

ORIGINAL

OPEN MEETING



MEMORANDUM

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Arizona Corporation Commission

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MAY 27 2016

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 27, 2016

DOCKETED BY

RE: RE: IN THE MATTER OF THE APPLICATION CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCURE LONG-TERM DEBT. DOCKET NO. W-01689A-11-0401

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC. FOR APPROVAL OF A RATE INCREASE. DOCKET NO. WS-01689A-11-0402

SUBJECT: IMPLEMENTATION OF WATER INFRASTRUCTURE FINANCE AUTHORITY (WIFA) SURCHARGE

I. Introduction and Background

Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") is an Arizona public service corporation that provides water to approximately 551 residential customers in a number of non-contiguous areas south of Willcox in Cochise County. Decision No. 74037, authorized the Company to borrow \$426,249 from the Water Infrastructure Finance Authority ("WIFA") to construct storage for Well No. 3 and Well No. 7, to replace broken and leaking fire hydrants in PWS #02-008, to repair plant at Well No. 18, and to make improvements to the distribution system. The Decision also authorized a surcharge mechanism to collect the monies to pay the principle, interest, reserve fund, and taxes related to the loan.

Decision No. 74037, stated, "IT IS FURTHER ORDERED that Clear Springs Utility Company, Inc. shall file an application with Docket Control requesting implementation of a Water Infrastructure Finance Authority ("WIFA") Surcharge simultaneously with the Affidavit of Closing."

On December 11, 2015, the Company filed an application to implement its WIFA loan surcharge. The Company indicated that WIFA only funded \$154,794 of the \$426,249 authorized by the Commission in Decision No. 74037. On February 9, 2016, the Company subsequently filed a revised application requesting approval of a \$70,400 loan from a different lender.

The revised application included additional loan documents and a request to implement a second surcharge and requested approval of \$70,400 to be financed by Annece Capital, LLC ("Annece Capital"). The loan is a 20 year amortizing loan at a 4.4625 percent interest rate. The purpose of the \$70,400 is to make Commission approved improvements that WIFA would not finance for Well Site Nos. 3 and 7 (also known as PWS Nos. 02-048 and 02-050). WIFA has

informed the Company that it cannot finance the improvements to these sites because the systems are too small to be considered community water systems. Staff recognizes that the Company's request is a change from Decision No. 74037, but under the circumstances of this case, Staff recommends that the Commission approve the Company's request. Staff recommends approval of the \$70,400 financing with Annece Capital.

II. Review of WIFA Loan Surcharge Calculation Methodology

Staff has reviewed the Company's proposed surcharge calculations for the WIFA loan and has made revisions as shown on TDP-1. The calculations are based on the actual \$154,794 WIFA loan and the 4.463 percent interest rate.

Staff recommends approval of the WIFA Loan surcharges presented below:

MONTHLY WIFA LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$ 2.18
3/4-Inch Meter	\$ 3.27
1-Inch Meter	\$ 5.46
1 1/2-Inch Meter	\$ 10.91
2-Inch Meter	\$ 17.46
3-Inch Meter Surcharge	\$ 34.92
4-Inch Meter Surcharge	\$ 54.57
6-Inch Meter Surcharge	\$ 109.14

III. Review of Annece Capital, LLC Loan Surcharge Calculation Methodology

Staff has reviewed the Company's proposed surcharge calculations for the Annece Capital loan and has made revisions as shown on TDP-2. The calculations are based on the loan amount of \$70,400 and the 4.4625 percent interest rate.

Staff recommends approval of the Annece Capital Loan surcharges presented below:

MONTHLY ANNECE CAPITAL LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$.98
3/4-Inch Meter	\$ 1.46
1-Inch Meter	\$ 2.44
1 1/2-Inch Meter	\$ 4.88
2-Inch Meter	\$ 7.80
3-Inch Meter Surcharge	\$ 15.60
4-Inch Meter Surcharge	\$ 24.38
6-Inch Meter Surcharge	\$ 48.76

Staff recommends that the Company be required to file with the Commission a WIFA and Annece Capital loan surcharge tariff consistent with the rates reflected above.

Staff recommends that the Company notify its customers of the WIFA Loan and Annece Loan surcharges tariff approved herein within 30 days of the effective date of the Decision in this proceeding.

IV. Conclusions and Recommendations

Staff concludes that the Company should be ordered to file a full rate case application no later than five years from the effective date of this order, so that Staff can determine that the projects are completed and included in rate base. Further, Staff may recommend, in the future, that the loan surcharges or debt service be eliminated and the amounts be included in base rates.

Staff concludes that the Company has filed the required loan documentation pursuant to Decision No. 74037.

Staff concludes that authorization of a WIFA loan surcharge that includes the debt service costs on the financing is appropriate and recommends approval.

Staff concludes that authorization of a surcharge for the Annece Capital loan surcharge is appropriate.

Staff recommends approval of a WIFA loan surcharge comprised of the monthly customer components presented in Schedule TDP-1.

Staff recommends approval of an Annece Capital loan surcharge comprised of the monthly customer components presented in Schedule TDP-2.

Staff recommends that the Company file within 30 days of a Decision in this matter a WIFA loan surcharge tariff consistent with the rates reflected on Schedule TDP-1.

Staff recommends that the Company file within 30 days of a Decision in this matter an Annece Capital loan surcharge tariff consistent with the rates reflected on Schedule TDP-2.

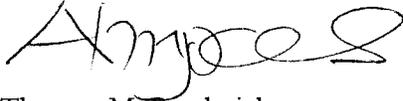
Staff recommends that the Company notify its customers of the WIFA and Annece loan surcharge tariffs approved herein within 30 days of the effective date of the Decision in this proceeding.

THE COMMISSION

May 27, 2016

Page 4

Staff recommends that the Company file a full rate case application no later than five years from the effective date of this order.



for
Thomas M. Broderick
Director
Utilities Division

TMB:TDP:nr\RRM

ORIGINATOR: Tanya D. Pitre

WIFA LOAN SURCHARGE CALCULATION

Line No. 1 Loan Amount: \$154,794
2 Term: 20
3 WIFA Interest & Fee rate : 4.463%
4
5
6
7 **Step 1 - Find the Annual Payment on Loan**
8 \$11,901.16 Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8
9
10 **Step 2 - Find the Annual Interest Payment on Loan**
11 \$6,805.05 Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6
12
13 **Step 3 - Find the Annual Principal Payment on Loan**
14 \$5,096.00 Annual Principal and Interest Payment - From Loan Amortization Schedule Column 7
15
16 **Step 4 - Find the Gross Revenue Conversion Factor**
17 1.2892 From Rate Case
18
19 **Step 5 - Find the Incremental Income Tax Factor**
20 1.2892 minus 1 = 0.28920
21
22 **Step 6 - Find the Annual Income Tax Component of Surcharge Revenue**
23 0.28920 Incremental Income Tax Factor - From Step 5
24 \$5,096.00 Multiplied by: Annual Principal Payment on Loan - From Step 3
25 \$1,473.76 Annual Income Tax Component of the Annual Surcharge Revenue
26
27 **Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue**
28 \$11,901.16 Annual Principal and Interest Payment - From Step 1
29 20% Multiplied by: One-fifth of Annual Principal and Interest Payment
30 \$2,380.23 Debt Reserve Component of the Annual Surcharge Revenue for first five years
31
32 **Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**
33 \$1,473.76 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
34 \$11,901.16 Plus: Annual Principal and Interest (from Step 1)
35 \$2,380.23 Plus: Annual Reserve Fund Deposit (from Step 7)
36 \$15,755.16 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8"x 3/4" Meter	1	527	12	6,324
3/4" Meter	1.5	6	12	108
1" Meter	2.5	11	12	330
1 1/2" Meter	5	6	12	360
2" Meter	8	1	12	96
3" Meter	16	0	12	-
4" Meter	25	0	0	-
6" Meter	50	0	0	-
		<u>551</u>		<u>7,218</u>

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers
\$15,755.16 Total Annual Surcharge Revenue Requirement (from Step 8)
7,218 Divided by: Total Number of Equivalent Bills (from Step 9)
\$ 2.18 Monthly Surcharge for 5/8 x 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8"x 3/4" Meter	1	\$ 2.18	\$ 2.18
3/4" Meter	1.5	\$ 2.18	\$ 3.27
1" Meter	2.5	\$ 2.18	\$ 5.46
1 1/2" Meter	5	\$ 2.18	\$ 10.91
2" Meter	8	\$ 2.18	\$ 17.46
3" Meter	16	\$ 2.18	\$ 34.92
4" Meter	25	\$ 2.18	\$ 54.57
6" Meter	50	\$ 2.18	\$ 109.14

Step 12 - Verify Annual Surcharge Revenue

Col A	Col B	Col C	Col D	Col E
Meter Size	Number of Customers	Number of Months in Year	Surcharge by Meter Size	Annual Surcharge Rev Col B x C X D
5/8"x 3/4" Meter	527	12	\$ 2.18	13,804
3/4" Meter	6	12	\$ 3.27	236
1" Meter	11	12	\$ 5.46	720
1 1/2" Meter	6	12	\$ 10.91	786
2" Meter	1	12	\$ 17.46	210
3" Meter	0	12	\$ 34.92	-
4" Meter	0	0	\$ 54.57	-
6" Meter	0	0	\$ 109.14	-
	<u>551</u>			<u>15,755 (from Step 8)</u>

ANNECE CAPITAL, LLC LOAN SURCHARGE CALCULATION

1 Loan Amount: **\$70,400**
 2 Term: **20**
 3 Annece Interest & Fee rate : **4.4625%**
 4
 7 **Step 1 - Find the Annual Payment on Loan**
 8 \$5,327.65 Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8
 9
 10 **Step 2 - Find the Annual Interest Payment on Loan**
 11 \$3,096.33 Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6
 12
 13 **Step 3 - Find the Annual Principal Payment on Loan**
 14 \$2,231.20 Annual Principal and Interest Payment - From Loan Amortization Schedule Column 7
 15
 16 **Step 4 - Find the Gross Revenue Conversion Factor**
 17 **1.2892** From Rate Case
 18
 19 **Step 5 - Find the Incremental Income Tax Factor**
 20 1.28920 minus 1 = 0.28920
 21
 22 **Step 6 - Find the Annual Income Tax Component of Surcharge Revenue**
 23 0.28920 Incremental Income Tax Factor - From Step 5
 24 \$2,231.20 Multiplied by: Annual Principal Payment on Loan - From Step 3
 25 **\$645.26** Annual Income Tax Component of the Annual Surcharge Revenue
 26
 27 **Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue**
 28 \$5,327.65 Annual Principal and Interest Payment - From Step 1
 29 0% Multiplied by: One-fifth of Annual Principal and Interest Payment
 30 \$0.00 Debt Reserve Component of the Annual Surcharge Revenue for first five years
 31
 32 **Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**
 33 **\$645.26** Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
 34 **\$5,327.65** Plus: Annual Principal and Interest (from Step 1)
 35 \$0.00 Plus: Annual Reserve Fund Deposit (from Step 7)
 36 **\$5,972.91** Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8"x 3/4" Meter	1	527	12	6,324
3/4" Meter	1.5	6	12	108
1" Meter	2.5	11	12	330
1 1/2" Meter	5	6	12	360
2" Meter	8	1	12	96
3" Meter	16	0	12	-
4" Meter	25	0	0	-
6" Meter	50	0	0	-
		<u>551</u>		<u>7,218</u>

37 **Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**
 38 \$5,972.91 Total Annual Surcharge Revenue Requirement (from Step 8)
 39 7,218 Divided by: Total Number of Equivalent Bills (from Step 9)
 40 **\$ 0.83** Monthly Surcharge for 5/8 x 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8"x 3/4" Meter	1	\$ 0.83	\$ 0.83
3/4" Meter	1.5	\$ 0.83	\$ 1.24
1" Meter	2.5	\$ 0.83	\$ 2.07
1 1/2" Meter	5	\$ 0.83	\$ 4.14
2" Meter	8	\$ 0.83	\$ 6.62
3" Meter	16	\$ 0.83	\$ 13.24
4" Meter	25	\$ 0.83	\$ 20.69
6" Meter	50	\$ 0.83	\$ 41.38

Step 12 - Verify Annual Surcharge Revenue

Col A	Col B	Col C	Col D	Col E
Meter Size	Number of Customers	Number of Months in Year	Surcharge by Meter Size	Annual Surcharge Rev Col B x C X D
5/8"x 3/4" Meter	527	12	\$ 0.83	5,233
3/4" Meter	6	12	\$ 1.24	89
1" Meter	11	12	\$ 2.07	273
1 1/2" Meter	6	12	\$ 4.14	298
2" Meter	1	12	\$ 6.62	79
3" Meter	0	12	\$ 13.24	-
4" Meter	0	0	\$ 20.69	-
6" Meter	0	0	\$ 41.38	-
	<u>551</u>			<u>5,973</u> (from Step 8)

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE
Chairman
3 BOB STUMP
Commissioner
4 BOB BURNS
Commissioner
5 TOM FORESE
Commissioner
6 ANDY TOBIN
Commissioner

8 IN THE MATTER OF THE APPLICATION)
9 OF CLEAR SPRINGS UTILITY COMPANY,)
10 INC. FOR AUTHORITY TO INCUR LONG-)
TERM DEBT.)

DOCKET NO. W-01689A-11-0401
DOCKET NO. WS-01689A-11-0402

DECISION NO. _____

11 IN THE MATTER OF THE APPLICATION)
12 OF CLEAR SPRINGS UTILITY CO., INC.)
13 FOR APPROVAL OF A RATE)
INCREASE.)

ORDER
**IMPLEMENTATION OF WATER
INFRASTRUCTURE FINANCE
AUTHORITY (WIFA) SURCHARGE**

14
15 Open Meeting
16 June 14 and June 15, 2016
Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19
20 Introduction and Background

21 1. Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") is an Arizona
22 public service corporation that provides water to approximately 551 residential customers in a number
23 of non-contiguous areas south of Willcox in Cochise County. Decision No. 74037, authorized the
24 Company to borrow \$426,249 from the Water Infrastructure Finance Authority ("WIFA") to
25 construct storage for Well No. 3 and Well No. 7, to replace broken and leaking fire hydrants in PWS
26 #02-008, to repair plant at Well No. 18, and to make improvements to the distribution system. The
27 Decision also authorized a surcharge mechanism to collect the monies to pay the principle, interest,
28 reserve fund, and taxes related to the loan.

1 2. Decision No. 74037, stated, "IT IS FURTHER ORDERED that Clear Springs Utility
2 Company, Inc. shall file an application with Docket Control requesting implementation of a Water
3 Infrastructure Finance Authority ("WIFA") Surcharge simultaneously with the Affidavit of Closing."

4 3. On December 11, 2015, the Company filed an application to implement its WIFA loan
5 surcharge. The Company indicated that WIFA only funded \$154,794 of the \$426,249 authorized by
6 the Commission in Decision No. 74037. On February 9, 2016, the Company subsequently filed a
7 revised application requesting approval of a \$70,400 loan from a different lender.

8 4. The revised application included additional loan documents and a request to
9 implement a second surcharge and requested approval of \$70,400 to be financed by Annece Capital,
10 LLC ("Annece Capital"). The loan is a 20 year amortizing loan at a 4.4625 percent interest rate. The
11 purpose of the \$70,400 is to make Commission approved improvements that WIFA would not
12 finance for Well Site Nos. 3 and 7 (also known as PWS Nos. 02-048 and 02-050). WIFA has
13 informed the Company that it cannot finance the improvements to these sites because the systems are
14 too small to be considered community water systems. Staff recognizes that the Company's request is
15 a change from Decision No. 74037, but under the circumstances of this case, Staff recommends that
16 the Commission approve the Company's request. Staff recommends approval of the \$70,400
17 financing with Annece Capital

18 **Review of WIFA Loan Surcharge Calculation Methodology**

19 5. Staff has reviewed the Company's proposed surcharge calculations for the WIFA loan
20 and has made revisions as shown on TDP-1. The calculations are based on the actual \$154,794 WIFA
21 loan and the 4.463 percent interest rate.

22 6. Staff recommends approval of the WIFA loan surcharges presented below:

23 **MONTHLY WIFA LOAN SURCHARGE**

24	5/8 x 3/4-Inch Meter	\$ 2.18
25	3/4-Inch Meter	\$ 3.27
26	1-Inch Meter	\$ 5.46
27	1 1/2-Inch Meter	\$ 10.91
28	2-Inch Meter	\$ 17.46
	3-Inch Meter Surcharge	\$ 34.92
	4-Inch Meter Surcharge	\$ 54.57
	6-Inch Meter Surcharge	\$ 109.14

28 ...

1 **Review of Annece Capital, LLC Loan Surcharge Calculation Methodology.**

2 7. Staff has reviewed the Company's proposed surcharge calculations for the Annece
3 Capital loan and has made revisions as shown on TDP-2. The calculations are based on the loan
4 amount of \$70,400 and the 4.4625 percent interest rate.

5 8. Staff recommends approval of the Annece Capital Loan surcharges presented below:

6 **MONTHLY ANNECE CAPITAL LOAN SURCHARGE**

7	5/8 x 3/4-Inch Meter	\$.98
8	3/4-Inch Meter	\$ 1.46
9	1-Inch Meter	\$ 2.44
10	1 1/2-Inch Meter	\$ 4.88
11	2-Inch Meter	\$ 7.80
	3-Inch Meter Surcharge	\$ 15.60
	4-Inch Meter Surcharge	\$ 24.38
	6-Inch Meter Surcharge	\$ 48.76

12 9. Staff recommends that the Company be required to file with the Commission a WIFA
13 and Annece Capital loan surcharges tariff consistent with the rates reflected above.

14 10. Staff recommends that the Company notify its customers of the WIFA Loan and
15 Annece Loan surcharges tariffs approved herein within 30 days of the effective date of the Decision in
16 this proceeding

17 **CONCLUSIONS OF LAW**

18 1. The Company is a public service corporation within the meaning of Article XV of the
19 Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

20 2. The Commission has jurisdiction over the Company and of the subject matter of the
21 application.

22 3. Staff concludes that the Company should be ordered to file a full rate case application
23 no later than five years from the effective date of this order, so that Staff can determine that the
24 projects are completed and included in rate base. Further, Staff may recommend, in the future, that
25 the loan surcharges or debt service be eliminated and the amounts be included in base rate.

26 4. Staff concludes that the Company has filed the required loan documentation pursuant
27 to Decision No. 74037.

28

1 IT IS FURTHER ORDERED that Clear Springs Utility Company shall notify its customers
2 of the WIFA and Annece loan surcharge tariffs approved herein within 30 days of the effective date
3 of the Decision in this proceeding.

4 IT IS FURTHER ORDERED that Clear Springs Utility Company file a full rate case
5 application no later than five years from the effective date of this order.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7

8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9

10 _____
CHAIRMAN COMMISSIONER

11

12

13 _____
COMMISSIONER COMMISSIONER COMMISSIONER

14

15 IN WITNESS WHEREOF, I, JODI A. JERICH, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2016.

18

19

20 _____
JODI A. JERICH
EXECUTIVE DIRECTOR

21

22 DISSENT: _____

23

24 DISSENT: _____

25

TB:TDP:nr\RRM

26

27

28

1 SERVICE LIST FOR: Clear Springs Utility Company
2 DOCKET NOS. W-01689A-11-0401 and WS-01689A-11-0402

3 Mr. Steve Wene
4 Moyes Sellers & Hendricks, LTD
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004

7 Ms. Patricia O'Connor
8 President, Park Water Company
9 Post Office Box 16173
10 Phoenix, Arizona 85011-6173

11 Mr. Thomas M. Broderick
12 Director, Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007

16 Ms. Janice M. Alward
17 Chief Counsel, Legal Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Mr. Dwight Nodes
22 Chief Administrative Law Judge, Hearing Division
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26
27
28

WIFA LOAN SURCHARGE CALCULATION

1 Loan Amount: \$154,794
 2 Term: 20
 3 WIFA Interest & Fee rate: 4.463%

7 **Step 1 - Find the Annual Payment on Loan**
 8 \$11,901.16 Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8

10 **Step 2 - Find the Annual Interest Payment on Loan**
 11 \$6,805.05 Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6

13 **Step 3 - Find the Annual Principal Payment on Loan**
 14 \$5,096.00 Annual Principal and Interest Payment - From Loan Amortization Schedule Column 7

16 **Step 4 - Find the Gross Revenue Conversion Factor**
 17 1.2892 From Rate Case

19 **Step 5 - Find the Incremental Income Tax Factor**
 20 1.2892 minus 1 = 0.28920

22 **Step 6 - Find the Annual Income Tax Component of Surcharge Revenue**
 23 0.28920 Incremental Income Tax Factor - From Step 5
 24 \$5,096.00 Multiplied by: Annual Principal Payment on Loan - From Step 3
 25 \$1,473.76 Annual Income Tax Component of the Annual Surcharge Revenue

27 **Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue**
 28 \$11,901.16 Annual Principal and Interest Payment - From Step 1
 29 20% Multiplied by: One-fifth of Annual Principal and Interest Payment
 30 \$2,380.23 Debt Reserve Component of the Annual Surcharge Revenue for first five years

37 **Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**
 38 \$1,473.76 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
 39 \$11,901.16 Plus: Annual Principal and Interest (from Step 1)
 40 \$2,380.23 Plus: Annual Reserve Fund Deposit (from Step 7)
 41 \$15,755.16 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8"x 3/4" Meter	1	527	12	6,324
3/4" Meter	1.5	6	12	108
1" Meter	2.5	11	12	330
1 1/2" Meter	5	6	12	360
2" Meter	8	1	12	96
3" Meter	16	0	12	-
4" Meter	25	0	0	-
6" Meter	50	0	0	-
		551		7,218

59 **Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**
 60 \$15,755.16 Total Annual Surcharge Revenue Requirement (from Step 8)
 61 7,218 Divided by: Total Number of Equivalent Bills (from Step 9)
 62 \$ 2.18 Monthly Surcharge for 5/8 x 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8" x 3/4" Meter	1	\$ 2.18	\$ 2.18
3/4" Meter	1.5	\$ 2.18	\$ 3.27
1" Meter	2.5	\$ 2.18	\$ 5.46
1 1/2" Meter	5	\$ 2.18	\$ 10.91
2" Meter	8	\$ 2.18	\$ 17.46
3" Meter	16	\$ 2.18	\$ 34.92
4" Meter	25	\$ 2.18	\$ 54.57
6" Meter	50	\$ 2.18	\$ 109.14

Step 12 - Verify Annual Surcharge Revenue

Col A	Col B	Col C	Col D	Col E
Meter Size	Number of Customers	Number of Months in Year	Surcharge by Meter Size	Annual Surcharge Rev Col B x C X D
5/8" x 3/4" Meter	527	12	\$ 2.18	13,804
3/4" Meter	6	12	\$ 3.27	236
1" Meter	11	12	\$ 5.46	720
1 1/2" Meter	6	12	\$ 10.91	786
2" Meter	1	12	\$ 17.46	210
3" Meter	0	12	\$ 34.92	-
4" Meter	0	0	\$ 54.57	-
6" Meter	0	0	\$ 109.14	-
	551			15,755 (from Step 8)

Decision No. _____

ANNECE CAPITAL, LLC LOAN SURCHARGE CALCULATION

1 Loan Amount: \$70,400
 2 Term: 20
 3 Annece Interest & Fee rate : 4.4625%
 4
 7 **Step 1 - Find the Annual Payment on Loan**
 8 \$5,327.65 Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8
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 10 **Step 2 - Find the Annual Interest Payment on Loan**
 11 \$3,096.33 Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6
 12
 13 **Step 3 - Find the Annual Principal Payment on Loan**
 14 \$2,231.20 Annual Principal and Interest Payment - From Loan Amortization Schedule Columnn 7
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 23 0.28920 Incremental Income Tax Factor - From Step 5
 24 \$2,231.20 Multiplied by: Annual Principal Payment on Loan - From Step 3
 25 \$645.26 Annual Income Tax Component of the Annual Surcharge Revenue
 26
 27 **Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue**
 28 \$5,327.65 Annual Principal and Interest Payment - From Step 1
 29 0% Multiplied by: One-fifth of Annual Principal and Interest Payment
 30 \$0.00 Debt Reserve Component of the Annual Surcharge Revenue for first five years
 31
 32 **Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**
 33 \$645.26 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
 34 \$5,327.65 Plus: Annual Principal and Interest (from Step 1)
 35 \$0.00 Plus: Annual Reserve Fund Deposit (from Step 7)
 36 \$5,972.91 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8"x 3/4" Meter	1	527	12	6,324
3/4" Meter	1.5	6	12	108
1" Meter	2.5	11	12	330
1 1/2" Meter	5	6	12	360
2" Meter	8	1	12	96
3" Meter	16	0	12	-
4" Meter	25	0	0	-
6" Meter	50	0	0	-
		<u>551</u>		<u>7,218</u>

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers
 \$5,972.91 Total Annual Surcharge Revenue Requirement (from Step 8)
7,218 Divided by: Total Number of Equivalent Bills (from Step 9)
 \$ 0.83 Monthly Surcharge for 5/8 x 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8"x 3/4" Meter	1	\$ 0.83	\$ 0.83
3/4" Meter	1.5	\$ 0.83	\$ 1.24
1" Meter	2.5	\$ 0.83	\$ 2.07
1 1/2" Meter	5	\$ 0.83	\$ 4.14
2" Meter	8	\$ 0.83	\$ 6.62
3" Meter	16	\$ 0.83	\$ 13.24
4" Meter	25	\$ 0.83	\$ 20.69
6" Meter	50	\$ 0.83	\$ 41.38

Step 12 - Verify Annual Surcharge Revenue

Col A	Col B	Col C	Col D	Col E
Meter Size	Number of Customers	Number of Months in Year	Surcharge by Meter Size	Annual Surcharge Rev Col B x C X D
5/8"x 3/4" Meter	527	12	\$ 0.83	5,233
3/4" Meter	6	12	\$ 1.24	89
1" Meter	11	12	\$ 2.07	273
1 1/2" Meter	6	12	\$ 4.14	298
2" Meter	1	12	\$ 6.62	79
3" Meter	0	12	\$ 13.24	-
4" Meter	0	0	\$ 20.69	-
6" Meter	0	0	\$ 41.38	-
	<u>551</u>			<u>5,973</u> (from Step 8)