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MEMORANDUM RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2013 MAR 7 PM 3 05

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: March 7, 2013

RE: SUPPLEMENTAL STAFF REPORT IN RESPONSE TO SANDARIO WATER COMPANY INC.'S FILING OF ITS COMMENTS TO THE ORIGINAL STAFF REPORT REGARDING ITS APPLICATION FOR A RATE INCREASE (DOCKET NO. W-01831A-12-0392)

Sandario Water Company, Inc. ("Sandario" or "Company") filed comments to the original Staff Report. Staff hereby submits the attached Supplemental Staff Report in response to Sandario filed comments regarding its application for a rate increase. Staff recommends approval of the rate increase application using Staff's recommended Supplemental rates and charges.

Any party who wishes may file comments to the Supplemental Staff Report with the Commission's Docket Control by 4:00 p.m. on or before March 18, 2013.

SMO:BCA:tdp\RRM

Originator: Brendan C. Aladi

Arizona Corporation Commission
DOCKETED
MAR 7 2013
DOCKETED BY

**Service List for: Sandario Water Company, Inc.
Docket No. W-01831A-12-0392**

**Mr. Bonnie O'Connor
Sandario Water Company
Post Office Box 85160
Tucson, Arizona 85754**

**SUPPLEMENTAL STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

SANDARIO WATER Company, INC.

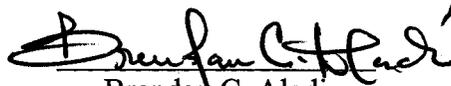
DOCKET NO. W-01831A-12-0392

**APPLICATION FOR
A PERMANENT RATE INCREASE**

MARCH 7, 2013

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Sandario Water Company, Inc. ("Company"), Docket No. W-01831A-12-0392 was the responsibility of the Staff member listed below. Brendan C. Aladi was also responsible for the financial review and analysis of the Company's application.

A handwritten signature in black ink, appearing to read "Brendan C. Aladi". The signature is written in a cursive style with a horizontal line underneath the name.

Brendan C. Aladi

Public Utilities Analyst III

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INTRODUCTION

Sandario Water Company, Inc. (“Sandario” or “Company”) is a Class D for-profit Arizona public service corporation that provides potable water service to approximately 330 metered customers in Pima County, Arizona.

On August 31, 2012, Sandario filed an application for a permanent rate increase with the Arizona Corporation Commission (“Commission”). On January 4, 2013, Staff filed its Staff Report recommending approval of the rate application using Staff’s recommended rates and charges.

COMMENT TO THE STAFF REPORT

On January 14, 2013, Sandario filed comments to the Staff Report and Staff hereby responds to those comments.

Comment No.1

In its original application, Sandario calculated net depreciation expense going forward to be a negative amount due to improperly matched CIAC amortization exceeding actual depreciation expense, and opted to use zero depreciation expense. In its original Staff Report, Staff recommended \$7,740 in net depreciation expense, which is comprised of \$22,103 of gross depreciation expense reduced by \$14,363 of CIAC amortization. This was depicted on Schedule BCA-3, page 3 of 5.

Company Schedule SSR-1 corrects calculation errors in Schedule BCA-3 by applying the correct depreciation rate to plant account nos. 330.1 and 331. As a result, gross depreciation expense should be increased by \$5,589, to \$27,692 instead of \$22,103. This correction also results in the composite depreciation rate as calculated by Staff to increase from 4.03 percent to 5.05 percent. When the 5.05 percent rate is applied to CIAC that was not yet fully amortized at the end of the test year, the resulting annual amortization expense is \$16,828. The revised amount of net depreciation expense increases \$3,124 from Staff proposed \$7,740 to \$10,864.

Staff response is as follows:

Staff made calculation errors in determining depreciation expense and subsequently the composite depreciation rate on Schedule BCA-3, pages 1 and 3. Staff corrects the calculation errors by applying the correct depreciation rates to plant account nos. 330.1 and 331. As a result, gross depreciation expense increased by \$5,589, from \$22,103 to \$27,692. This correction also increased composite depreciation rate from 4.03 percent to 5.05 percent. When the 5.05 percent rate is applied to CIAC that was not yet fully amortized at the end of the test year, the resulting CIAC amortization is \$17,995. This results in depreciation expense of \$9,697 (\$27,692 less \$17,995). Staff corrects the amount and recognizes \$9,697 in depreciation expense.

Comment No. 2

The issue is how to amortize CIAC that result from AIAC refund obligations expiring. The Company continues to propose using an accelerated CIAC amortization methodology in applying CIAC that was not yet fully amortized at the end of the test year against depreciation expense.

Staff response is as follows:

Staff's depreciation adjustment corrects the Company's accelerated CIAC amortization, and the calculation of depreciation expense on Staff's recommended plant in service balance as shown on Supplemental Schedule BCA-3, page 3. Staff does not recommend accelerating CIAC amortization. It is appropriate to amortize at the normal rate as reflected in Staff's adjustment.

STAFF ANALYSIS, CONCLUSION AND RECOMMENDATION

Staff Recommended Operating Revenue

Staff continues to recommend total operating revenue of \$158,003 as shown on Supplemental Schedule BCA-1.

Depreciation Expense

As noted, depreciation expense is understated by Staff in the original Staff Report. Adjustment B increases depreciation expense by \$9,697, from \$0 to \$9,697 as shown on Supplemental Schedule BCA-3, pages 1 and 3. This is an increase of \$1,957 over what was recommended in the original Staff Report.

Operating Margin

The Company's proposed rates and charges would provide an operating income of \$39,523, for an operating margin of 25.01 percent.

Staff's recommended rates and charges would provide an operating income of \$25,150 for an operating margin of 15.92 percent as shown on Supplemental Schedule BCA-1. Staff utilizes cash flow to determine revenue requirement in this case due to the Company's negative rate base.

Revenue Requirement

Staff continues to recommend total operating revenue of \$158,003, an increase of \$45,000, or 39.82 percent above Staff adjusted test year revenue of \$113,003. This is the same amount as was recommended in the original Staff Report.

Staff's recommended increase provides the Company with adequate cash flow to meet its normal operating expenses, maintain its water system and fund contingencies.

Rate Design

Supplemental Schedule BCA-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges. Staff continues to recommend the same rate design as in the original Staff Report.

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter residential bill with a median usage of 5,115 gallons from \$20.61 to \$24.37, an increase of \$3.76 or 18.3 percent as shown on Supplemental Schedule BCA-5.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter residential bill with a median usage of 5,115 gallons from \$20.61 to \$24.56, an increase of \$3.95 or 19.2 percent as shown on Supplemental Schedule BCA-5.

Staff Recommendation

Staff recommends approval of the Staff recommended rates and charges as shown on Supplemental Schedule BCA-4

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$110,856	\$110,856	\$155,856	\$155,856
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	2,147	2,147	2,147	2,147
Total Operating Revenue	\$113,003	\$113,003	\$158,003	\$158,003
Operating Expenses:				
Operation and Maintenance	\$110,789	\$112,114	\$110,789	\$112,114
Depreciation	0	9,697	0	9,697
Property & Other Taxes	7,691	7,847	7,691	11,042
Income Tax	0	0	0	0
Total Operating Expense	\$118,480	\$129,659	\$118,480	\$132,853
Operating Income/(Loss)	(\$5,477)	(\$16,656)	\$39,523	\$25,150
Rate Base O.C.L.D.	\$16,445	(\$52,343)	\$16,445	(\$52,343)
Rate of Return - O.C.L.D.	N/M	N/M	240.33%	N/M
Operating Margin	N/M	N/M	25.01%	15.92%

RATE BASE

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$921,442	(\$4,000) A	\$917,442
Less:			
Accum. Depreciation	637,274	(4,000) B	633,274
Net Plant	\$284,168	\$0	\$284,168
Less:			
Plant Advances	\$ 105,287	0	\$ 105,287
Customer Deposits	8,628	0	8,628
Total Advances	113,915	0	113,915
Contributions Gross	356,257	0	356,257
Less:			
Amortization of CIAC	202,449	(80,563) C	121,886
Net CIAC	\$ 153,808	\$ 80,563	\$ 234,371
Total Deductions	\$ 267,723	\$ 80,563	\$ 348,286
Plus:			
1/24 Power	0	\$1,108 D	\$1,108
1/8 Operation & Maint.	0	10,667 E	10,667
Inventory	0	0	0
Prepayments	0	0	0
Total Additions	\$0	\$11,775	\$11,775
Rate Base	\$16,445	(\$68,788)	(\$52,343)

Explanation of Adjustment:

- A - Refer to Schedule BCA-2, Page 4
- B - Refer to Schedule BCA-2, Page 4
- C - Refer to Schedule BCA-2, Page 4
- D - Refer to Schedule BCA-2, Page 4
- E - Refer to Schedule BCA-2, Page 4

PLANT ADJUSTMENTS

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$650	\$0	\$650
302 Franchises	450	0	450
303 Land & Land Rights	850	0	850
304 Structures & Improvements	23,575	0	23,575
307 Wells & Springs	56,222	0	56,222
311 Electrical Pumping Equipment	127,451	0	127,451
320.2 Water Treatment Equipment (Soln.Chemical)	1,642	0	1,642
330 Distribution Reservoirs & Standpipes	33,307	0	33,307
330.1 Storage Tank	18,551	(4,000) a	14,551
330.2 Pressure Tank	15,824	0	15,824
331 Transmission & Distribution Mains	548,394	0	548,394
333 Services	53,057	0	53,057
334 Meters & Meter Installations	34,854	0	34,854
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	0	0	0
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipment	3,063	0	3,063
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	2,526	0	2,526
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Plant	1,026	0	1,026
105 C.W.I.P.	0	0	0
TOTALS	\$921,442	(\$4,000) A	\$917,442

Explanation

A - See Schedule BCA-2, Page 3

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$ 637,274
Accumulated Depreciation - Per Staff	633,274
Total Adjustment	B <u>(\$4,000)</u>

ACCT		ACCUMULATED DEPRECIATION		
		Company	Staff	Staff
No.	Description	Application	Adjustment	Recommended
301	Intangibles	\$ -	\$ -	\$ -
303	Land and Land Rights	-	-	-
304	Structures and Improvements	22,952	-	22,952
307	Wells and Springs	44,091	-	44,091
311	Electrical Pumping Equipment	35,414	-	35,414
320	Water Treat. Equipment (Soln.Chemical Feeders)	246	-	246
330	Distribution Reservoirs & Standpipes	33,307	-	33,307
330.1	Storage Tank	13,573	4,000	9,573
330.2	Pressure Tank	1,539	-	1,539
331	Transmission and Distribution Mains	422,021	-	422,021
333	Services	33,792	-	33,792
334	Meters and Meter Installation	24,861	-	24,861
335	Hydrants	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-
340	Office Furniture and Fixtures	-	-	-
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools and Work Equipment	3,063	-	3,063
345	Power Operated Equipment	-	-	-
346	Communications Equipment	1,389	-	1,389
348	Other Tangible Plant	1,026	-	1,026
	Total	\$ 637,274	\$ 4,000	\$ 633,274

STAFF PLANT ADJUSTMENTS

A -	STORAGE TANK - Per Company Per Staff	\$18,551 <u>\$14,551</u>	<u>\$ (4,000)</u>
	To remove the cost of retired storage tank from plant.		
B -	ACCUMULATED DEPRECIATION - Per Company Per Staff	\$13,573 <u>\$9,573</u>	<u>\$ (4,000)</u>
	To remove the cost of retired storage tank from accumulated depreciation.		
C -	AMORTIZATION OF CIAC - Per Company Per Staff	\$202,449 <u>\$121,886</u>	<u>\$ (80,563)</u>
	To remove excess amortization of contribution in aid of construction.		
D -	WORKING CAPITAL (1/24 Purchased Pwr & Wtr) Per Company Per Staff	\$0 <u>\$1,108</u>	<u>\$ 1,108</u>
	To reflect Staff's calculation of cash working capital based on Staff's recommendations for purchased power and purchase water.		
E -	WORKING CAPITAL (1/8 operation & Maint exp.) Per Company Per Staff	\$0 <u>10,667</u>	<u>\$ 10,667</u>
	To reflect Staff's calculation of cash working capital based on Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).		

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$110,856	\$0	\$110,856
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	2,147	0	2,147
Total Operating Revenue	\$113,003	\$0	\$113,003
Operating Expenses:			
601 Salaries and Wages	\$0	\$0	\$0
610 Purchased Water	0	0	0
615 Purchased Power	26,600	0	26,600
618 Chemicals	1,955	0	1,955
620 Repairs and Maintenance	9,175	0	9,175
621 Office Supplies & Expense	4,704	0	4,704
630 Outside Services	54,089	0	54,089
635 Water Testing	1,555	1,325 A	2,880
641 Rents	0	0	0
650 Transportation Expenses	2,525	0	2,525
657 Insurance - General Liability	4,763	0	4,763
670 Bad Debt Expense	565	0	565
666 Regulatory Commission Expense - Rate Case	1,250	0	1,250
675 Miscellaneous Expense	3,428	0	3,428
403 Depreciation Expense	0	9,697 B	9,697
427.4 Interest on Customer Deposits	180	0	180
408.11 Property Taxes	7,691	156 C	7,847
409 Income Tax	0	0	0
Total Operating Expenses	\$118,480	\$11,179	\$129,659
OPERATING INCOME/(LOSS)	(\$5,477)	(\$11,179)	(\$16,656)

STAFF ADJUSTMENTS

A -	WATER TESTING - Per Company	\$1,555	
	Per Staff	<u>2,880</u>	<u>\$1,325</u>

To reflect annual water testing expense, per Staff's Engineering report.

STAFF ADJUSTMENTS (Cont.)

B - DEPRECIATION - Per Company \$0
Per Staff 9,697 \$9,697

To reflect application of Staff's recommended depreciation rates to
Staff's recommended plant, by account.

Pro Forma Annual Depreciation Expense:

Operating Income Adjustment I - Test Year Depreciation Expense

LINE NO.	DESCRIPTION	[A] Plant In Service Per Staff	[B] NonDepreciable or Fully Depreciated Plant	[C] Depreciable Plant (Col A - Col B)	[D] Depreciation Rate	[E] Depreciation Expense (Col C x Col D)
1	301 - Organization Cost	\$ 650	\$ 650	-	0.00%	\$ -
2	302 - Franchise Cost	\$ 450	450	-	0.00%	-
3	303 - Land and Land Rights	\$ 850	850	-	0.00%	-
4	304 - Structures and Improvements	\$23,575	22,193	1,382	3.33%	46
5	305 - Collecting and Impounding Res.	-	-	-	2.50%	-
6	306 - Lake River and Other Intakes	-	-	-	2.50%	-
7	307 - Wells & Spring	\$56,222	32,542	23,680	3.33%	789
8	308 - Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309 - Supply Main	-	-	-	2.00%	-
10	310 - Power Generation Equip.	-	-	-	5.00%	-
11	311 - Electric Pumping Equipment	\$127,451	-	127,451	12.50%	15,931
12	320 - Water Treatment Equipment	-	-	-	-	-
13	320.1 Water Treatment Plants	-	-	-	3.33%	-
14	320.2 Solution Chemical Feeders	1,642	-	1,642	20.00%	328
15	330 - Distribution Resrvr & Standpipe	33,307	33,307	-	-	-
16	330.1 Storage Tanks	\$14,551	-	14,551	2.22%	323
17	330.2 Pressure Tanks	15,824	-	15,824	5.00%	791
18	331 - Transmission & Distr. Mains	\$548,394	248,437	299,957	2.00%	5,999
19	333 - Services	\$53,057	15,679	37,378	3.33%	1,245
20	334 - Meter & Meter Installations	\$34,854	11,000	23,854	8.33%	1,987
21	335 - Hydrants	-	-	-	2.00%	-
22	336 - Backflow Prevention Devices	-	-	-	6.67%	-
23	339 - Other Plant & Misc Equipment	-	-	-	6.67%	-
24	340 - Office Furniture and Fixtures	-	-	-	6.67%	-
25	340.1 Computers and Softwares	-	-	-	20.00%	-
26	341 - Transportation Equipment	-	-	-	20.00%	-
27	343 - Tools & Work Equipment	3,063	3,063	-	5.00%	-
28	345 - Power Operated Equipment	-	-	-	5.00%	-
29	346 - Communication Equipment	2,526	-	2,526	10.00%	253
30	347 - Miscellaneous Equipment	-	-	-	10.00%	-
31	348 - Other Tangible Plant	1,026	1,026	-	10.00%	-
32	Total Plant	\$917,442	\$369,197	\$548,245		\$27,692
33						
34	Composite Depreciation Rate (Depr Exp / Depreciable Plant):					5.05%
35	CIAC:				\$	-
36	Amortization of CIAC (Line 33 x Line 34):				\$	-
37						
38	Pro Forma Annual Depreciation Expense					
39						
40	Plant in Service					\$917,442
41	Less: Non Depreciable Plant					-
42	Fully Depreciable Plant					369,197
43	Depreciable Plant					\$548,245
44	Times: Staff Proposed Depreciation Rate					5.05%
45	Depreciation Expense Before Amortization of CIAC:				\$	27,692
46	Less Amortization of CIAC:				\$	17,995
47	Test Year Depreciation Expense - Staff:				\$	9,697
48	Depreciation Expense - Company:					0
49	Staff's Total Adjustment:				\$	9,697

STAFF ADJUSTMENTS

C -	PROPERTY TAXES - Per Company	\$7,691	
	Per Staff	<u>7,847</u>	<u>\$156</u>

To reflect property tax expense using the Arizona Department of Revenue property method.

OPERATING INCOME ADJUSTMENT # 7 - PROPERTY TAXES

		[A]	[B]
LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - June 30, 2012	\$ 113,003	\$ 158,003
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	\$ 226,006	\$ 316,006
4	Staff Recommended Revenue, Per Schedule BCA-1	110,856	158,003
5	Subtotal (Line 4 + Line 5)	\$ 336,862	\$ 474,009
6	Number of Years	<u>3</u>	<u>3</u>
7	Three Year Average (Line 5 / Line 6)	\$ 112,287	\$ 158,003
8	Department of Revenue Mutilplier	<u>2</u>	<u>2</u>
9	Revenue Base Value (Line 7 * Line 8)	\$ 224,575	\$ 316,006
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 224,575	\$ 316,006
13	Assessment Ratio	<u>22.5%</u>	<u>22.5%</u>
14	Assessment Value (Line 12 * Line 13)	50,529	\$ 71,101
15	Composite Property Tax Rate (Obtained from Pima County)	<u>15.530%</u>	<u>15.5300%</u>
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 7,847	
17	Company Proposed Property Tax	<u>7,691</u>	
18	Staff Test Year Adjustment (Line 16-Line 17)	<u>\$ 156</u>	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 11,042
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 7,847
21	Increase/(Decrease) to Property Tax Expense		<u>\$ 3,195</u>
22	Decrease to Property Tax Expense		\$ 3,195
23	Increase in Revenue Requirement		137,147
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.33%

RATE DESIGN

Monthly Usage Charge	Present	Company	Staff
	Rates	Proposed	Recommended
5/8" x 3/4" Meter	\$13.00	\$15.00	\$ 15.00
3/4" Meter	15.00	22.50	21.75
1" Meter	25.00	37.50	36.25
1½" Meter	40.00	75.00	72.50
2" Meter	90.00	120.00	116.00
3" Meter	125.00	240.00	232.00
4" Meter	175.00	375.00	362.00
6" Meter	\$240.00	\$ 750.00	725.00
Gallons in Minimum	1	0	0
<u>Commodity Rates (Per 1,000 gallons)</u>			
<u>All Meter Sizes</u>			
First Tier - 0 - 1,000 gallons	0	N/A	N/A
Second Tier - Over 1,000 gallons	1.85	N/A	N/A
<u>All meter Sizes</u>			
<u>5/8 x 3/4 & 3/4 - inch Meter Sizes</u>			
First Tier - 0 - 3,000 gallons	N/A	\$ 1.25	0.00
Second Tier - 3,001 - 12,000 gallons	N/A	2.66	0.00
Third Tier - Over 12,000 gallons	N/A	4.00	0.00
<u>All meter Sizes</u>			
<u>5/8 x 3/4 & 3/4 - inch Meter Sizes</u>			
First Tier - 0 - 3,000 gallons	N/A	N/A	1.25
Second Tier - 3,001 - 9,000 gallons	N/A	N/A	2.75
Third Tier - Over 9,000 gallons	N/A	N/A	3.62
Bulk Water (No Minimum)	\$ 1.85	\$ 4.00	\$ 3.62

Service Line and Meter Installation Charges	Company		-----Company Proposed-----		-----Staff Recommended-----		
	Current Rates	Service Line Charges	Meter Charges	Total Charges	Service Line Charges	Meter Charges	Total Charges
5/8" x 3/4" Meter	\$200.00	\$430.00	\$130.00	\$560	\$ 430	\$ 130	\$ 560
3/4" Meter	240	430	230	\$660	430	230	660
1" Meter	260	480	290	\$770	480	290	770
1½" Meter	350	535	500	\$1,035	535	500	1,035
2" Meter Turbine	425	815	1,020	\$1,835	815	1,020	1,835
2" Meter Compound	N/A	815	1,865	\$2,680	815	1,865	2,680
3" Meter Turbine	750	1,030	1,645	\$2,675	1,030	1,645	2,675
3" Meter Compound	N/A	1,150	2,520	\$3,670	1,150	2,520	3,670
4" Meter Turbine	960	1,460	2,620	\$4,080	1,460	2,620	4,080
4" Meter Compound	N/A	1,640	3,595	\$5,235	1,640	3,595	5,235
6" Meter Turbine	1,700	2,180	4,975	\$7,155	2,180	4,975	7,155
6" Meter Compound	N/A	2,300	6,870	\$9,170	2,300	6,870	9,170
Over 6-inch	N/A	N/A	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

<u>Service Charges</u>			
Establishment	\$15.00	\$ 25.00	\$25.00
Establishment (After Hours)	25.00	N/A	N/A
Reconnection (Delinquent)	15.00	\$ 30.00	\$30.00
Meter Test (If Correct)	50.00	\$ 60.00	\$50.00
Deposit	*	*	*
Deposit Interest Per Annum	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	15.00	\$ 25.00	\$25.00
Deferred Payment - Per Month	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	15.00	\$ 20.00	\$20.00
Late Payment Charge-Per Month	1.50%	2.00%	1.50%
After Hours Service Charge	N/A	\$ 30.00	\$30.00

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

** Number of months off system times the monthly minimum (R14-2-403(D)).

TYPICAL BILL ANALYSIS

5/8 x 3/4 - Inch Meter

WITHOUT REFLECTION OF EMERGENCY SURCHARGE

Average Number of Customers: 322

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	8,675	\$27.20	\$33.85	\$6.65	24.4%
Median Usage	5,115	\$20.61	\$24.37	\$3.76	18.3%
<u>Staff Recommended</u>					
Average Usage	8,675	\$27.20	\$34.36	\$7.16	26.3%
Median Usage	5,115	\$20.61	\$24.56	\$3.95	19.2%

Present & Proposed Rates (Without Taxes)

5/8 x 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$13.00	\$15.00	15.4%	\$15.00	15.4%
1,000	13.00	16.25	25.0%	16.25	25.0%
2,000	14.85	17.50	17.8%	17.50	17.8%
3,000	16.70	18.75	12.3%	18.75	12.3%
4,000	18.55	21.41	15.4%	21.50	15.9%
5,000	20.40	24.07	18.0%	24.25	18.9%
6,000	22.25	26.73	20.1%	27.00	21.3%
7,000	24.10	29.39	22.0%	29.75	23.4%
8,000	25.95	32.05	23.5%	32.50	25.2%
9,000	27.80	34.71	24.9%	35.25	26.8%
10,000	29.65	37.37	26.0%	38.87	31.1%
15,000	38.90	54.69	40.6%	56.97	46.5%
20,000	48.15	74.69	55.1%	75.07	55.9%
25,000	57.40	94.69	65.0%	93.17	62.3%
50,000	103.65	194.69	87.8%	183.67	77.2%
75,000	149.90	294.69	96.6%	274.17	82.9%
100,000	196.15	394.69	101.2%	364.67	85.9%
125,000	242.40	494.69	104.1%	455.17	87.8%
150,000	288.65	594.69	106.0%	545.67	89.0%
175,000	334.90	694.69	107.4%	636.17	90.0%
200,000	381.15	794.69	108.5%	726.67	90.7%