3	Add: Other Income (Sch. C-1, Line 35)	711	
4	Total Available for Interest Coverage	<u>\$40,962</u>	
5	Interest Expense (Sch. C-1, Line 34)	<u>29,273</u>	
6	Interest Coverage (Line 4 / Line5)	<u><u>1.40</u></u>	
7			
8			
9	Available for Debt Service:		
10	Operating Income & Other Income (Line 4 above)		\$40,251
11	Add:		
12	Amortization of Prepaid Water Rights (Sch. C-1, Line 29)		3,694
12	Depreciation Expense (Sch. C-1, Line 28)		<u>59,411</u>
13	Available for Debt Service (Lines 10 + 11 + 12 +13)		<u><u>\$103,357</u></u>
14			
15	Debt Service (Interest and Principal Payments from Sch. C-2, Page 3a)		45,712
16	Meter and Service Line Refunds		3,790
17	Repayment of Advances in Aid of Construction:		
18	1998 Refunds (based on 1997 revenues) increased in ratio of		
19	Proposed Rates / 1997 Revenues =	\$16,883	x
20	Ratio of Revenues =		2.161918336
21	(Ratio Computation listed below)		36,500
22			
23	Total Debt Service (Lines 16 + 17 +22)		<u><u>86,001</u></u>
24			
25	Debt Service Coverage (Line 14 / Line 24)		<u><u>1.20</u></u>
26			
27	Ratio of Proposed Revenues to 1997 Revenues:		
28	Proposed Revenue : without CAP Hookup Tariff Revenues		
29	and Miscellaneous Revenues	<u>\$449,082</u>	
30		Divided by =	2.161918336
31	1997 Revenues without		
32	Miscellaneous Revenues	\$207,724	

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Summary of Revenues by Meter Size at
 Present and Proposed Rates

Exhibit
 Rebuttal Schedule H-1
 Page 1
 Witness: Kozoman

Line No.	Meter Size	Adjusted Present Revenues	Rebuttal Phase 1 Proposed Revenues	Dollar Change	Percent Change
1	5/8 x 3/4 inch Meter	\$311,752	\$384,892	\$73,140	23.46%
2	1 inch	2,971	4,760	1,789	60.24%
3	2 inch Meter	1,700	3,251	1,552	91.30%
4	6 inch Meter	3,390	12,035	8,645	255.01%
5	Standpipe	0	0	0	0.00%
6	Subtotal Water Revenues	319,812	404,938	85,126	26.62%
7	Proforma Adjustment / Customer Growth				
8	5/8 x 3/4 inch meters	23,344	28,895	5,551	23.78%
9	Miscellaneous Revenues	3,341	3,341	0	
10	Subtotal of Revenues	346,497	437,174	90,677	26.17%
11					
12	ACC Staff Assumed Additional Customers at May 1, 2000				
13	For WIFA Surcharge at \$8.45 Per Customer Per Month:				
14			18,049		
15	For CAP Hookup Tariff / Estimated Annual Customer Increase				
16			60,000		
17					
18					
19	Total Water Revenues	\$346,497	\$515,223	\$90,677	26.17%
20					
21					
22	ACC Staff Assumed Customers at May 1, 2000		818		
23	Actual Customers at End of Test Year		640		
24	ACC Staff Assumed Additional Customers by May 1, 2000		178	x	8.45
25					

Vail Water Company / Phase 1 Increase
 Test Year Ended December 31, 1998
 Analysis of Revenue by Detailed Class

Exhibit
 Rebuttal Schedule H 2
 Page 1
 Witness: Kozoman

Line No.	Customers Classification and/or Meter Size	Average Number of Customers as of 12/31/98	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent
1	5/8 x 3/4 Inch Meter	588		\$311.752	\$384.892	\$73.140	23.46%
2							
3	1 Inch	4		\$2.971	\$4.760	\$1.789	60.24%
4							
5	2 Inch Meter	1		\$1.700	\$3.261	\$1.552	91.30%
6							
7	6 Inch Meter	1		\$3.390	\$12.035	\$8.645	255.01%
8	Totals	<u>594</u>		<u>\$319.812</u>	<u>\$404.938</u>	<u>\$85.126</u>	<u>26.62%</u>
9							
10							
11							
12							
13	5/8 x 3/4 Inch Meter	588	7.940	\$44.18	\$54.54	\$10.36	23.46%
14							
15	1 Inch	4	11.787	\$63.20	\$101.27	\$38.07	60.24%
16							
17	2 Inch Meter	1	25.500	\$141.63	\$270.93	\$129.30	91.30%
18							
19	6 Inch Meter	1	667	\$282.50	\$1,002.90	\$720.40	255.01%
20		<u>594</u>					

Vail Water Company / Phase 1 Increase
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H.3
 Page 1
 Witness: Kezoman

Line No	Customer Classification and Meter Size	Present Rates	Rebuttal Phase 1 Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	Residential, Commercial, Industrial, Construction, Agricultural, Standpipe			
3	5/8 x 3/4 Inch	\$14.40	\$20.00	38.89%
4	3/4 Inch	\$14.40	\$30.00	108.33%
5	1 Inch	\$19.00	\$50.00	163.16%
6	1 1/2 Inch	\$25.00	\$100.00	300.00%
7	2 Inch	\$46.00	\$160.00	247.83%
8	3 Inch	\$67.50	\$320.00	374.07%
9	4 Inch	\$100.00	\$500.00	400.00%
10	6 Inch	\$280.00	\$1,000.00	257.14%
11	Sprinkler Rate		(a)	
12				
13	Base Charge for 5/8" Meter is	\$11.55	plus \$8.45	For
14	WIFA Surcharge			
15	(a) Higher of \$7.00 per month or 2.00% of monthly minimum			
16				
17				
18	Gallons included in Monthly Usage Charge			
19	5/8 x 3/4 Inch Meters	0	0	0.00%
20	3/4 Inch Meters	0	0	0.00%
21	1 Inch	0	0	0.00%
22	1 1/2 Inch	0	0	0.00%
23	2 Inch	0	0	0.00%
24	3 Inch	0	0	0.00%
25	4 Inch	0	0	0.00%
26	6 Inch	0	0	0.00%
27				
28				
29	Commodity Rates:			
30	All Customers			
31	Charge per 1,000 Gallons in excess of gallons included in Monthly Usage Charge	\$3.75	\$4.350	16.00%
32				
33				
34				
35				
36	Service Line and Meter Installation Charges:			
37		Present Rates	Proposed Rates (a)	
38	Meter Size			
39	5/8 x 3/4 Inch	\$400.00	\$400.00	
40	3/4 Inch	\$440.00	\$440.00	
41	1 Inch	\$500.00	\$500.00	
42	1 1/2 Inch	\$675.00	\$675.00	
43	2 Inch - Compound	\$1,660.00	\$1,660.00	
44	3 Inch - Compound	\$2,150.00	\$2,150.00	
45	4 Inch - Compound	\$3,135.00	\$3,135.00	
46	6 Inch - Compound	\$6,190.00	\$6,190.00	
47				
48	Main extension tariff	Cost	Cost	
49				
50	N/A	Not Applicable, No Current Tariff		
51				

Vail Water Company / Phase 1 Increase
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-3
 Page 2
 Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$25.00	\$25.00
2	Establishment (After Hours)	\$50.00	\$50.00
3	Reconnection (Delinquent)	\$30.00	\$30.00
4	Reconnection (Delinquent and After Hours)	\$35.00	\$35.00
5	Meter Test	\$30.00	\$30.00
6	Min Deposit Requirement (Residential)	(a)	(a)
7	Min Deposit Requirement (Non-Residential)	(a)	(a)
8	Deposit Interest	6%	6%
9	Call Out, for customer out of water caused		
10	malfunction on customer side of meter		
11	(Company will not repair)		
12	Re-Establishment (Within 12 Months)	(b)	(b)
13	Re-Establishment (After Hours)	(b)	(b)
14	NSF Check	\$25.00	\$25.00
15	Deferred Payment, Per Month	1.5%	1.5%
16	Meter Re-Read	\$15.00	\$15.00
17	Charge of Moving Customer Meter		
18	Customer Requested	Cost	Cost
19	Late Charge per month	1.5%	1.5%
20	Illegal Hook-up to Company's water system	(c)	(d)
21	Transfer Fee	\$25.00	\$25.00
22			
23	* * PER COMMISSION RULES (R14-2-403 B)		
24	(a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.		
25	(b) Minimum, less commodity charge times number of full months disconnected. If after hours, plus \$25		
26	(c) 1% of Monthly Minimum for a Comparable Meter Connection, but no less than \$5.00 per month. See tariff.		
27	(It appears that the illegal hook-up tariff per Decision 61110 was a typographic error. The tariff listed in the Decision		
28	is the normal tariff for Sprinkler Service.)		
29	(d) Computed billings from time illegal connection was made to date, plus \$100.		
30	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
31	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
32	TAX, PER COMMISSION RULE (14-2-409 D 5).		
33	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
34	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		
35	Cost to include labor, materials and parts, overheads and all applicable taxes.		

Vail Water Company / Phase 1 Increase
 BILL COMPARISON - PRESENT AND PROPOSED RATES
 Customers on 5/8 x 3/4 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 1
 Witness: Kozoman

GALLONS BILLED	REBUTTAL PHASE 1		DOLLAR INCREASE	PERCENT INCREASE
	PRESENT BILL	PROPOSED BILL		
0	\$14.40	\$20.00	\$5.60	38.89%
1,000	18.15	24.35	6.20	34.16%
2,000	21.90	28.70	6.80	31.05%
3,000	25.65	33.05	7.40	28.85%
4,000	29.40	37.40	8.00	27.21%
5,000	33.15	41.75	8.60	25.94%
6,000	36.90	46.10	9.20	24.93%
7,000	40.65	50.45	9.80	24.11%
8,000	44.40	54.80	10.40	23.42%
9,000	48.15	59.15	11.00	22.85%
10,000	51.90	63.50	11.60	22.35%
11,000	55.65	67.85	12.20	21.92%
12,000	59.40	72.20	12.80	21.55%
13,000	63.15	76.55	13.40	21.22%
14,000	66.90	80.90	14.00	20.93%
15,000	70.65	85.25	14.60	20.67%
16,000	74.40	89.60	15.20	20.43%
17,000	78.15	93.95	15.80	20.22%
18,000	81.90	98.30	16.40	20.02%
19,000	85.65	102.65	17.00	19.85%
20,000	89.40	107.00	17.60	19.69%
21,000	93.15	111.35	18.20	19.54%
22,000	96.90	115.70	18.80	19.40%
23,000	100.65	120.05	19.40	19.27%
24,000	104.40	124.40	20.00	19.16%
25,000	108.15	128.75	20.60	19.05%
26,000	111.90	133.10	21.20	18.95%
27,000	115.65	137.45	21.80	18.85%
28,000	119.40	141.80	22.40	18.76%
29,000	123.15	146.15	23.00	18.68%
30,000	126.90	150.50	23.60	18.60%
31,000	130.65	154.85	24.20	18.52%
32,000	134.40	159.20	24.80	18.45%
33,000	138.15	163.55	25.40	18.39%
34,000	141.90	167.90	26.00	18.32%
35,000	145.65	172.25	26.60	18.26%
36,000	149.40	176.60	27.20	18.21%
37,000	153.15	180.95	27.80	18.15%
38,000	156.90	185.30	28.40	18.10%
39,000	160.65	189.65	29.00	18.05%
40,000	164.40	194.00	29.60	18.00%
41,000	168.15	198.35	30.20	17.96%
42,000	171.90	202.70	30.80	17.92%
43,000	175.65	207.05	31.40	17.88%
44,000	179.40	211.40	32.00	17.84%
45,000	183.15	215.75	32.60	17.80%
46,000	186.90	220.10	33.20	17.76%
47,000	190.65	224.45	33.80	17.73%
48,000	194.40	228.80	34.40	17.70%
Median Usage 6,000	36.90	46.10	9.20	24.93%
Average Usage 7,940	44.18	54.54	10.36	23.45%

PRESENT RATES:

MONTHLY MINIMUM	\$14.40
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$3.75

PROPOSED RATES:

MONTHLY MINIMUM	\$20.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

Vail Water Company / Phase 1 Increase
BILL COMPARISON - PRESENT AND PROPOSED RATES
 Customers on 1 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 2
 Witness: Kozomari

GALLONS BILLED	REBUTTAL PHASE 1		DOLLAR INCREASE	PERCENT INCREASE
	PRESENT BILL	PROPOSED BILL		
0	\$19.00	50.00	\$31.00	163.16%
1,000	22.75	54.35	31.60	138.90%
2,000	26.50	58.70	32.20	121.51%
3,000	30.25	63.05	32.80	108.43%
4,000	34.00	67.40	33.40	98.24%
5,000	37.75	71.75	34.00	90.07%
6,000	41.50	76.10	34.60	83.37%
7,000	45.25	80.45	35.20	77.79%
8,000	49.00	84.80	35.80	73.06%
9,000	52.75	89.15	36.40	69.00%
10,000	56.50	93.50	37.00	65.49%
11,000	60.25	97.85	37.60	62.41%
12,000	64.00	102.20	38.20	59.69%
13,000	67.75	106.55	38.80	57.27%
14,000	71.50	110.90	39.40	55.10%
15,000	75.25	115.25	40.00	53.16%
16,000	79.00	119.60	40.60	51.39%
17,000	82.75	123.95	41.20	49.79%
18,000	86.50	128.30	41.80	48.32%
19,000	90.25	132.65	42.40	46.98%
20,000	94.00	137.00	43.00	45.74%
21,000	97.75	141.35	43.60	44.60%
22,000	101.50	145.70	44.20	43.55%
23,000	105.25	150.05	44.80	42.57%
24,000	109.00	154.40	45.40	41.65%
25,000	112.75	158.75	46.00	40.80%
26,000	116.50	163.10	46.60	40.00%
Median Usage				
11,000	60.25	97.85	37.60	62.41%
Average Usage				
11,787	63.20	101.27	38.07	60.24%

PRESENT RATES:

MONTHLY MINIMUM	\$19.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$3.75

PROPOSED RATES:

MONTHLY MINIMUM	\$50.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

Vail Water Company / Phase 1 Increase
BILL COMPARISON - PRESENT AND PROPOSED RATES
 Customers on 2 Inch Meters
 Bill Count 2 Inch Meter

Exhibit
 Rebuttal Schedule H-4
 Page 3
 Witness: Kozomari

GALLONS BILLED	REBUTTAL PHASE 1		DOLLAR INCREASE	PERCENT INCREASE
	PRESENT BILL	PROPOSED BILL		
0	\$46.00	\$160.00	\$114.00	247.83%
1.000	49.75	164.35	114.60	230.35%
2.000	53.50	168.70	115.20	215.33%
3.000	57.25	173.05	115.80	202.27%
4.000	61.00	177.40	116.40	190.82%
5.000	64.75	181.75	117.00	180.69%
6.000	68.50	186.10	117.60	171.68%
7.000	72.25	190.45	118.20	163.60%
8.000	76.00	194.80	118.80	156.32%
9.000	79.75	199.15	119.40	149.72%
10.000	83.50	203.50	120.00	143.71%
11.000	87.25	207.85	120.60	138.22%
12.000	91.00	212.20	121.20	133.19%
13.000	94.75	216.55	121.80	128.55%
14.000	98.50	220.90	122.40	124.26%
15.000	102.25	225.25	123.00	120.29%
16.000	106.00	229.60	123.60	116.60%
17.000	109.75	233.95	124.20	113.17%
18.000	113.50	238.30	124.80	109.96%
19.000	117.25	242.65	125.40	106.95%
20.000	121.00	247.00	126.00	104.13%
21.000	124.75	251.35	126.60	101.48%
22.000	128.50	255.70	127.20	98.99%
23.000	132.25	260.05	127.80	96.64%
24.000	136.00	264.40	128.40	94.41%
25.000	139.75	268.75	129.00	92.31%
26.000	143.50	273.10	129.60	90.31%
27.000	147.25	277.45	130.20	88.42%
28.000	151.00	281.80	130.80	86.62%
29.000	154.75	286.15	131.40	84.91%
30.000	158.50	290.50	132.00	83.28%
31.000	162.25	294.85	132.60	81.73%
32.000	166.00	299.20	133.20	80.24%
33.000	169.75	303.55	133.80	78.82%
34.000	173.50	307.90	134.40	77.46%
35.000	177.25	312.25	135.00	76.16%
36.000	181.00	316.60	135.60	74.92%
37.000	184.75	320.95	136.20	73.72%
38.000	188.50	325.30	136.80	72.57%
39.000	192.25	329.65	137.40	71.47%
40.000	196.00	334.00	138.00	70.41%
41.000	199.75	338.35	138.60	69.39%
42.000	203.50	342.70	139.20	68.40%
43.000	207.25	347.05	139.80	67.45%
Median Usage 27,500	149.13	279.63	130.50	87.51%
Average Usage 25,500	141.63	270.93	129.30	91.30%

PRESENT RATES:

MONTHLY MINIMUM	\$46.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$3.75

PROPOSED RATES:

MONTHLY MINIMUM	\$160.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

Vail Water Company / Phase 1 Increase
BILL COMPARISON - PRESENT AND PROPOSED RATES
 Customers on 6 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 4
 Witness: Kozomari

GALLONS BILLED	PRESENT BILL	PROPOSED BILL	REBUTTAL	
			PHASE 1 DOLLAR INCREASE	PERCENT INCREASE
0	\$280.00	\$1,000.00	\$720.00	257.14%
1,000	283.75	1,004.35	720.60	253.96%
2,000	287.50	1,008.70	721.20	250.85%
3,000	291.25	1,013.05	721.80	247.83%
4,000	295.00	1,017.40	722.40	244.88%
5,000	298.75	1,021.75	723.00	242.01%
6,000	302.50	1,026.10	723.60	239.21%
7,000	306.25	1,030.45	724.20	236.47%
8,000	310.00	1,034.80	724.80	233.81%
9,000	313.75	1,039.15	725.40	231.20%
10,000	317.50	1,043.50	726.00	228.66%
11,000	321.25	1,047.85	726.60	226.18%
12,000	325.00	1,052.20	727.20	223.75%
13,000	328.75	1,056.55	727.80	221.38%
14,000	332.50	1,060.90	728.40	219.07%
15,000	336.25	1,065.25	729.00	216.80%
16,000	340.00	1,069.60	729.60	214.59%
17,000	343.75	1,073.95	730.20	212.42%
18,000	347.50	1,078.30	730.80	210.30%
19,000	351.25	1,082.65	731.40	208.23%
20,000	355.00	1,087.00	732.00	206.20%
21,000	358.75	1,091.35	732.60	204.21%
22,000	362.50	1,095.70	733.20	202.26%
23,000	366.25	1,100.05	733.80	200.35%
24,000	370.00	1,104.40	734.40	198.49%
25,000	373.75	1,108.75	735.00	196.66%
26,000	377.50	1,113.10	735.60	194.86%
27,000	381.25	1,117.45	736.20	193.10%
28,000	385.00	1,121.80	736.80	191.38%
29,000	388.75	1,126.15	737.40	189.68%
30,000	392.50	1,130.50	738.00	188.03%
31,000	396.25	1,134.85	738.60	186.40%
32,000	400.00	1,139.20	739.20	184.80%
33,000	403.75	1,143.55	739.80	183.23%
34,000	407.50	1,147.90	740.40	181.69%
35,000	411.25	1,152.25	741.00	180.18%
36,000	415.00	1,156.60	741.60	178.70%
37,000	418.75	1,160.95	742.20	177.24%
38,000	422.50	1,165.30	742.80	175.81%
39,000	426.25	1,169.65	743.40	174.40%
40,000	430.00	1,174.00	744.00	173.02%
41,000	433.75	1,178.35	744.60	171.67%
42,000	437.50	1,182.70	745.20	170.33%
43,000	441.25	1,187.05	745.80	169.02%
44,000	445.00	1,191.40	746.40	167.73%
45,000	448.75	1,195.75	747.00	166.46%
46,000	452.50	1,200.10	747.60	165.22%
47,000	456.25	1,204.45	748.20	163.99%
48,000	460.00	1,208.80	748.80	162.78%
Median Usage				
4,500	296.88	1,019.58	722.70	243.44%
Average Usage				
667	282.50	1,002.90	720.40	255.01%

PRESENT RATES:

MONTHLY MINIMUM	\$280.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$3.75

PROPOSED RATES:

MONTHLY MINIMUM	\$1,000.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

Vail Water Company / Phase 2 Increase
Index of Rebuttal Filing Schedules

Sch No.	
A-1	Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification
B-1	Schedule showing the elements of original cost rate bases.
B-2	Schedule listing pro forma adjustments to gross plant in service, accumulated depreciation, and Contributions in Aid of Contributions in Aid of Construction for the original cost rate base
B-3	Omitted - Original Cost Requested for Fair Value
B-4	Omitted - Original Cost Requested for Fair Value
B-5	Schedule showing the computation of working capital allowance.
C-1	Test year income statement, with pro forma adjustments.
C-2	Schedules showing the detail of all pro forma adjustments.
D-4-S	Debt Service
H-1	Comparison of revenues by customer classification or other classification of revenue for the test year, at present and proposed rates.
H-2	Comparison of revenues by class of service and by rate schedule for the test year at present and proposed rates
H-3	Comparison of present and proposed rates schedules.
H-4	Typical bill analysis.

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Computation of Increase in Gross Revenue Requirements
 As Adjusted

EXHIBIT
 REBUTTAL SCHEDULE A-1
 PAGE 1
 WITNESS: Kozorman

Line No.	Original Cost			
1	Adjusted Rate Base	\$1,325,773		
2				
3	Adjusted Operating Income	\$9,875		
4				
5	Current Rate of Return	0.74%		
6				
7	Required Operating Income	\$78,914		
8	(From Schedule C-1, Line 33) to Produce			
9	a Required Debt Service Coverage of	1.20		
10	(Debt Service From Schedule			
11	D-4-S, Page 2, Line 25)			
12				
13				
14	Operating Income Deficiency	\$69,038		
15				
16	Gross Revenue Conversion Factor	1		
17				
18	Increase in Gross Revenue Requirement			
19	Requirement	\$69,038		
20				
21				
22		Rebuttal Phase 1 Proposed Rates	Rebuttal Phase 2 Proposed Rates	Dollar Change
23				Percent Change
24	<u>Customer and/or Meter Classification</u>			
25	From Customers on:	\$384,892	\$447,113	\$62,221 16.17%
26	5/8 x 3/4 Inch Meters	4,760	5,459	\$699 14.68%
27	1 Inch Meters	3,251	3,691	\$440 13.54%
28	2 Inch Meters	12,035	13,092	\$1,057 8.78%
29	6 Inch Meters			
30	Standpipe			
31	Revenue Annualization 5/8 x 3/4" Meters	28,895	33,516	\$4,621 15.99%
32	Miscellaneous Revenues	3,341	3,341	\$0 0.00%
33	<u>ACC Staff Estimated Customer Growth for:</u>			
34	WIFA Surcharge	18,049	18,049	\$0 0.00%
35	CAP Purchased Water	60,000	60,000	0 0.00%
36				
37	Total Revenues	\$515,223	\$584,261	\$69,038 13.40%
38	Rates Charged Existing Customers	\$437,174	\$506,212	\$69,038 15.79%
39				
40	Total Increase Phase 1 and Phase 2 from Existing Customers			\$159,715 46.09%
41	Total Increase Phase 1 and Phase 2 Including WIFA Charge			
42	and CAP Hookup Charge from New Customers			\$237,765 68.62%

Vail Water Company / Phase 2 Increase
Test Year Ended December 31, 1998
Summary of Original Cost
Rate Base Elements

EXHIBIT
REBUTTAL SCHEDULE B-1
PAGE 1
WITNESS: Kozoman

Line No.		Original Cost Rate Base
1	Gross Utility Plant in Service	\$3,279,431
2		
3	Less: Accumulated Depreciation	<u>500,987</u>
4		
5	Net Utility Plant in Service	\$2,778,444
6		
7		
8	Less:	
9	Customer Advances for	
10	Construction	1,341,985
11	Meter Deposits	37,895
12	Contributions in Aid of	
13	Construction - Net of Amortization	183,005
14	Deferred Income Taxes	
15	Deferred Investment Tax	
16	Taxes	
17		
18	Add:	
19	Prepaid Water Rights	70,188
20	WIFA Reserve Fund	0
21	Allowance for Working Capital	<u>40,026</u>
22		
23	Total Rate Base	<u>\$1,325,773</u>
24		
25		

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Original Cost Rate Base
 Proforma Adjustments

EXHIBIT
 REBUTTAL SCHEDULE B-2
 PAGE 1
 WITNESS: Kozoman

Line No.		Company Rebuttal Adjusted Phase 1		Company Rebuttal Adjusted Phase 2
1	Gross Utility			
2	Plant in Service	2,512,952	766,479 (3)	3,279,431
3				
4	Less:			
5	Accumulated			
6	Depreciation	<u>500,987</u>		<u>500,987</u>
7				
8	Net Utility Plant			
9	in Service	2,011,965		2,778,444
10				
11	Customer Advances for			
12	Construction	1,341,985		1,341,985
13				
14	Meter Deposits	37,895		37,895
15				
16	Contributions in Aid of			
17	Construction - Net of Amortization	183,005		183,005
18				
19				
20				
21	Prepaid Water Rights	70,188		70,188
22				
23	Adjustments for Company's Rebuttal Phase 1			
24	(1) Chlorination on Well No. 6 \$33,016, plus Transportation Equipment \$20,247.			
25	(2) Add back Prepaid Water Rights.			
26				
27	Adjustments for Company's Rebuttal Phase 2			
28	(3) Remainder of Plant Financed with WIFA Loan.			
29				
30				
31				
32				

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 WIFA Construction Loan Projects

Exhibit
 Rebuttal Schedule B 2
 Page 2
 Witness: Kozoman

Line No.	Estimated Cost	(a) Contingency Estimate	Final Cost	Estimated Completion Date	Construction
1	\$ 31,000	\$ 2,016	\$ 33,016	6/15/00	Phase 1
2	300,000	19,506	319,506	7/15/00	Phase 1
3	161,000	10,468	171,468	1/15/01	Phase 2
4	192,000	12,484	204,484	1/15/01	Phase 2
5	85,000	5,527	90,527	3/15/01	Phase 2
6	<u>\$ 769,000</u>	<u>\$ 50,000</u>	<u>\$ 819,000</u>		
7					
8					
9					

6.520%

(a) Contingency Estimate

Vail Water Company / Phase 2 Increase
Test Year Ended December 31, 1998
Computation of Working Capital

EXHIBIT
REBUTTAL SCHEDULE B-5
PAGE 1
WITNESS: Kozoman

Line No.		
1	Cash Working Capital (1/8 of Allowance	
2	Operation and Maintenance Expense)	\$31,728
3	Pumping Power (1/24 of Pumping	
4	Power Expense)	3,781
5	Material and Supplies Inventories	
6	Prepayments (Liability Insurance)	<u>4,517</u>
7		
8	Total Working Capital Allowance	<u><u>\$40,026</u></u>
9		

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense

EXHIBIT
 REBUTTAL SCHEDULE C 2
 PAGE 6
 WITNESS: KOZOMAN

Phase 1 Adjustments							
Line No.		Adjustment Number					Subtotal
		1	2	3	4	5	
1	Revenues						\$0
2							
3	Expenses	(11,467)		8,236	420		(2,811)
4							
5	Operating Income	11,467	0	(8,236)	(420)	0	2,811
6							
7							
8	Interest Expense		(47,538)				(47,538)
9							
10	Other Income						0
11							
12							
13							
14	Net Income	\$11,467	\$47,538	(\$8,236)	(\$420)	\$0	\$50,350
15							
16							
17							
Phase 2 Adjustments							
		Adjustment Number					Subtotal
		5	6	7	8	9	
18							
19							
20	Revenues						\$0
21							
22	Expenses	25,228					22,417
23							
24	Operating Income	(25,228)	0	0	0	0	(22,417)
25							
26							
27	Interest Expense		27,406				(20,132)
28							
29	Other Income						0
30							
31							
32							
33	Net Income	(\$25,228)	(\$27,406)	\$0	\$0	\$0	(\$2,284)

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment Number 5

EXHIBIT
REBUTTAL SCHEDULE C.2
 PAGE 7
 WITNESS: KOZDZMAN

Depreciation Expense Phase 2 Plant

Line No.	Acct. No.	Plant Description	Company Plant Amount	ACC Staff Adjustments	Company Rebuttal Adds or Phase 1 Plant Adds	Total Phase 1 Plant Adjusted	Company Rebuttal Adds or Phase 2 Plant Adds	Total Plant Adjusted	(a) Depreciation Rate	Depreciation Expense
1	303	Land and Land Rights	3,500			3,500		3,500	0.00%	
2	304	Structures & Improvements	61,770	428		62,198		62,198	2.80%	1,742
3	307	Wells & Springs	145,736	9,710		155,446		155,446	3.20%	4,974
4	311	Electric Pumping Equipment	289,392	6,289		295,681	261,995	557,676	3.60%	20,076
5	320	Water Treatment Plant			33,016	33,016		33,016	3.60%	1,189
6	330	Distribution Reservoirs	118,072			118,072		118,072	2.00%	2,361
7	331	Trans. and Distribution Lines	1,405,829	7,337	78,891	1,492,057		1,492,057	2.00%	29,841
8	333	Trans. and Distribution Lines Services			319,506	319,506	504,484	823,990	3.30%	27,192
9	334	Water Meters	15,376		15,376	15,376		15,376	3.30%	507
10	340	Office Furniture and Equipment	105,685	89		105,774		105,774	3.60%	3,808
11	341	Transportation Equipment	4,039	2,701		6,740		6,740	6.80%	458
12		Tools and Work Equipment	32,900	1,007	20,247	54,154		54,154	13.30%	7,202
13		ACC Staff's 1983 Adjustment to Plant	0	827		827		827	7.70%	64
14		Construction Work in Progress 1996	(149,395)	(36,593)		(149,395)		(149,395)	2.90%	(4,336)
15		Construction Work in Progress 1998	36,593							
16		WIFA Loan Improvements	78,891		(78,891)					
17		Totals	819,000	(819,000)						
18		Amortization of Contribution in Aid of Construction	2,967,388	(827,205)	372,769	2,512,952	766,479	3,279,431	2.90%	95,079
19		Adjusted Depreciation Expense / Rebuttal Filing, Phase 2	359,686	Composite Depreciation Rate ->						(10,439)
20		Adjusted Depreciation Expense / Rebuttal Filing, Phase 1								84,639
21		Adjustment to Depreciation Expense								59,411
22		Adjustment to Revenue and/or Expense								25,228
23		Adjustment to Revenue and/or Expense								25,228
24		Composite Depreciation Rate computed as Depreciation Expense (excluding 1983 ACC Staff Adjustment to Plant) divided by Depreciable Plant (excluding Land and 1983 ACC Staff Adjustment to Plant)							2.90%	90,743
25		(a) Depreciation Rates from NARUC 1979 Study, which was used in 1996 Rate Case.						3,125,536	2.90%	90,743

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 6

EXHIBIT
 REBUTTAL SCHEDULE C-2
 PAGE 8
 WITNESS: KOZOMAN

Line No.					
1	WIFA Loan Phase 1				
2	Interest On WIFA Loan:				
3					WIFA
4					Loan
5	WIFA Financing				\$819,000
6	Repayment Term:				
7	Years				20
8	Months				240
9	Interest On Notes Payable:				
10	Annual, 75% of Existing Rate of 7.93%:				5.9475%
11	Monthly				0.49563%
12	Annuity Factor for Payments				140.17271
13	Monthly Payments				5,842.79
14					
15	WIFA Notes Payable:				Balance
16	Month	Payment	Interest	Principal	\$819,000
17	1	\$5,842.79	\$4,059.17	\$1,783.62	817,216
18	2	5,842.79	4,050.33	1,792.46	815,424
19	3	5,842.79	4,041.44	1,801.35	813,623
20	4	5,842.79	4,032.52	1,810.28	811,812
21	5	5,842.79	4,023.54	1,819.25	809,993
22	6	5,842.79	4,014.53	1,828.26	808,165
23	7	5,842.79	4,005.47	1,837.33	806,327
24	8	5,842.79	3,996.36	1,846.43	804,481
25	9	5,842.79	3,987.21	1,855.58	802,625
26	10	5,842.79	3,978.01	1,864.78	800,761
27	11	5,842.79	3,968.77	1,874.02	798,887
28	12	5,842.79	3,959.48	1,883.31	797,003
29	Totals	\$70,113.50	\$48,116.83	\$21,996.67	
30	Add WIFA Reserve Fund Payment				
31		\$14,022.70			
32	Total WIFA Payments				
33		\$84,136.20			
34					
35	Interest Expense on WIFA Loan / Phase 1				48,117
36					

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 6

EXHIBIT
 REBUTTAL SCHEDULE C 2
 PAGE 8a
 WITNESS: KOZOMAN

Line No.						
1	Interest On Notes Payable:					
2						
3						
4				Notes		
5	Total Short-Term Notes Payables			<u>Payable</u>		
6	to be converted to Long-Term Debt				\$58,340	
7	Shareowner Loans to Finance Plant					
8	(AOC Staff Capitalized Outside Services & Vehicle)					
9	Repayment Term:					
10	Years				20	
11	Months				240	
12	Interest On Notes Payable:					
13	Annual				10.2500%	
14	Monthly				0.85417%	
15	Annuity Factor for Payments				101.87	
16	Monthly Payments				572.69	
17						
18	Shareowner Notes Payable:				<u>Balance</u>	
19		<u>Month</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	\$58,340.00
20		1	\$572.69	\$498.32	\$74.37	58,265.63
21		2	572.69	497.69	75.01	58,190.62
22		3	572.69	497.04	75.65	58,114.98
23		4	572.69	496.40	76.29	58,038.69
24		5	572.69	495.75	76.94	57,961.74
25		6	572.69	495.09	77.60	57,884.14
26		7	572.69	494.43	78.26	57,805.88
27		8	572.69	493.76	78.93	57,726.95
28		9	572.69	493.08	79.61	57,647.34
29		10	572.69	492.40	80.29	57,567.05
30		11	572.69	491.72	80.97	57,486.08
31		12	572.69	491.03	81.66	57,404.42
32	Totals		<u>6,872</u>	<u>5,937</u>	<u>936</u>	
33						
34	Interest Expense on WIFA Loan					48,117
35	Interest Expense on Shareowner Loan					5,937
36	Actual Interest Expense, before WIFA & Shareowner Loans					<u>2,625</u>
37	Total Adjusted Interest Expense / Phase 2					56,679
38	Adjusted Test Year Expense - Rebuttal Filing Phase 1					<u>29,273</u>
39	Adjusted To Interest Expense					<u>27,406</u>
40						
41	Adjustment to Revenue and/or Expense					<u>27,406</u>
42						
43	Total Payments:					
44	WIFA Loan and Debt Reserve					\$84,136
45	Shareowner Loan					6,872
46	Actual Test Year Interest					<u>2,625</u>
47	Total Annual Payments					<u>\$93,633</u>

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Adjustment to Revenues and/or Expense
 Adjustment 7

EXHIBIT
 REBUTTAL SCHEDULE C 2
 PAGE 9
 WITNESS KOZOMAN

Line
 No.

	Tax at 65% of Proposed Revenue & Plant	Tax at 100% of Proposed Revenue & Plant
1 Property Taxes at Proposed Rates:		
2		
3		
4		
5		
6		
7 Revenues - Annualized Proposed Rates	498,245	581,462
8 Two Times Revenue	996,489	1,162,924
9		
10 Gross Plant	3,279,431	3,279,431
11 Less: Accumulated Depreciation	500,987	500,987
12 Net Plant or Book Value	2,778,444	2,778,444
13		
14 Revenue / Net Plant = Utilization Factor	17.93%	20.93%
15		
16 Department of Revenue Factor for Plant	35%	45%
17 Two Times Revenue without sales tax	996,489	1,162,924
18 Net Plant Times Utilization Factor, (L11 x L15) plus materials & supplies of:	972,455	1,250,300
19 Correlated Value, assuming 50% of plant and 50% of revenue ((L16 + L17) / 2)	984,472	1,206,612
20 CWIP at 35%	0	0
21 Transportation Equipment Deduction	16,257	19,925
22 Full Cash Value (L18 + L19 + L20)	968,215	1,186,687
23 Times Assessment Ratio	25.00%	25.00%
24 Assessed Value (L21 x L22)	242,054	296,672
25 Property Tax Rate (From Schedule C-2, Page 4d, Line 7)	14.953%	14.953%
26 Subtotal of Computed Property Tax (L23 x L24)	\$36,195	\$44,362
27 Number of Years Property Tax Expense will be in effect:	1	3
28 Subtotal Property Taxes over Next Four Years (L25 x L26)	\$36,195	\$133,085
29 Add Property Tax on Parcels	118	118
30 Average Property Taxes Per Year for the Next Four (4) Years	\$36,313	\$133,203
31 ((L29 Col.1 + L29 Col. 2) / 4)		\$42,379
32 Less: Maximum Margin of Error		(1,606)
33 Property Taxes at Proposed Rates in Company's Rebuttal Filing, Phase 2		\$40,773
34 Less: Adjusted Property Tax Expense in Company's Rebuttal Filing, Phase 1		35,625
35 Increase (Decrease) in Property Taxes		<u>\$5,148</u>
36		
37 Adjustment to Revenues and/or Expenses		<u>\$5,148</u>

Vail Water Company / Phase 2 Increase
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year Ended December 31, 1998
Using Company's Proposed Revenues and Net Plant

EXHIBIT
 REBUTIAL SCHEDULE C-2
 PAGE 9a
 WITNESS KOZOMAN

Line No.	1,162,924	Percentage of Revenue	1,250,300	Plant	0%	Dollar amount of		Correl- ated Value	Remove Transport Equipment	Full Cash Value	Assessed Value	25.00% Value Percent	14.9531% Property Tax Expense	(a) Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax
						Revenue	Plant									
1	1,162,924	100%	1,162,924	0	1,162,924	(19,204)	1,143,721	285,930	42,874	44,480	1,606	0.23%	1,606	0.23%		
2	1,151,295	99%	1,151,295	12,503	1,163,798	(19,218)	1,144,580	286,145	42,906	44,480	1,574	0.23%	1,574	0.23%		
3	1,139,666	98%	1,139,666	25,006	1,164,672	(19,232)	1,145,439	286,360	42,938	44,480	1,542	0.22%	1,542	0.22%		
4	1,128,037	97%	1,128,037	37,509	1,165,546	(19,247)	1,146,299	286,575	42,970	44,480	1,510	0.22%	1,510	0.22%		
5	1,116,407	96%	1,116,407	50,012	1,166,419	(19,261)	1,147,158	286,789	43,002	44,480	1,478	0.21%	1,478	0.21%		
6	1,104,778	95%	1,104,778	62,515	1,167,293	(19,276)	1,148,017	287,004	43,034	44,480	1,446	0.21%	1,446	0.21%		
7	1,093,149	94%	1,093,149	75,018	1,168,167	(19,290)	1,148,877	287,219	43,066	44,480	1,413	0.20%	1,413	0.20%		
8	1,081,520	93%	1,081,520	87,521	1,169,041	(19,305)	1,149,736	287,434	43,098	44,480	1,381	0.20%	1,381	0.20%		
9	1,069,890	92%	1,069,890	100,024	1,169,914	(19,319)	1,150,595	287,649	43,131	44,480	1,349	0.20%	1,349	0.20%		
10	1,058,261	91%	1,058,261	112,527	1,170,788	(19,333)	1,151,455	287,864	43,163	44,480	1,317	0.19%	1,317	0.19%		
11	1,046,632	90%	1,046,632	125,030	1,171,662	(19,348)	1,152,314	288,078	43,195	44,480	1,285	0.19%	1,285	0.19%		
12	1,035,003	89%	1,035,003	137,533	1,172,536	(19,362)	1,153,173	288,293	43,227	44,480	1,253	0.18%	1,253	0.18%		
13	1,023,373	88%	1,023,373	150,036	1,173,409	(19,377)	1,154,033	288,508	43,259	44,480	1,221	0.18%	1,221	0.18%		
14	1,011,744	87%	1,011,744	162,539	1,174,283	(19,391)	1,154,892	288,723	43,291	44,480	1,189	0.17%	1,189	0.17%		
15	1,000,115	86%	1,000,115	175,042	1,175,157	(19,406)	1,155,751	288,938	43,323	44,480	1,156	0.17%	1,156	0.17%		
16	988,486	85%	988,486	187,545	1,176,031	(19,420)	1,156,611	289,153	43,355	44,480	1,124	0.16%	1,124	0.16%		
17	976,856	84%	976,856	200,048	1,176,904	(19,434)	1,157,470	289,367	43,388	44,480	1,092	0.16%	1,092	0.16%		
18	965,227	83%	965,227	212,551	1,177,778	(19,449)	1,158,329	289,582	43,420	44,480	1,060	0.15%	1,060	0.15%		
19	953,598	82%	953,598	225,054	1,178,652	(19,463)	1,159,189	289,797	43,452	44,480	1,028	0.15%	1,028	0.15%		
20	941,969	81%	941,969	237,557	1,179,526	(19,478)	1,160,048	290,012	43,484	44,480	996	0.14%	996	0.14%		
21	930,339	80%	930,339	250,060	1,180,399	(19,492)	1,160,907	290,227	43,516	44,480	964	0.14%	964	0.14%		
22	918,710	79%	918,710	262,563	1,181,273	(19,507)	1,161,766	290,442	43,548	44,480	932	0.14%	932	0.14%		
23	907,081	78%	907,081	275,066	1,182,147	(19,521)	1,162,626	290,656	43,580	44,480	899	0.13%	899	0.13%		
24	895,452	77%	895,452	287,569	1,183,021	(19,535)	1,163,485	290,871	43,612	44,480	867	0.13%	867	0.13%		
25	883,822	76%	883,822	300,072	1,183,894	(19,550)	1,164,344	291,086	43,645	44,480	835	0.12%	835	0.12%		
26	872,193	75%	872,193	312,575	1,184,768	(19,564)	1,165,204	291,301	43,677	44,480	803	0.12%	803	0.12%		
27	860,564	74%	860,564	325,078	1,185,642	(19,579)	1,166,063	291,516	43,709	44,480	771	0.11%	771	0.11%		
28	848,935	73%	848,935	337,581	1,186,516	(19,593)	1,166,922	291,731	43,741	44,480	739	0.11%	739	0.11%		
29	837,305	72%	837,305	350,084	1,187,389	(19,608)	1,167,782	291,945	43,773	44,480	707	0.10%	707	0.10%		
30	825,676	71%	825,676	362,587	1,188,263	(19,622)	1,168,641	292,160	43,805	44,480	675	0.10%	675	0.10%		
31	814,047	70%	814,047	375,090	1,189,137	(19,636)	1,169,500	292,375	43,837	44,480	642	0.09%	642	0.09%		
32	802,418	69%	802,418	387,593	1,190,011	(19,651)	1,170,360	292,590	43,869	44,480	610	0.09%	610	0.09%		
33	790,789	68%	790,789	400,096	1,190,884	(19,665)	1,171,219	292,805	43,902	44,480	578	0.09%	578	0.09%		
34	779,159	67%	779,159	412,599	1,191,758	(19,680)	1,172,078	293,020	43,934	44,480	546	0.09%	546	0.09%		
35	767,530	66%	767,530	425,102	1,192,632	(19,694)	1,172,938	293,234	43,966	44,480	514	0.09%	514	0.09%		

\$118.24 tax on Parcels

Includes

(a)

Vall Water Company / Phase 2 Increase
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year Ended December 31, 1998
Using Company's Proposed Revenues and Net Plant

EXHIBIT
REBUTTAL SCHEDULE C.2
PAGE 9b
WITNESS KOZOMAN

Line No.	Percentage of Revenue	1,250,300 Plant	Dollar amount of Revenue	Plant	Corrected Value	Remove Equipment	Full Cash Value	25.00% Assessed Value	14.9531% Property Tax Expense	Property Tax with 50% of Revenue & Plant	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax
1	65%		755,901	437,605	1,193,506	(19,709)	1,173,797	293,449	43,998	44,480	482	0.07%
2	64%		744,272	450,108	1,194,379	(19,723)	1,174,656	293,664	44,030	44,480	450	0.07%
3	63%		732,641	462,611	1,195,253	(19,737)	1,175,516	293,879	44,062	44,480	418	0.06%
4	62%		721,013	475,114	1,196,127	(19,752)	1,176,375	294,094	44,094	44,480	385	0.06%
5	61%		709,384	487,617	1,197,001	(19,766)	1,177,234	294,309	44,126	44,480	353	0.05%
6	60%		697,755	500,120	1,197,874	(19,781)	1,178,094	294,523	44,159	44,480	321	0.05%
7	59%		686,125	512,623	1,198,748	(19,795)	1,178,953	294,738	44,191	44,480	289	0.04%
8	58%		674,496	525,126	1,199,622	(19,810)	1,179,812	294,953	44,223	44,480	257	0.04%
9	57%		662,867	537,629	1,200,496	(19,824)	1,179,672	295,168	44,255	44,480	225	0.03%
10	56%		651,238	550,132	1,201,369	(19,838)	1,181,531	295,383	44,287	44,480	193	0.03%
11	55%		639,608	562,635	1,202,243	(19,853)	1,182,390	295,598	44,319	44,480	161	0.02%
12	54%		627,979	575,138	1,203,117	(19,867)	1,183,250	295,812	44,351	44,480	128	0.02%
13	53%		616,350	587,641	1,203,991	(19,882)	1,184,109	296,027	44,383	44,480	96	0.01%
14	52%		604,721	600,144	1,204,864	(19,896)	1,184,968	296,242	44,416	44,480	64	0.01%
15	51%		593,091	612,647	1,205,738	(19,911)	1,185,828	296,457	44,448	44,480	32	0.00%
16	50%		581,462	625,150	1,206,612	(19,925)	1,186,687	296,672	44,480	44,480	0	0.00%
17	49%		569,833	637,653	1,207,486	(19,939)	1,187,546	296,887	44,512	44,480	(32)	0.00%
18	48%		558,204	650,156	1,208,360	(19,954)	1,188,406	297,101	44,544	44,480	(64)	0.01%
19	47%		546,574	662,659	1,209,233	(19,968)	1,189,265	297,316	44,576	44,480	(96)	0.01%
20	46%		534,945	675,162	1,210,107	(19,983)	1,190,124	297,531	44,608	44,480	(128)	0.02%
21	45%		523,316	687,665	1,210,981	(19,997)	1,190,984	297,746	44,640	44,480	(161)	0.02%
22	44%		511,687	700,168	1,211,855	(20,012)	1,191,843	297,961	44,673	44,480	(193)	0.03%
23	43%		500,057	712,671	1,212,728	(20,026)	1,192,702	298,176	44,705	44,480	(225)	0.03%
24	42%		488,428	725,174	1,213,602	(20,040)	1,193,562	298,390	44,737	44,480	(257)	0.04%
25	41%		476,799	737,677	1,214,476	(20,055)	1,194,421	298,605	44,769	44,480	(289)	0.04%
26	40%		465,170	750,180	1,215,350	(20,069)	1,195,280	298,820	44,801	44,480	(321)	0.05%
27	39%		453,540	762,683	1,216,223	(20,084)	1,196,140	299,035	44,833	44,480	(353)	0.05%
28	38%		441,911	775,186	1,217,097	(20,098)	1,196,999	299,250	44,865	44,480	(385)	0.06%
29	37%		430,282	787,689	1,217,971	(20,113)	1,197,858	299,465	44,897	44,480	(418)	0.06%
25	36%		418,653	800,192	1,218,845	(20,127)	1,198,717	299,679	44,930	44,480	(450)	0.07%
27	35%		407,024	812,695	1,219,718	(20,141)	1,199,577	299,894	44,962	44,480	(482)	0.07%
28	34%		395,394	825,198	1,220,592	(20,156)	1,200,436	300,109	44,994	44,480	(514)	0.07%
29			\$118.24	tax on Parcels								

(a)

Vail Water Company / Phase 2 Increase
 Computation of Maximum Error from the Use
 of 50% of Revenues and 50% of Net Plant
 Test Year Ended December 31, 1998
 Using Company's Proposed Revenues and Net Plant

Line No.	1,162,924 Revenue	Percentage of Plant	1,250,300 Plant	Dollar amount of Revenue	Plant Value	Correl-ated Value	Remove Transport Equipment	Full Cash Value	25.00% Assessed Value Percent	14,953.1% Property Tax Expense	(a) Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax
1	33%			383,765	837,701	1,221,466	(20,170)	1,201,295	300,324	45,036	44,480	(546)	-0.08%
2	32%			372,136	850,204	1,222,340	(20,186)	1,202,155	300,539	45,058	44,480	(578)	-0.08%
3	31%			360,507	862,707	1,223,213	(20,199)	1,203,014	300,754	45,090	44,480	(610)	-0.09%
4	30%			348,877	875,210	1,224,087	(20,214)	1,203,873	300,968	45,122	44,480	(642)	-0.09%
5	29%			337,248	887,713	1,224,961	(20,228)	1,204,733	301,183	45,154	44,480	(675)	-0.10%
6	28%			325,619	900,216	1,225,835	(20,242)	1,205,592	301,398	45,187	44,480	(707)	-0.11%
7	27%			313,990	912,719	1,226,708	(20,257)	1,206,451	301,613	45,219	44,480	(739)	-0.11%
8	26%			302,360	925,222	1,227,582	(20,271)	1,207,311	301,828	45,251	44,480	(771)	-0.12%
9	25%			290,731	937,725	1,228,456	(20,286)	1,208,170	302,043	45,283	44,480	(803)	-0.12%
10	24%			279,102	950,228	1,229,330	(20,300)	1,209,029	302,257	45,315	44,480	(835)	-0.12%
11	23%			267,473	962,731	1,230,203	(20,315)	1,209,889	302,472	45,347	44,480	(867)	-0.13%
12	22%			255,843	975,234	1,231,077	(20,329)	1,210,748	302,687	45,379	44,480	(899)	-0.13%
13	21%			244,214	987,737	1,231,951	(20,343)	1,211,607	302,902	45,411	44,480	(932)	-0.14%
14	20%			232,585	1,000,240	1,232,825	(20,358)	1,212,467	303,117	45,444	44,480	(964)	-0.14%
15	19%			220,956	1,012,743	1,233,698	(20,372)	1,213,326	303,332	45,476	44,480	(996)	-0.14%
16	18%			209,326	1,025,246	1,234,572	(20,387)	1,214,185	303,546	45,508	44,480	(1,028)	-0.15%
17	17%			197,697	1,037,749	1,235,446	(20,401)	1,215,045	303,761	45,540	44,480	(1,060)	-0.15%
18	16%			186,068	1,050,252	1,236,320	(20,416)	1,215,904	303,976	45,572	44,480	(1,092)	-0.16%
19	15%			174,439	1,062,755	1,237,193	(20,430)	1,216,763	304,191	45,604	44,480	(1,124)	-0.16%
20	14%			162,809	1,075,258	1,238,067	(20,444)	1,217,623	304,406	45,636	44,480	(1,156)	-0.17%
21	13%			151,180	1,087,761	1,238,941	(20,459)	1,218,482	304,620	45,668	44,480	(1,189)	-0.17%
22	12%			139,551	1,100,264	1,239,815	(20,473)	1,219,341	304,835	45,701	44,480	(1,221)	-0.18%
23	11%			127,922	1,112,767	1,240,688	(20,488)	1,220,201	305,050	45,733	44,480	(1,253)	-0.18%
24	10%			116,292	1,125,270	1,241,562	(20,502)	1,221,060	305,265	45,765	44,480	(1,285)	-0.19%
25	9%			104,663	1,137,773	1,242,436	(20,517)	1,221,919	305,480	45,797	44,480	(1,317)	-0.19%
26	8%			93,034	1,150,276	1,243,310	(20,531)	1,222,779	305,695	45,829	44,480	(1,349)	-0.20%
27	7%			81,405	1,162,779	1,244,183	(20,545)	1,223,638	305,909	45,861	44,480	(1,381)	-0.20%
28	6%			69,775	1,175,282	1,245,057	(20,560)	1,224,497	306,124	45,893	44,480	(1,413)	-0.21%
29	5%			58,146	1,187,785	1,245,931	(20,574)	1,225,357	306,339	45,925	44,480	(1,446)	-0.21%
30	4%			46,517	1,200,288	1,246,805	(20,589)	1,226,216	306,554	45,957	44,480	(1,478)	-0.21%
31	3%			34,888	1,212,791	1,247,678	(20,603)	1,227,075	306,769	45,990	44,480	(1,510)	-0.22%
32	2%			23,258	1,225,294	1,248,552	(20,618)	1,227,935	306,984	46,022	44,480	(1,542)	-0.22%
33	1%			11,629	1,237,797	1,249,426	(20,632)	1,228,794	307,198	46,054	44,480	(1,574)	-0.23%
34	0%			(O)	1,250,300	1,250,300	(20,646)	1,229,653	307,413	46,086	44,480	(1,606)	-0.23%

\$118.24 tax on Parcels

Includes

(a)

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Interest Coverage and Debt Service Computations
 with Proposed Phase 1 Debt at Present Rates

Exhibit
 Rebuttal Schedule D-4-S
 Page 1
 Witness: Kozoman

Line No.		Interest Coverage	Debt Service
1	Available for Interest Coverage:		
2	Operating Income (Sch. C-1, Line 33)	(\$128,475)	
3	Add: Other Income (Sch. C-1, Line 35)	\$711	
4	Total Available for Interest Coverage	<u>(\$127,764)</u>	
5	Interest Expense (Sch. C-1, Line 34)	29,273	
6	Interest Coverage (Line 4 / Line5)	<u>(4.39)</u>	
7			
8			
9	Available for Debt Service:		
10	Operating Income & Other Income (Line 4 above)		(\$128,475)
11	Add:		
12	Amortization of Prepaid Water Rights (Sch. C-1, Line 29)		3,694
13	Depreciation Expense (Sch. C-1, Line 28)		59,411
14	Available for Debt Service (Lines 10 + 11 + 12 +13)		<u>(\$65,370)</u>
15			
16	Debt Service (Interest and Principal Payments from Sch. C-2, Page 3a)		45,712
17	Meter and Service Line Refunds		3,790
18	Repayment of Advances in Aid of Construction:		
19	1998 Refunds (based on 1997 revenues) increased in ratio of		
20	Adjusted 1998 Revenues /		
21	/ 1997 Revenues	\$16,883	
22	(Ratio Computation listed below)		1.63850133 <u>27,663</u>
23			
24	Total Debt Service (Lines 16 + 17 +22)		<u>77,164</u>
25			
26	Debt Service Coverage (Line 14 / Line 24)		<u>(0.85)</u>
27			
28	Ratio of Proposed Revenues to 1997 Revenues:		
29	Proposed Revenues without		
30	Miscellaneous Revenues	\$340,356	
31		Divided by =	1.63850133
32	1997 Revenues without		
33	Miscellaneous Revenues	\$207,724	

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Interest Coverage and Debt Service Computations
 with Proposed Phase 1 Debt at Proposed Rates

Exhibit
 Rebuttal Schedule D-4-S
 Page 2
 Witness: Kozoman

Line No.		Interest Coverage	Debt Service
1	Available for Interest Coverage:		
2	Operating Income (Sch. C-1, Line 33)	\$40,251	
3	Add: Other Income (Sch. C-1, Line 35)	<u>711</u>	
4	Total Available for Interest Coverage	<u>\$40,962</u>	
5	Interest Expense (Sch. C-1, Line 34)	<u>29,273</u>	
6	Interest Coverage (Line 4 / Line 5)	<u><u>1.40</u></u>	
7			
8			
9	Available for Debt Service:		
10	Operating Income & Other Income (Line 4 above)		\$40,251
11	Add:		
12	Amortization of Prepaid Water Rights (Sch. C-1, Line 29)		3,694
12	Depreciation Expense (Sch. C-1, Line 28)		<u>59,411</u>
13	Available for Debt Service (Lines 10 + 11 + 12 +13)		<u>\$103,357</u>
14			
15	Debt Service (Interest and Principal Payments from Sch. C-2, Page 3a)		45,712
16	Meter and Service Line Refunds		3,790
17	Repayment of Advances in Aid of Construction:		
18	1998 Refunds (based on 1997 revenues) increased in ratio of		
19	Proposed Rates / 1997 Revenues =	\$16,883	x
20	Ratio of Revenues =		2.161918336
21	(Ratio Computation listed below)		36,500
22			
23	Total Debt Service (Lines 16 + 17 +22)		<u>86,001</u>
24			
25	Debt Service Coverage (Line 14 / Line 24)		<u><u>1.20</u></u>
26			
27	Ratio of Proposed Revenues to 1997 Revenues:		
28	Proposed Revenues without CAP Hookup Tariff Revenues		
29	and Miscellaneous Revenues	<u>\$449,082</u>	
30		Divided by =	2.161918336
31	1997 Revenues without		
32	Miscellaneous Revenues	\$207,724	

Vail Water Company / Phase 2 Increase
Test Year Ended December 31, 1998
Summary of Revenues by Meter Size at
Proposed Rates Rebuttal Rates for Phase 1 and Phase 2

Exhibit
 Rebuttal; Schedule H-1
 Page 1
 Witness: Kozoman

Line No.	Meter Size	Rebuttal Phase 1 Proposed Revenues	Rebuttal Phase 2 Proposed Revenues	Dollar Change	Percent Change
1	5/8 x 3/4 inch Meter	\$384,892	\$447,113	\$62,221	16.17%
2	1 inch	4,760	5,459	699	14.68%
3	2 inch Meter	3,251	3,691	440	13.54%
4	6 inch Meter	12,035	13,092	1,057	8.78%
5	Standpipe	0	0	0	0.00%
6	Subtotal Water Revenues	404,938	469,355	64,417	15.91%
7	Proforma Adjustment / Customer Growth				
8	5/8 x 3/4 inch meters	28,895	33,516	4,621	15.99%
9	Miscellaneous Revenues	3,341	3,341	0	
10	Subtotal of Revenues	437,174	506,212	69,038	15.79%
11					
12	ACC Staff Assumed Additional Customers at May 1, 2000				
13	For WIFA Surcharge at \$8.45 Per Customer Per Month:				
14	178	18,049	18,049		
15	For CAP Hookup Tariff / Estimated Annual Customer Increase				
16	60	60,000	60,000		
17					
18					
19	Total Water Revenues	\$515,223	\$584,261	\$69,038	15.79%
20					
21					
22	ACC Staff Assumed Customers at May 1, 2000		818		
23	Actual Customers at End of Test Year		640		
24	ACC Staff Assumed Additional Customers by May 1, 2000		178	x	8.45
25					

Vail Water Company / Phase 2 Increase
 Test Year Ended December 31, 1998
 Analysis of Revenue by Detailed Class

Exhibit
 Rebuttal Schedule 11.2
 Page 1
 Witness: Kozoman

Line No.	Customers Classification and/or Meter Size	Average Number of Customers as of 12/31/98	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent
1	5/8 x 3/4 inch Meter	588		\$384,892	\$447,113	\$62,221	16.17%
2							
3	1 inch	4		\$4,760	\$5,459	\$699	14.68%
4							
5	2 inch Meter	1		\$3,251	\$3,691	\$440	13.54%
6							
7	6 inch Meter	1		\$12,035	\$13,092	\$1,057	8.78%
8	Totals	594		\$404,938	\$469,355	\$64,417	15.91%
9							
10							
11							
12							
13	5/8 x 3/4 inch Meter	588	7.940	\$54.54	\$63.36	\$8.82	16.17%
14							
15	1 inch	4	11.787	\$101.27	\$116.14	\$14.87	14.68%
16							
17	2 inch Meter	1	25.500	\$270.93	\$307.62	\$36.70	13.54%
18							
19	6 inch Meter	1	667	\$1,002.90	\$1,090.99	\$88.09	8.78%
20		594					

Vail Water Company / Phase 2 Increase
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 1998
 Proposed Rates Rebuttal Rates for Phase 1 and Phase 2

Exhibit
 Rebuttal Schedule H-3
 Page 1
 Witness: Kozoman

Line No	Customer Classification and Meter Size	Proposed Rebuttal Phase 1 Rates	Proposed Rebuttal Phase 2 Rates	Percent Change
1	Monthly Usage Charge for:			
2	Residential, Commercial, Industrial, Construction, Agricultural, Standpipe			
3	5/8 x 3/4 Inch	\$20.00	\$21.75	8.75%
4	3 / 4 Inch	\$30.00	\$32.63	8.75%
5	1 Inch	\$50.00	\$54.38	8.75%
6	1 1/2 Inch	\$100.00	\$108.75	8.75%
7	2 Inch	\$160.00	\$174.00	8.75%
8	3 Inch	\$320.00	\$348.00	8.75%
9	4 Inch	\$500.00	\$543.75	8.75%
10	6 Inch	\$1,000.00	\$1,087.50	8.75%
11	Sprinkler Rate	(a)	(a)	
12				
13	Base Charge for 5/8" Meter is	\$13.30	plus	\$8.45
14	WIFA Surcharge			For
15	(a) Higher of \$7.00 per month or 2.00% of monthly minimum.			
16				
17				
18	Gallons included in Monthly Usage Charge			
19	5/8 x 3/4 Inch Meters	0	0	0.00%
20	3/4 Inch Meters	0	0	0.00%
21	1 Inch	0	0	0.00%
22	1 1/2 Inch	0	0	0.00%
23	2 Inch	0	0	0.00%
24	3 Inch	0	0	0.00%
25	4 Inch	0	0	0.00%
26	6 Inch	0	0	0.00%
27				
28				
29	Commodity Rates:			
30	All Customers			
31	Charge per 1,000 Gallons in excess of gallons included in Monthly			
32	Usage Charge	\$4.35	\$5.240	20.46%
33				
34				
35				
36	Service Line and Meter Installation Charges:			
37				
38	Meter Size	Present Rates	Proposed Rates (a)	
39	5/8 x 3/4 Inch	\$400.00	\$400.00	
40	3 / 4 inch	\$440.00	\$440.00	
41	1 Inch	\$500.00	\$500.00	
42	1 1/2 Inch	\$675.00	\$675.00	
43	2 Inch - Compound	\$1,660.00	\$1,660.00	
44	3 Inch - Compound	\$2,150.00	\$2,150.00	
45	4 Inch - Compound	\$3,135.00	\$3,135.00	
46	6 Inch - Compound	\$6,190.00	\$6,190.00	
47				
48	Main extension tariff	Cost	Cost	
49				
50	N/A	Not Applicable, No Current Tariff		

Vail Water Company / Phase 2 Increase
BILL COMPARISON - REBUTTAL PROPOSED RATES PHASE 1 AND 2
 Customers on 5/8 x 3/4 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 1
 Witness: Kozoman

GALLONS BILLED	REBUTTAL PHASE 2 PROPOSED BILL	REBUTTAL PHASE 2 PROPOSED BILL	DOLLAR INCREASE	PERCENT INCREASE
0	\$20.00	\$21.75	\$1.75	8.75%
1,000	24.35	26.99	2.64	10.84%
2,000	28.70	32.23	3.53	12.30%
3,000	33.05	37.47	4.42	13.37%
4,000	37.40	42.71	5.31	14.20%
5,000	41.75	47.95	6.20	14.85%
6,000	46.10	53.19	7.09	15.38%
7,000	50.45	58.43	7.98	15.82%
8,000	54.80	63.67	8.87	16.19%
9,000	59.15	68.91	9.76	16.50%
10,000	63.50	74.15	10.65	16.77%
11,000	67.85	79.39	11.54	17.01%
12,000	72.20	84.63	12.43	17.22%
13,000	76.55	89.87	13.32	17.40%
14,000	80.90	95.11	14.21	17.56%
15,000	85.25	100.35	15.10	17.71%
16,000	89.60	105.59	15.99	17.85%
17,000	93.95	110.83	16.88	17.97%
18,000	98.30	116.07	17.77	18.08%
19,000	102.65	121.31	18.66	18.18%
20,000	107.00	126.55	19.55	18.27%
21,000	111.35	131.79	20.44	18.36%
22,000	115.70	137.03	21.33	18.44%
23,000	120.05	142.27	22.22	18.51%
24,000	124.40	147.51	23.11	18.58%
25,000	128.75	152.75	24.00	18.64%
26,000	133.10	157.99	24.89	18.70%
27,000	137.45	163.23	25.78	18.76%
28,000	141.80	168.47	26.67	18.81%
29,000	146.15	173.71	27.56	18.86%
30,000	150.50	178.95	28.45	18.90%
31,000	154.85	184.19	29.34	18.95%
32,000	159.20	189.43	30.23	18.99%
33,000	163.55	194.67	31.12	19.03%
34,000	167.90	199.91	32.01	19.06%
35,000	172.25	205.15	32.90	19.10%
36,000	176.60	210.39	33.79	19.13%
37,000	180.95	215.63	34.68	19.17%
38,000	185.30	220.87	35.57	19.20%
39,000	189.65	226.11	36.46	19.22%
40,000	194.00	231.35	37.35	19.25%
41,000	198.35	236.59	38.24	19.28%
42,000	202.70	241.83	39.13	19.30%
43,000	207.05	247.07	40.02	19.33%
44,000	211.40	252.31	40.91	19.35%
45,000	215.75	257.55	41.80	19.37%
46,000	220.10	262.79	42.69	19.40%
47,000	224.45	268.03	43.58	19.42%
48,000	228.80	273.27	44.47	19.44%
Median Usage 6,000	46.10	53.19	7.09	15.38%
Average Usage 7,940	54.54	63.36	8.82	16.17%

PRESENT RATES:

MONTHLY MINIMUM	\$20.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

PROPOSED RATES:

MONTHLY MINIMUM	\$21.75
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$5.24

Vail Water Company / Phase 2 Increase
BILL COMPARISON - REBUTTAL PROPOSED RATES PHASE 1 AND 2
 Customers on 1 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 2
 Witness: Kozomar

GALLONS BILLED	REBUTTAL PHASE 2 PROPOSED BILL	REBUTTAL PHASE 2 PROPOSED BILL	DOLLAR INCREASE	PERCENT INCREASE
0	\$50.00	54.38	\$4.38	8.75%
1,000	54.35	59.62	5.27	9.69%
2,000	58.70	64.86	6.16	10.49%
3,000	63.05	70.10	7.05	11.17%
4,000	67.40	75.34	7.94	11.77%
5,000	71.75	80.58	8.83	12.30%
6,000	76.10	85.82	9.72	12.77%
7,000	80.45	91.06	10.61	13.18%
8,000	84.80	96.30	11.50	13.56%
9,000	89.15	101.54	12.39	13.89%
10,000	93.50	106.78	13.28	14.20%
11,000	97.85	112.02	14.17	14.48%
12,000	102.20	117.26	15.06	14.73%
13,000	106.55	122.50	15.95	14.96%
14,000	110.90	127.74	16.84	15.18%
15,000	115.25	132.98	17.73	15.38%
16,000	119.60	138.22	18.62	15.56%
17,000	123.95	143.46	19.51	15.74%
18,000	128.30	148.70	20.40	15.90%
19,000	132.65	153.94	21.29	16.05%
20,000	137.00	159.18	22.18	16.19%
21,000	141.35	164.42	23.07	16.32%
22,000	145.70	169.66	23.96	16.44%
23,000	150.05	174.90	24.85	16.56%
24,000	154.40	180.14	25.74	16.67%
25,000	158.75	185.38	26.63	16.77%
26,000	163.10	190.62	27.52	16.87%
Median Usage				
11,000	97.85	112.02	14.17	14.48%
Average Usage				
11,787	101.27	116.14	14.87	14.68%

PRESENT RATES:

MONTHLY MINIMUM	\$50.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

PROPOSED RATES:

MONTHLY MINIMUM	\$54.38
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$5.24

Vail Water Company / Phase 2 Increase
BILL COMPARISON - REBUTTAL PROPOSED RATES PHASE 1 AND 2
 Customers on 2 Inch Meters
 Bill Count 2 Inch Meter

Exhibit
 Rebuttal Schedule H-4
 Page 3
 Witness: Kozoman

GALLONS BILLED	REBUTTAL PHASE 2 PROPOSED BILL	REBUTTAL PHASE 2 PROPOSED BILL	DOLLAR INCREASE	PERCENT INCREASE
0	\$160.00	\$174.00	\$14.00	8.75%
1,000	164.35	179.24	14.89	9.06%
2,000	168.70	184.48	15.78	9.35%
3,000	173.05	189.72	16.67	9.63%
4,000	177.40	194.96	17.56	9.90%
5,000	181.75	200.20	18.45	10.15%
6,000	186.10	205.44	19.34	10.39%
7,000	190.45	210.68	20.23	10.62%
8,000	194.80	215.92	21.12	10.84%
9,000	199.15	221.16	22.01	11.05%
10,000	203.50	226.40	22.90	11.25%
11,000	207.85	231.64	23.79	11.45%
12,000	212.20	236.88	24.68	11.63%
13,000	216.55	242.12	25.57	11.81%
14,000	220.90	247.36	26.46	11.98%
15,000	225.25	252.60	27.35	12.14%
16,000	229.60	257.84	28.24	12.30%
17,000	233.95	263.08	29.13	12.45%
18,000	238.30	268.32	30.02	12.60%
19,000	242.65	273.56	30.91	12.74%
20,000	247.00	278.80	31.80	12.87%
21,000	251.35	284.04	32.69	13.01%
22,000	255.70	289.28	33.58	13.13%
23,000	260.05	294.52	34.47	13.26%
24,000	264.40	299.76	35.36	13.37%
25,000	268.75	305.00	36.25	13.49%
26,000	273.10	310.24	37.14	13.60%
27,000	277.45	315.48	38.03	13.71%
28,000	281.80	320.72	38.92	13.81%
29,000	286.15	325.96	39.81	13.91%
30,000	290.50	331.20	40.70	14.01%
31,000	294.85	336.44	41.59	14.11%
32,000	299.20	341.68	42.48	14.20%
33,000	303.55	346.92	43.37	14.29%
34,000	307.90	352.16	44.26	14.37%
35,000	312.25	357.40	45.15	14.46%
36,000	316.60	362.64	46.04	14.54%
37,000	320.95	367.88	46.93	14.62%
38,000	325.30	373.12	47.82	14.70%
39,000	329.65	378.36	48.71	14.78%
40,000	334.00	383.60	49.60	14.85%
41,000	338.35	388.84	50.49	14.92%
42,000	342.70	394.08	51.38	14.99%
43,000	347.05	399.32	52.27	15.06%
Median Usage				
27,500	279.63	318.10	38.48	13.76%
Average Usage				
25,500	270.93	307.62	36.70	13.54%

PRESENT RATES:

MONTHLY MINIMUM	\$160.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$4.35

PROPOSED RATES:

MONTHLY MINIMUM	\$174.00
GALLONS IN MINIMUM	0
CHARGE PER 1,000 GALLONS	\$5.24

Vail Water Company / Phase 2 Increase
BILL COMPARISON - REBUTTAL PROPOSED RATES PHASE 1 AND 2
 Customers on 6 Inch Meters
 Test Year Ended December 31, 1998

Exhibit
 Rebuttal Schedule H-4
 Page 4
 Witness: Kozoman

GALLONS BILLED	REBUTTAL PHASE 2 PROPOSED BILL	REBUTTAL PHASE 2 PROPOSED BILL	DOLLAR INCREASE	PERCENT INCREASE
0	\$1,000.00	\$1,087.50	\$87.50	8.75%
1,000	1,004.35	1,092.74	88.39	8.80%
2,000	1,008.70	1,097.98	89.28	8.85%
3,000	1,013.05	1,103.22	90.17	8.90%
4,000	1,017.40	1,108.46	91.06	8.95%
5,000	1,021.75	1,113.70	91.95	9.00%
6,000	1,026.10	1,118.94	92.84	9.05%
7,000	1,030.45	1,124.18	93.73	9.10%
8,000	1,034.80	1,129.42	94.62	9.14%
9,000	1,039.15	1,134.66	95.51	9.19%
10,000	1,043.50	1,139.90	96.40	9.24%
11,000	1,047.85	1,145.14	97.29	9.28%
12,000	1,052.20	1,150.38	98.18	9.33%
13,000	1,056.55	1,155.62	99.07	9.38%
14,000	1,060.90	1,160.86	99.96	9.42%
15,000	1,065.25	1,166.10	100.85	9.47%
16,000	1,069.60	1,171.34	101.74	9.51%
17,000	1,073.95	1,176.58	102.63	9.56%
18,000	1,078.30	1,181.82	103.52	9.60%
19,000	1,082.65	1,187.06	104.41	9.64%
20,000	1,087.00	1,192.30	105.30	9.69%
21,000	1,091.35	1,197.54	106.19	9.73%
22,000	1,095.70	1,202.78	107.08	9.77%
23,000	1,100.05	1,208.02	107.97	9.82%
24,000	1,104.40	1,213.26	108.86	9.86%
25,000	1,108.75	1,218.50	109.75	9.90%
26,000	1,113.10	1,223.74	110.64	9.94%
27,000	1,117.45	1,228.98	111.53	9.98%
28,000	1,121.80	1,234.22	112.42	10.02%
29,000	1,126.15	1,239.46	113.31	10.06%
30,000	1,130.50	1,244.70	114.20	10.10%
31,000	1,134.85	1,249.94	115.09	10.14%
32,000	1,139.20	1,255.18	115.98	10.18%
33,000	1,143.55	1,260.42	116.87	10.22%
34,000	1,147.90	1,265.66	117.76	10.26%
35,000	1,152.25	1,270.90	118.65	10.30%
36,000	1,156.60	1,276.14	119.54	10.34%
37,000	1,160.95	1,281.38	120.43	10.37%
38,000	1,165.30	1,286.62	121.32	10.41%
39,000	1,169.65	1,291.86	122.21	10.45%
40,000	1,174.00	1,297.10	123.10	10.49%
41,000	1,178.35	1,302.34	123.99	10.52%
42,000	1,182.70	1,307.58	124.88	10.56%
43,000	1,187.05	1,312.82	125.77	10.60%
44,000	1,191.40	1,318.06	126.66	10.63%
45,000	1,195.75	1,323.30	127.55	10.67%
46,000	1,200.10	1,328.54	128.44	10.70%
47,000	1,204.45	1,333.78	129.33	10.74%
48,000	1,208.80	1,339.02	130.22	10.77%
Median Usage 4,500	1,019.58	1,111.08	91.50	8.97%
Average Usage 667	1,002.90	1,090.99	88.09	8.78%

PRESENT RATES:

MONTHLY MINIMUM \$1,000.00
 GALLONS IN MINIMUM 0
 CHARGE PER 1,000 GALLONS \$4.35

PROPOSED RATES:

MONTHLY MINIMUM \$1,087.50
 GALLONS IN MINIMUM 0
 CHARGE PER 1,000 GALLONS \$5.24