Responsible Witness: Linda C. Bridwell

Other Participating Employees: None

Question:

1. Please *Identify* each person who was involved in preparing the responses to these Requests, specifying the Request(s) for which each such person was involved and the nature of the information provided by her or him.

Response:

As noted above, TAW has identified the responsible witness under whose direction each discovery response is prepared. That person is ultimately responsible for each of his/her responses and will also be available for cross-examination about his/her responses at the evidentiary hearing of this matter. Many of the discovery responses were sent to the Shared Services Center rates group, the Central Division rates analysts, Corporate Treasury, the Customer Call Center and local operations for preparation of schedules or support data for the response. When that has occurred, TAW has attempted to note that in these responses and has also attempted to note any other employees who participated in the preparation of the response.

Responsible Witness: Deron Allen

Other Participating Employees: Kino Becton, Linda Bridwell

Question:

2. Please *Identify* all employees of *TAWC* or any *TAWC Parent or Affiliate* who engaged since January 1, 2010 in any *Lobbying* on behalf of *TAWC*.

Response:

Since January 1, 2010 the following Tennessee American Water individuals participated in some form of meeting that included legislators, executive branch, and/or TRA in which an administrative action or legislative action was discussed. The only employee required as defined by Tennessee law to register as a lobbyist for Tennessee American Water is Kino Becton. To the best of our knowledge the names below are the individuals that have engaged in such meetings:

- Kino Becton
- Deron Allen
- Gerald Reynolds (Mr. Reynolds was an employee of American Water Works Service Company, not TAWC)

Responsible Witness: Deron E. Allen

Other Participating Employees: Melissa Schwarzell, SSC Rates

Question:

3. Provide the total compensation, including all fringe benefits, bonuses or incentive pay, and reimbursed expenses, paid to each person *Identified* in the previous Request during the period since January 1, 2010.

Response:

Please see attachment for the total compensation paid to each person identified in the previous request during the period of January 1, 2010 through June 30, 2012. For Mr. Reynolds, who was not a TAWC employee, only the portion of his compensation charged to TAWC is shown.

The attachment to this response is confidential and is provided under separate cover.

Responsible Witness: Deron Allen

Other Participating Employees: Kino Becton, Linda C. Bridwell

Question:

 Please *Identify* all other persons, in addition to those Identified in response to Request No. 2, who engaged since January 1, 2010 in any *Lobbying* on behalf of *TAWC*.

Response:

Since January 1, 2010 the following individuals below have lobbied on behalf of Tennessee American Water Company. The names below are the individuals registered under Tennessee law as lobbyist for Tennessee American Water Company. To the best of our knowledge, these individuals have lobbied on behalf of the company:

- Gif Thornton
- Brad Lampley
- Tiffany Mason
- Brooke Ponder

However, it is important to note that Doug Fisher is listed on the state ethics commission records as a previous lobbyist for the company. This registration was done in error and the registration was expeditiously withdrawn from official record. Kino Becton should have been registered as the company representative instead of Doug Fisher.

Responsible Witness: Deron Allen

Other Participating Employees: Kino Becton, SSC Rates

Question:

5. Provide the total amount paid by *TAWC* or any *TAWC Parent or Affiliate* to each person Identified in the previous Request or paid to any other person for the services of any such person.

Response:

Since January 1, 2010, the total amount paid to the Adams & Reese Law Firm is \$71,523.60 and total amount paid to D.H.Fisher & Associates is \$62,500.00.

Responsible Witness: Deron E. Allen

Other Participating Employees: Kino Becton

Question:

 Provide the total amount and purpose of all *Lobbying* expenditures paid by or on behalf of *TAWC* or any *TAWC Parent or Affiliate* since January 1, 2010. *Identify* the *TAWC* accounts charged for each amount.

Response:

The amount of expenditures since January 1, 2010 is \$92,919.

Responsible Witness: Deron E. Allen

Other Participating Employees: Kino Becton, Linda Bridwell

Question:

7. Please list the date, time, place, and persons involved in all *Communications* since March 8, 2011 between any employee or representative of *TAWC* or of any *TAWC Parent or Affiliate* and any director or employee of the Tennessee Regulatory Authority. It is not necessary to *Identify* any *Communications* in which a representative of the Attorney General or of any intervener in this cause was a participant.

Response:

As it has done in responding to all data requests, TAWC has taken reasonable steps to identify all communications responsive to this request. Those efforts have resulted in the identification of the following communications. Having said that, it may be impossible to identify every instance of the numerous innocuous communications that occur at regulatory industry meetings such as NARUC conferences or other professional meetings or conferences.

April 18, 2011 at 12:00pm – TA Truck Stop - Deron Allen & Kino Becton met with Director Kenneth Hill, Tabatha Blackwell, & Jimmy Hughes. This meeting was an introduction meeting for Deron Allen as the new President of Tennessee American Water Company.

May 20, 2011 – phone/email – Kino Becton spoke with Patsy Fulton regarding a list of regulated utilities in Tennessee.

June 8, 2011 at 1:42 pm - Kino Becton requested a copy of final schedule for the SEARUC conference from Vicky Nelson.

July 26, 2011 at 3:02 pm – Kino Becton had an email exchange with Karlisa Kuykindall on TRA visit to Chattanooga.

August 1, 2011 at 10:30am – TRA Office – Deron Allen, Kino Becton, & Gerald Reynolds met with Director Sarah Kyle and Shirley Frierson. We provided a company update community service and legislative items, & storm response.

August 1, 2011 at 11:30am – TRA Office – Deron Allen, Kino Becton, & Gerald Reynolds met with Chairman Eddie Roberson and Jean Stone. We provided a company update community service, legislative items, & storm response.

August 1, 2011 at 4:30pn – TRA Office - Deron Allen, Kino Becton, & Gerald Reynolds met with Director Mary Freeman & Monica Smith-Ashford. We provided a company update community service, legislative items, & storm response.

August 29, 2011 - September 1st – 12^{th,} 2011 -Kino Becton exchanged emails with Tabatha Blackwell, Thomas Pearson, Karlisa Kuykindall, Vicky Nelson, Jimmie Hughes & Karlisa Kuykindall on TRA visit to Tennessee American Water Company plant.

December 22nd & 26th, 2011– Kino Becton exchanged emails with Tabatha Blackwell on presentation to TRA.

January 9, 2012 – TRA Conference Room - Kino Becton spoke with Tabatha Blackwell about the agency being contacted about the company exiting third party billing services. She requested that Kino Becton provide any information on the situation. Kino Becton provided the agency with 3rd party billing documentation.

February 27, 2012 at 12:00pm – TRA Office – Deron Allen, Kino Becton, Linda Bridwell, Melvin Malone, & Gary VerDouw met with Chairman Kenneth Hill. This meeting was an introduction meeting to our newly organized team in Tennessee.

February 27, 2012 at 12:30pm – TRA Office – Deron Allen, Kino Becton, Linda Bridwell, Melvin Malone, & Gary VerDouw met with Director Mary Freeman and Monica Smith-Ashford. This meeting was an introduction meeting to our newly organized team in Tennessee.

February 27, 2012 at 4:30pm – TRA Office – Deron Allen, Kino Becton, Linda Bridwell, Melvin Malone, & Gary VerDouw met with Lisa Cooper, Jerry Kettles, & David Foster. This meeting was an introduction meeting to our newly organized team in Tennessee.

April 27, 2012, 12:48 pm – Kino Becton received a copy of the final written order from Tabatha Blackwell by email. A request was made to the Chair's office to provide a written copy of the Tennessee American Water 2010 rate order. The email was sent based on the request made by Tennessee American Water Company. However, we do not have the actual dates and times the request was made.

No Date or Time – Linda Bridwell spoke to Patsy Fulton, Sharla Dillon, David Foster and Tiffany Underwood, but can not identify specifically when those conversations took place. Communications with Patsy concerned the TRA monthly report and its filings, the conversation with Sharla was with regard to a missing page in the Order in 10-00189, the conversation with David was to ask him how to label the initial data requests

that we were filing in the case, and the conversations with Tiffany have been to identify and correct locked columns with the confidential files that were provided in the filing.

No Date or Time – Kino Becton had individual meetings with Jean Stone, Tabatha Blackwell, Monica Smith-Asford on Tennessee American Water's possible plan to relocate buildings.

Responsible Witness: Deron Allen

Other Participating Employees: Kino Becton

Question:

8. Please describe all **Documents** constituting, containing, reporting, discussing, referring to, or relating to the **Communications** identified in response to the previous Request.

Response:

Please refer to the response to Item 7 of this same data request and the attachment to this response.



Re: Visit 🚨

Kino D Becton to: Jean A. Stone, David Foster
"Jerry Kettles", "Lisa Cooper", "Melvin Malone", "Tabatha

02/14/2012 03:08 PM

Blackwell"

Sorry, everyone we've had some scheduling conflicts. If possible we are willing to meet after the conference on Monday. Please let me know the start time and we can plan to come over two hours outside the start. Thank you all so much for being flexible.

---- Original Message -----

From: "Jean A. Stone" [Jean.A.Stone@tn.gov]

Sent: 02/14/2012 07:44 PM GMT

To: Kino Becton; David Foster <David.Foster@tn.gov>

Cc: Jerry Kettles <Jerry.Kettles@tn.gov>; Lisa Cooper <Lisa.Cooper@tn.gov>;
"mmalone@millermartin.com" <mmalone@millermartin.com>; Tabatha Blackwell

<Tabatha.Blackwell@tn.gov>

Subject: RE: Visit

I am available any time on the 28th.

Jean

----Original Message----

From: Kino.Becton@amwater.com [mailto:Kino.Becton@amwater.com]

Sent: Tuesday, February 14, 2012 12:38 PM

To: David Foster

Cc: Jean A. Stone; Jerry Kettles; Lisa Cooper; mmalone@millermartin.com;

Tabatha Blackwell Subject: RE: Visit

Thank you David,

Tuesday would be great for us. Please let me know what time

works

best for you all on Tuesday.

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401

P 423.755.7623 F 423.755.7634

C 423.582.8212

kino.becton@amwater.com

From:

David Foster <David.Foster@tn.gov>

To:

"'Kino.Becton@amwater.com'" <Kino.Becton@amwater.com>, Lisa

Cooper <Lisa.Cooper@tn.gov>, Jerry Kettles

TAW_R_COCDR1#008 Attachment Page 2 of 13

<Jerry.Kettles@tn.gov>, "Jean A. Stone" <Jean.A.Stone@tn.gov> Cc:

"mmalone@millermartin.com" <mmalone@millermartin.com>, Tabatha

Blackwell <Tabatha.Blackwell@tn.gov>

Date:

02/14/2012 01:33 PM

RE: Visit Subject:

Kino,

Since we have an Authority Conference the afternoon of the 27th, Tuesday may be the best alternative, unless you want to meet after the conference which could last a couple of hours.

David

----Original Message----

From: Kino.Becton@amwater.com [mailto:Kino.Becton@amwater.com]

Sent: Tuesday, February 14, 2012 12:29 PM

To: Lisa Cooper; Jerry Kettles; David Foster; Jean A. Stone

Cc: mmalone@millermartin.com; Tabatha Blackwell

Subject: Visit

Hello,

I hope things are going well for you. I was able to leave a voice message for some of you all earlier today (only if I had your number). We are in the process of planning some meetings for our new rates team. We would love to sit down with you all and other key staff members. Please let me know if you all would have availability on February 27th after 11:30 am. If not we can make ourselves available on February 28th.

Kino

List of Attendees:

Melvin Malone (External Legal Counsel), Deron Allen (President), Gary Verdouw (Rates Director), Linda Bridwell (Tennessee Rates Manager) and myself.

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401

P 423.755.7623 F 423.755.7634 C 423.582.8212

kino.becton@amwater.com



September 13th
Kino D Becton to: jimmie.hughes

08/29/2011 03:11 PM

Hey Jimmie,

I'm just following up with each of the director's offices regarding the TRA visit on September 13th. We are expected to have a full day for all the directors and staff. We hope that Director Hill plans to still attend. Please let me know if there is anything he will need.

Thank you, Kino

Kino Becton
Tennessee American Water
Manager Government Affairs
P.O. Box 6338
1101 Broad Street
Chattanooga, TN 37401
P 423.755.7623
F 423.755.7634
C 423.582.8212
kino.becton@amwater.com

Re: September 13th Karlisa Kuykindall to: Kino.Becton 08/29/2011 05:05 PM **Show Details**

LOL Probably not. I don't really travel with them.

>>> <Kino.Becton@amwater.com> 8/29/2011 3:18 PM >>> Awesome! You aren't coming?

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401 P 423.755.7623 F 423.755.7634 C 423.582.8212 kino.becton@amwater.com

From: "Karlisa Kuykindall" < Karlisa. Kuykindall@tn.gov> To:<Kino.Becton@amwater.com> Date:08/29/2011 03:29 PM Subject:Re: September 13th

Yes Director Freeman will be attending as well as Monica.

>>> <Kino.Becton@amwater.com> 8/29/2011 2:10 PM >>>

Hey Karlisa,

I'm just following up with each of the director's offices regarding the TRA visit on September 13th. We are expected to have a full day for all the directors and staff. We hope that Director Freeman plans to still attend. Please let me know if there is anything she will need.

Thank you, Kino

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401 P 423.755.7623 F 423,755,7634 C 423.582.8212 kino.becton@amwater.com



12/28/2011 12:27 PM

Paul G. ForanVice President and Counsel, Regulatory ProgramsAmerican Water1025 Laurel Oak Road, Voorhees, NJ 08043T 856.346.8371 C 609.707.9545 F 856.782.2779Email paul.foran@amwater.com

From: Tabatha Blackwell [Tabatha.Blackwell@tn.gov]

Sent: 12/28/2011 05:16 PM GMT

To: Kino Becton

Subject: RE: presentation

I had imagined that each panelist will have about 10-15 minutes. Do you mind passing on the contact

info for Paul so the others might coordinate with him if they'd like?

From: Kino.Becton@amwater.com [mailto:Kino.Becton@amwater.com]

Sent: Monday, December 26, 2011 7:53 AM

To: Tabatha Blackwell **Subject:** Re: presentation

Paul will be able to attend, please let me know how much time he will have.

From: Tabatha Blackwell [Tabatha.Blackwell@tn.gov]

Sent: 12/22/2011 10:19 PM GMT

To: Kino Becton Subject: presentation

Is Paul going to be able to present at the January 9th conference? Chat Gas and Atmos will be there, and I've told them that a representative from NAWC would also be presenting. I told them the focus should be how to ensure that utilities, specifically those with pipe in the ground, are able to continue to upgrade and replace infrastructure as needed. Dr. Hill expects that other states may be used as examples. I asked them if they had any concerns with the water industry being represented, and neither company has said anything.

I'll be out of the office until Tuesday, but if you need me, feel free to call my cell: 931-652-0068. Have a Merry Christmas!

Tabatha Blackwell
Sr. Policy Advisor to Chairman Kenneth C. Hill
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243
(615) 741-4648

Re: September 13th Thomas Pearson to: Kino.Becton 08/30/2011 09:50 AM Show Details

Hi Kino,

Director Kyle very much intends on visiting your place on the 13th and I believe she is okay with all of the preperations.

Thanks, Thomas

>>> <Kino.Becton@amwater.com> 8/29/2011 2:07 PM >>>

Hey Thomas,

I'm just following up with each of the director's offices regarding the TRA visit on September 13th. We are expected to have a full day for all the directors and staff. We hope that Director Kyle plans to still attend. Please let me know if there is anything she will need.

Thank you, Kino

Kino Becton
Tennessee American Water
Manager Government Affairs
P.O. Box 6338
1101 Broad Street
Chattanooga, TN 37401
P 423.755.7623
F 423.755.7634
C 423.582.8212
kino.becton@amwater.com

Re: TAWC visit Tabatha Blackwell to: Kino.Becton 09/12/2011 11:38 AM **Show Details**

Will do. Thanks!

>>> <Kino.Becton@amwater.com> 9/12/2011 10:02 AM >>> Hey Tabatha,

The address is 1101 Broad Street Chattanooga, TN 37401 and there is plenty of parking out front. Here is my cell number when you all arrive 423-582-8212.

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401 P 423.755.7623 F 423.755.7634 C 423.582.8212 kino.becton@amwater.com

From: "Tabatha Blackwell" < Tabatha. Blackwell@tn.gov> To:<Kino.Becton@amwater.com> Date:09/12/2011 10:32 AM Subject:Re: TAWC visit

Can you give me the address we're driving to? Is parking obvious or do we need instructions?

>>> <Kino.Becton@amwater.com> 9/9/2011 1:41 PM >>> You all know the 10 am is eastern time right?

From: "Tabatha Blackwell" [Tabatha.Blackwell@tn.gov]

Sent: 09/09/2011 01:38 PM EST

To: Kino Becton

Subject: Re: TAWC visit

Here is the list of people who will be attending:

Director Hill

Jimmie Hughes
Tabatha Blackwell
Director Freeman
Monica Smith-Ashford
Director Kyle
Shirley Frierson
Thomas Pearson
Jon Wike
Michelle Ramsey
Patsy Fulton
Paul Greene
Jerry Kettles

Finally got it nailed down today! Can you send directions?

>>> <Kino.Becton@amwater.com> 9/8/2011 4:54 PM >>>

Thank you, that's exactly who I meant to reach out too. Would happen to have an email for him?

From: "Tabatha Blackwell" [Tabatha.Blackwell@tn.gov]

Sent: 09/08/2011 02:35 PM EST

To: Kino Becton

Subject: Re: TAWC visit

Just realized that earlier when you asked about a contact with the Secretary of State, you may have meant the Consumer Advocate? If so, Ryan McGehee is the guy you thinking of, and his number is 532-5512.

>>> <Kino.Becton@amwater.com> 9/1/2011 9:43 AM >>>

That's great we are truly looking to have you all visit our site. Please let me know if there is anything you need from us. I'm working on the logistics for our company.

From: "Tabatha Blackwell" [Tabatha.Blackwell@tn.gov]

Sent: 09/01/2011 09:33 AM EST

To: Kino Becton Subject: TAWC visit

Kino,

The chair's office has asked that I coordinate the trip with you and our staff. I'm trying to get an estimate on how many people will be coming, and hopefully update you by the end of the day.

Thanks!

Tabatha Blackwell Sr. Policy Advisor to Dir. Kenneth C. Hill Tennessee Regulatory Authority 460 James Robertson Pkwy. Nashville, TN 37243 (615)741-4648

Re: September 13th Thomas Pearson to: Kino.Becton 08/30/2011 09:50 AM **Show Details**

Hi Kino,

Director Kyle very much intends on visiting your place on the 13th and I believe she is okay with all of the preperations. Thanks,

Thomas

>>> <Kino.Becton@amwater.com> 8/29/2011 2:07 PM >>>

Hey Thomas,

I'm just following up with each of the director's offices regarding the TRA visit on September 13th. We are expected to have a full day for all the directors and staff. We hope that Director Kyle plans to still attend. Please let me know if there is anything she will need.

Thank you, Kino

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401 P 423.755.7623 F 423.755.7634 C 423.582.8212 kino.becton@amwater.com



Visit

Kino D Becton to: lisa.cooper, jerry.kettles, david.foster,

jean.a.stone 02/14/2012 01:28 PM

Cc. Melvin Malone <mmalone@millermartin.com>, Tabatha Blackwell

<Tabatha.Blackwell@tn.gov>

From:

Kino D Becton/TAWC/AWWSC

To:

lisa.cooper@tn.gov, jerry.kettles@tn.gov, david.foster@tn.gov, jean.a.stone@tn.gov

Cc:

Melvin Malone <mmalone@millermartin.com>@AWX, Tabatha Blackwell

<Tabatha.Blackwell@tn.gov>@AWX

Hello,

I hope things are going well for you. I was able to leave a voice message for some of you all earlier today (only if I had your number). We are in the process of planning some meetings for our new rates team. We would love to sit down with you all and other key staff members. Please let me know if you all would have availability on February 27th after 11:30 am. If not we can make ourselves available on February 28th.

Kino

List of Attendees:

Melvin Malone (External Legal Counsel), Deron Allen (President), Gary Verdouw (Rates Director), Linda Bridwell (Tennessee Rates Manager) and myself.

Kino Becton Tennessee American Water Manager Government Affairs P.O. Box 6338 1101 Broad Street Chattanooga, TN 37401

P 423.755.7623 F 423.755.7634 C 423.582.8212 kino.becton@amwater.com

Billing Services Vendors

Vendor Name	Contact Information
ACS Full Service: customized customer programs, invoicing, billing, payment processing and collections	http://www.acs-inc.com/customer-service- outsourcing.aspx (877) 414-2676
American Accounting and Billing Services (AABS) Full service: billing, collections, payment processing for municipalities and apartment communities	http://www.aabs1.com/Municipality.html (866)-736-9499
BestBill Print and mail, e-billing, payment processing (electronic and lockbox),inbound/outbound IVR	Mark Taylor http://www.bestbill.com/billing-services.html (866) 237-8245
Billtrust Print and mail, e-billing, payment processing (electronic and lockbox),inbound/outbound IVR	Brad Rice http://www.billtrust.com/index.php (609) 235-1010
Capgemini Full service: order-to-cash billing services-invoicing, reconciliation and collections	Karen Sweat and Craig Preston www.capgemini.com
Cycle 30 Full Service: order-to-cash billing services-invoicing, reconciliation and collections	http://www.cycle30.com/ (888) 501-4220
DATAMATX Full service: print, mail, electronic document distribution, and payment services	Cindy Pearson http://www.datamatx.com/ (804) 365-1042 Has facility in Atlanta, Ga.
Soddy Daisy Falling Water Utility District Print and mail, and payment services	Robin Phillips robin@soddydaisyutility.com (423) 332-2427

Tennessee American Water does not endorse any of the vendors listed above. This is just to provide you a list of potential vendors for your billing services needs.



Kevin Rogers Operations Manager

1101 Broad Street kevin.rogers@arnwater.com (423) 755-7622

January 7, 2012

ADDRESS

Re: Third-Party Billing Contract

Dear MUNICIPALITY

Pursuant to an agreement dated ______ ("Billing Contract"), Tennessee-American Water Company ("TAW") has provided sewer billing services ("Billing Services") to you. TAW, however, has made a strategic decision to exit the Billing Services line of business to better focus our efforts on our core service of providing high-quality water service and reliable wastewater service to the communities we serve.

To terminate the Billing Contract, the agreement requires the terminating party to provide six-month written notification. To assist in the transition, TAW representatives provided notice of termination earlier than required under the Billing Contract. These representatives met with representatives from ____ early last fall and informed you that TAW was terminating the Billing Contract. Thus, please consider this letter as formal, written notice of termination of the Billing Contract. TAW intends to cease providing Billing Services no later than October 31, 2012. Please note that TAW will seek all necessary approvals to terminate the Billing Contract.

We value your business and will work with you to ensure a smooth and timely transition for your Billing Services. To that end, we have contacted a number of billing vendors who are willing to provide services similar to those that TAW has provided to you under this contract. Information on these vendors is enclosed for review and consideration. We will need the name of the technical lead in their group that will partner with us on the transition.

Likewise, you may be interested in purchasing usage data from us for your customers. That may require a separate agreement which must be approved by the Tennessee Regulatory Authority. So that we can keep your organization informed, please send the name of the person who will serve as the lead for the transition and their contact information to *rachel.bartley@amwater.com*.

Please do not hesitate to contact the company should you have any questions regarding our intent to terminate the billing services arrangement. Rachel Bartley and Leah Morrison are coordinating this initiative and may be reached at (423) 755-7673 and (423) 755-7643 respectively.

Sincerely,

Kevin Rogers

Manager of Operations

Responsible Witness: Kevin Rogers

Other Participating Employees: Valoria Armstrong, Deron E. Allen

Question:

9. Please *Identify* each employee position that has been eliminated since January 1, 2010 and describe the primary duties of the employees whose positions were eliminated.

Response:

Please refer to the attachment.

TENNESSEE AUTHORIZED WORKFORCE

AUTHORIZED WORKFORCE	Change Driman Duties Assigned To	Primary Duties	
Roles Eliminated	Changes I may builes resigned to		
Engineer Engineering Clerk	-1 Engineer Project Manager -1 Other Engineering Clerks	40	Randal Taylor Deborah Wortham
Specialist - Operations	-1 Operations Specialist		Mark Turley
Sr Specialist - ORM	-1 ORM/Inspections Manager	Safety Halling, regulatory compilation Programs Help plan & implement distribution system	Kevin Highsmith
Sr Specialist - NRW	-1 Field Service Supervisor & Engineering Project Manager		Ron Schleifer
Superintendent - Field Operations	-1 Manager of Operations		Mark Shadrick
Superintendent - Production	-1 Manager of Operations	Supervise production front line staff, CAPEX & OPEX plans, Operational Integrity Mark Zinnanti	Mark Zinnanti
Supervisor - Field Operations	1 Distribution supervisor duties split among other 3, 1 0 Outside Commercial supervisor role added	Supervise field operation front line staff, CAPEX & OPEX plans, Operational Integrity Supervises production employees	
Supervisor - Production	-1 Supervisor WQ & Compliance	implements CAPEX /OPEX Plans	Neil Bratcher
Roles Added		l ead data manning administer databases	
GIS Supervisor	₩.	network applications Safety Training, Regulatory Compliance	
ORM/Inspections Supervisor	å c .	Programs, perform project inspections, on call rotation Supervise Field Operation & Production	
Manager Field Operations	•	staff, CAPEX & OPEX plans, Operational Integrity Oversee data and review of program maintenance, review & maintain existing	
SCADA/CMMS Supervisor Engineer On Call	2 1	contol logic & program changes, develop and review review, on call rotation engineering plan design, on call rotation	
Classification Changes Senior HR Generalist Truck Driver Utility Worker Utility Worker Master Maintenance Mechanic	 -1 Now HR Manager TN/KY Service Company Employee 2 Were Utility Worker Classification -2 Now in Truck Driver Utility Worker Classification 2 Was Maintenance Mechanic Classification -2 Promoted to Master Maintenance Mechanic Classification 		
<u>Title Changes</u> Executive Secretary Manager - External Affairs Manager - Finance	Now known as Administrative Assistant Now know as External Affairs Specialist Now known as Financial Analyst III Now known as Shecial Water Quality and Fruironmental		
Sr Specialist - Cross Connection Specialist Government Affairs	Compliance Now known as Manager Govt & Reg Affairs		

Responsible Witness: Kevin Rogers

Other Participating Employees: Valoria Armstrong

Question:

10. Please *Identify* each employee who last filled an employee position identified in response to the previous Request.

Response:

See response to Item 9 of this same data request.

Responsible Witness: Kevin Rogers

Other Participating Employees: Valoria Armstrong

Question:

11. Please *Explain* how the primary duties of each employee position that has been eliminated have been re-assigned.

Response:

See the response to Item 9 of this same data request.

Responsible Witness: Kevin Rogers

Other Participating Employees: Valoria Armstrong

Question:

12. Please *Identify* each employee position that has been added since January 1, 2010. Please *Explain* the primary duties of each such position.

Response:

See the response to Item 9 of this same data request.

Responsible Witness: Melissa L. Schwarzell

Other Participating Employees: Kevin Rogers, Valoria Armstrong

Question:

13.Ms. Schwarzell on page 3 of her direct testimony identifies 107 full-time employees as being included in attrition year labor expenses. In this regard, how many full-time employees were employed by *TAWC* when it filed this case?

Response:

When TAW filed this case, there were 94 full-time active employees.

Responsible Witness: Kevin Rogers

Other Participating Employees: Melissa L. Schwarzell

Question:

14. Please *Identify* the number of full-time employees who were employed as of the first day of each month since January 1, 2010.

Response:

	2010	2011	2012
January	106	96	98
February	104	106	98
March	102	107	96
April	103	103	93
May	103	101	94
June	103	101	94
July	102	100	
August	103	99	
September	103	100	
October	103	100	
November	93	98	
December	88	99	

Responsible Witness: Linda C. Bridwell

Other Participating Employees: Kate Nartey-Quaye, CD Rates

Question:

15. Please *Identify* all *Plant Additions or Improvements* with a total cost greater than \$10,000 initiated since January 1, 2006, listing for each the following information:

Description of Plant Addition or Improveme nt	Date Initiated	Date In Service	Total Cost	Equipmen t Cost	Material Cost	Labor Cost	Overhead Cost	Amount Paid to Contracto r	Amount Paid to TAWC Parent or Affiliate

Response:

Please see attachment. Please note that TAW does not charge Equipment Costs for company owned equipment.

Funding_Project_Description	1	1			A TI IDO DE LE	2011	.4:		10	-	1
20-inch from Ringgold Rd under I-75	P-2602-4	(hlank)		12/31/2012	`		Arobo Equity Contract	\$ 19.346 \$	CWIF Accidal Labor	Laboi Overriead	vernead
	IP-2602-4	(DIGILIN)		12/3/1/2012	9 65	195 &		19.346 \$. .		
20-inch from Ringgold Rd under I-75 Total	-				σ		176 \$	19,346 \$			
Business Process Efficiency P	26020401		8/3/2005	8/3/2005							
			8/12/2005	8/12/2005							
			9/19/2005	9/19/2005							
			8/1/2006	8/20/2005	€	\$ (699)	(222)				
	26020401 Total		0007	001		(662) \$	(777)				
Business Process Efficiency P Total					\$	(662) \$	(777)				
Business Transformation	CS-1201-3	(blank))	(blank)							
	CS-1201-3 Total	(1)							•		
	CS-1701-3	(blank)		(blank)					₩ €	⇔ €	•
	CS-1/01-3 lotal	(4)00(4)		()==(4)			E		Ð	/	•
	CS-2400-3	(DIGILIN)		DIGITA			9 6				
	CS-2602-3		12/31/2014	12/31/2012		64.855 \$	70.149		\$	11.098 \$	6.603
			i	12/31/2013	· 6		831				
				12/31/2014			70,512				
	CS-2602-3 Total				\$	\$			\$	11,098 \$	6,603
Business Transformation Total			ļ			\$	141,492 \$			11,098 \$	6,603
Business Transformation - Other	CS-2602-4		12/31/2013	12/31/2012	↔ €	3,233 \$	3,572				
	CC 2602 A Total			12/31/2013	_		2,643				
Business Transformation - Other Total	202-00				÷ (5,020 \$	6.215				
Business Transformation CPS	CS-2602-1		4/30/2010	7/31/2010	_		3,513				
	CS-2602-1 Total				_		3,513				
Business Transformation CPS Total					\$	3,923 \$	3,513				
Capitalized Tank Rehabilitation / P	RP-2602-R1		11/30/2007	11/23/2007			230 \$	245,235 \$			
			6/28/2008	12/30/2008	_				*		
			12/5/2011	12/31/2011	₩.	426 \$	455 \$	10,828 \$	€	1,250 \$	642
		(40014)		2/22/2012				193,559 \$	6	6	900
	PD-2602-D4 Total			21.02/06/9	A U	4/ 3 863 ¢	97 æ	4,888 \$	0	2430 G	400
	RP-2603-R1	(blank)		12/28/2012	_		÷		÷		2
	RP-2603-R1 Total						↔	11,604			
Capitalized Tank Rehabilitation / P Total					\$	863 \$	933 \$	466,144 \$	5	2,139 \$	1,043
CHAT-Customer Service System	26029612		12/31/2001	12/31/2001							
`	26029612 Total		1								
CHAT-Customer Service System Total	-		ļ								
CHAT-Design Eastridge Tank	26020003		12/15/2002	12/15/2002	_			-			
			12/14/2006	12/14/2006	_			1,276,562			
			0/11/2007	(blank)	Ð	11,749 \$	14,920 \$	608,511 #			
	26020003 Total			(Didlin)	€5	29.511 \$	37.973 \$	1.885.073 \$			
CHAT-Design Eastridge Tank Total					+ €	29,511 \$					
CHAT-Electronic Imaging of CS	26029810		12/31/2006 (blank)	blank)							
	26029810 Total										
CHAT-Electronic Imaging of CS Total	28029808		12/31/2006 (hlank)) lank)							
	26029606 26029606 Total		12/01/2002	(all all all all all all all all all all							
CHAT-Filter #2 Improvements Total											
CHAT-Install Main in ROW	26029511		12/31/2006 (blank)	blank)							
	26029511 Total										
CHAT-Install Main in ROW Total CHAT-Invest Item A	2602000A		5/28/2003	5/28/2003							
	2602000A Total										
CHAT-Invest Item A Total	Locococo		0000, 401	OCCUPACIF.							
CHAI-Investitem E	2602000E Total		1/21/2003	7/21/2003							
CHAT-Invest Item E Total	1										
CHAT-Invest Item H	2602000H		7/21/2003	7/21/2003							

Funding_Project_Description 20-inch from Ringgold Rd under I-75	Funding_Project IP-2602-4	Licenses, Permits & Misc Fees Materials & Supplies Other		ernead 5,82	Ketainage Service Company Charges	and
3	IP-2602-4 Total			\$ 5,822		\$ 25,538
20-inch from Ringgold Rd under I-75 Total						
Business Process Efficiency P	26020401				0 \$	∽
					\$ 40,276	e e
						> €
	26020401 Total					÷ 69
Business Process Efficiency P Total			\$ (73,953)	\$ (2,448)	\$ 60,206	_
Business Transformation	CS-1201-3	↔				s
	CS-1201-3 Total	\$		- \$		-
	CS-1701-3					· •
	CS-1701-3 Total					· •>
	CS-2400-3			A &		n u
	CS-2602-3	49	219	84	\$ 2.198.676	+
		•				₩
				\$	\$ 1,802,709	s
	CS-2602-3 Total	↔ .	219	\$ 844		S
Business Transformation Total		₩	219			s,
Business Transformation - Other	CS-2602-4				\$ 215,969	\$ 222,774
	CS-2602-4 Total					6
Business Transformation - Other Total						· ()
Business Transformation CPS	CS-2602-1					\$
	CS-2602-1 Total				\$ 125,863	
Business Transformation CPS Total	-					မှ
Capitalized Lank Renabilitation / P	KP-2602-K1			\$ 41,857		
		er e	103 &	0 4		23.674
)	9 9	546 \$ 36,618 \$ 17.902	12	(1
			. ↔	\$ 293		
	RP-2602-R1 Total	\$	103 \$		12	
	RP-2603-R1					\$ 13,285
	RP-2603-R1 Total	•		\$ 1,681	!	
Capitalized Tank Rehabilitation / P Total	0000000	€	103	22,270 \$ 84,911 \$ 17,902	22	\$ 596,309
CHAI -Customer Service System	26029612 26029612 Total	A 4	43			
CHAT_Customer Service System Total	20023012 10tal	9	43			45
CHAT-Design Eastridge Tank	26020003	\$ 430	69			(5
			83.143 \$ 96.750	\$ 226.843	2.944	\$ 1.727
		\$ 65,057 \$		5,870 \$ 128,589		S
		FOT 10	() () () () () () () () () ()	•		↔
LANT Design Freshing Control	26020003 Total	\$ 65,487 \$		5,870 \$ 355,363	2,944	.,
CHAT-Electronic Imagina of CS	26029810	00,40	\$ (124,956)	9		-
	26029810 Total					
CHAT-Electronic Imaging of CS Total						
CHAT-Filter #2 Improvements	26029606		\$ (166,127)			\$ (166,127)
LotoT Change Changes Changes	26029606 Total					
CHAT-Install Main in POW	26029511					
	26029511 Total					
CHAT-Install Main in ROW Total			s			
CHAT-Invest Item A	2602000A	\$				
	2602000A Total	↔	1,024			
CHAT-Invest Item A Total	L	€	1,024			
CHAI-Invest Item E	2602000E	A 6	1,037			
CHAT-Invast Ham F Total	במטבטטעב ו טומו	A 64.	1,037			1,037
CHAT-Invest Item H	260200H	÷ €5	860			
בוואסס וופווו וו	40040041	;				

Sum of Amount				Charge_Type			
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt	AFUDC Equit	y Contracted 8	AFUDC Equity Contracted Services CWIP Accrual Labor Labor Overhead
CHAT-Invest Item H Total	בפטבטטטד ו טומו						
CHAT-Lone Oak Acquisition	26040206	12/2/2003	12/2/2003	3			
	26040206 Total	-					
CHAT-Lone Oak Acquisition Total	_	-					
CHAT-Network-Replace/Renewal	26020081	11/20/2001	1			€	60,225 \$ - \$ 43,643 \$ 30,564
		10/7/200		200		€	707
		3/28/2005	3/28/2003	מע		o u	124
		6/24/2005		2 40)	
		7/28/2005		2			
		9/20/2005	9/20/2005	2		€	1,154
		2/28/2006		\$ 9	\$		19,608
		3/15/200		\$ 9	35 \$ 4	46 \$	29,736
		3/30/200		\$ 9	\$		14,923
		4/28/2006	4/28/2006	& & &	496 \$ 645	ró z	111,144
		5/10/200		A 4	0		73,307
		6/8/2006	6 6/8/2006	9 49	,	\$ 02	10,592
		6/12/2006		\$ 9	\$		113,968
		6/15/2006		\$ 9		\$	11,273
		6/27/2006		\$ 9	ss.	↔	154,650
		7/14/2006		\$ 6	€ (\$	23,390
		7/20/2006		\$: •• €	≶ 9 €	45,498
		8/29/2006		\$		 €	57,112
		9/8/2006	9/8/2006	\$ €	395 \$ 514	×ι	135,896
		9/16/200		ф Ф	0 0	A 6	0.050
		9/20/2006		# *		0 ↔	3,850
		9/28/200		→ (÷ 4:	÷ +	42.952
		10/2/2006			48 \$ 63	S	34,853
		10/26/200			2	\$	156,749
		11/1/2006			\$	\$	34,964
		11/15/200	11/15/2006 \$	\$ 9	\$	\$	92,152
		11/28/200			÷> €	⊹ •	114,438
		12/14/200	12/14/2006 \$		1,010 \$ 1,307	ه د	963,022
		12/20/200			e e	÷ U	223 296
		3/1/200	(hlank)		9	9 64	18 702
		3/13/2007		\$ 2	448 \$ 580	÷ 69	136.934
		3/14/200		\$ 2	· \$	· ss	85,198 \$ 854 \$ 465
		3/15/200		\$ 2	\$		
		3/23/2007		\$ 2	40 \$ 52	\$ 2	
		4/9/200	(Apold	÷ €	÷> €		21,625 \$ 1,271 \$ 765
		4/19/200	7 (blank)	A U	368 \$ 400		95,487 230,504
		6/25/200	7 (blank)	9 69	÷ 49	÷ 49	44.949
		8/8/2007	7 (blank)	\$	6 \$ 08	91 \$	32,422
		8/10/2007	7 (blank)		\$ 1,8	s	
		8/13/2007	7 (blank)	•	•		•
		9/4/2007	7 (blank) 7 (hlank)	€9 €	∵		80,039
		10/31/2007		A U	310 \$ 336		32 280
		1730/2007 (Blank)	7 (blank)	9 69	9 69	9 49	33.058
		(blank)	7/15/2008	-	8		
	26020081 Total			\$	12,586 \$ 15,825	\$	4,023,438 \$ - \$ 45,767 \$ 31,794
	26040081	11/22/2005	11/22/2005	2			1,121
Total Investigation of Street Potential Total	26040081 Lotal			0	17 FOR © 1F 07F	⊹> ⊌	1,121 4,024,659 © 6,46,767 © 24,704
CHAT-Replace Lkt Mtn Supp Mai	26029804	12/3/200			9	9	45,767
-		10/7/2008	12/1/2008	\$ 8	16 \$ 2	20 \$	25,623
		3/23/200		6		\$	
		3/9/201		\$ 0	13 \$	12 \$	21,493 \$ - \$ 4,048 \$ 3,613

The particular of the partic	CHAT-Invest Item H	2602000H Total	Licenses, Permits & Misc Fees		Materials & Supplies Other Profes \$ 860 \$ 860	Omer Professional Services — Overnead — Retainage Service Company Charges	Grand lots
Macronal Law 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Invest tem in Total	26040208	e		43 E00		
Control Cont	-Lone Oak Acquisition	26040206 26040206 Total	A U		12,500		
Secretary 1,7990 2, 17,799 2, 17,7	Leto T acitisii 1904 Aco and L	20040200 0tal	9 U		12,500		
State Stat	Network-Replace/Renewal	26020081	÷ •		65		
The control of the			+		· 69		
The control of the				\$	÷ ÷		
\$ \$ 0.00							
S 200 4,100 6,100 S 200 2,100 6,100 S 200 8,100 1,100 S 200 8,100 1,100 1,100 S 200 9,100 8,100 1,100 1,100 S 200 8,100 8,100 1,100 1,100 1,100 S 1,100 8,100 8,100 1,100			€				
S 716 6 6 6 6 6 6 6 6 6 6 6 7 6 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7 7 6 7				so	3,833		
S 700 S 7416 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 5 1,284 6 1,284 6 1,284 6 1,284 6 1,284 6 1,284 7 1,284 7 1,284 7 1,284 7 1,284 7 1,284 8 1,242 </td <td></td> <td></td> <td>€5</td> <td></td> <td>4714</td> <td></td> <td></td>			€5		4714		
8 3,000 7,446 8,1701 8 1,700 8<			• •		7,416		
8 5 1606 5 1606 5 12,422 8 8 5 160 5 10,73 5 12,422 8 8 2,003 5 12,422 8 1,242 8 8 2,003 5 1,242 8 1,242 8 1,242 8 8 2,003 3,073 6,133 6,122 9 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 8 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9 1,242 9			φ.	1	7,446		
S 6,103 6,103 6,103 6,103 6,103 6,103 6,103 6,103 6,103 6,103 6,103 6,103 7,103 6,103 7,103 8,103 7,103 8,103 7,103 8,103 7,103 8,1			\$		32,869	ľ	,
8 2003 3 0073 5 1,212 6 8 2004 3 00737 5 1,212 8 1,2047 <t< td=""><td></td><td></td><td>↔</td><td></td><td>6,193</td><td></td><td></td></t<>			↔		6,193		
S 2,0705 3,0471 5 1,348 8 S 2,0715 6,623 6,737 8 1,348 8 S 2,0717 6,623 6,233 8 1,348 8 S 2,024 6,623 6,623 8 1,034 8 S 2,024 8 6,624 8 1,034 8 1,034 8 S 1,026 8 1,027 8 1,034 8 1,034 8 1,034 8 S 1,024 8 1,024 8 1,024 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034 8 1,034			,		3,073		
S 2, 507 S 4,552 S 1,5107 S 2,522,244 S 1,5107 S 2,522,244 S 2,522,244 S S 1,5107 S 2,522,244 S S 1,5108 S			မာ		3,951		
S 0101 8 02020 8 02020 8 02020 8 02020 8 02020 8 02020 8 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020 9 02020			€9		30,737		
S 216 S 2000 6,00			e		4,635		
State Stat			e e		43,133		
The control of the			9 4		3,836 22,824		
State			9		££,0£1		
\$ 1,066 \$ 2,7,060 \$ 2,7,060 \$ 2,7,060 \$ 2,7,060 \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ 2,7,060 \$ \$ \$ \$ 2,7,000 \$ </td <td></td> <td></td> <td>49</td> <td></td> <td>26.667</td> <td></td> <td></td>			49		26.667		
S 50,120 5 2 (169) 8 2 (169)			₩ 69		26,892		
\$ \$					3,120		
S 696 8 996 8 696 8 696 8 696 8 696 8 696 8 696 8 696 8 696 8 47422 8 24712 <td></td> <td></td> <td>€</td> <td></td> <td>15,971</td> <td></td> <td></td>			€		15,971		
\$ \$					985		
\$ 10,646 \$ 10,422 \$ 2,4712 \$ 5 2,440 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 2,444 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 5 1,1790 \$ 3,0128 \$ 5 1,1790 \$ 3,0128 \$ 5 1,1790 \$ 3,0128 \$ 5 1,1790 \$ 3,0128 \$ 5 1,1790 \$ 3,0128 \$ 5 1,1790 \$ 3,0128 \$ 3,0128 \$ 3,0128 \$			\$		8,819		
S 1,046 8 6,251 8 6,734 8 7,879 8 6,734 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,879 8 7,779 8 7,779 8 7,723 8 7,723 8 7,723 8 7,723 8 7,724 8					s		
\$ \$			\$		6,261		
\$ 1080 5 1080 6 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 7 (874) 8 8 9 (874) 8 9 (874) 8 9 (874) 8 9 (874) 8 9 (874) 8 9 (874) 8 9 (874) 8 9 (874)			မှာ		8,677		
5 1,061 5 9,048 5 1,1790 8 40,383 8 8 1,1790 8 20,075 8 1,1790 8 20,075 8 1,1790 8 20,072 <td></td> <td></td> <td>÷> €</td> <td></td> <td>18,556</td> <td></td> <td></td>			÷> €		18,556		
\$ \$			A		38 05.4		
\$ 171 \$ 17790 \$ 6.0270			θ θ		20,954		
\$ 111 \$ 17,790 \$ 30,128 \$ 30,128 \$ 30,128 \$ 30,128 \$ \$ 30,128 \$			A		21,888		
The control of the			E		10		
\$ 738 \$ 7,986 7,327 8 7,023 8 7,023 8 7,023 8 7,023 8 7,024 8 8,451 8 8 7,023 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 8 1,078 8 9 1,078 8 9 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 8 1,078 9 1,078 <			Ð		€		
\$ 647 \$ 9,233 \$ 11,072 \$ \$ 11,072 \$ \$ 11,072 \$ \$ 11,072 \$ \$ 11,072 \$ \$ 11,072 \$ \$ 11,072 \$			U		0		
\$ 647 \$ 11,604 \$ 8,457 8 8,457 8 8,452 8 8,452 8 8,452 8 8,452 8 8,452 8 8,452 8 8,452 8 8 8,452 8 8 8,452 8 8 8,452 8 8 8 8,452 8 9 2 10 8 8 9 2 10 8 8 8 9 2 10 8 8 9 2 10 8 8 9 2 10 8 8 9 2 10 8 8 9 2 10 8 8 9 2 10 8 10 10 8 10 10 8 10 10			•		9 233		
\$ 2,237 \$ 37,837 \$ 22,931 \$ 38,452 \$ 38,452 \$ 5 \$ 5,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 5 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,641 \$ 6,647 \$ 6,647 \$ 6,647 \$ 6,647 \$ 6,647 \$ 6,647 \$ 6,647 \$ 6,72,815			€.		11.604		
\$ 2,421 \$ \$ 9,233 \$ \$ 8,452 \$			• 6		37.837		
\$ 13,601 \$ 6,641 \$ 6,641 \$			• •		s		
\$ 3,265 \$ 12,428 \$ 6,267 \$					÷		
\$ 3,266 \$ 13,059 \$					12,428		
\$ \$ 11,510 \$ \$ \$ <td></td> <td></td> <td>\$</td> <td></td> <td>13,059</td> <td></td> <td></td>			\$		13,059		
\$ 2,054 \$ 17,210 \$ 11,519 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$							
\$ 3,469 \$ 2,181 \$ \$ 1,622 \$ 4,782 \$ \$ 11,210 \$ 4,782 \$ \$ 11,210 \$ 4,782 \$ \$ 11,210 \$ 4,782 \$ \$ 1,221 \$ 1,221 \$ \$ 1,210 \$ 1,221 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$ \$ 1,200 \$ 1,200 \$			€	.	17,210		
\$ 8,542 \$ 4,782 \$ <				€	3,469		
26020081 Total \$ 9,221 26029804 \$ 9,221 \$ 672,815 \$ 163,194 \$ 672,815				မ	8,542		
26020081 Total \$ 44,677 \$ 672,815 \$ 163,194 \$ - \$ 572,187 \$ 26040081 \$ 84 84 8 9 8<				Ð			
26040081 Total		26020081 Total	¥		4 163 194		
26040081 Total \$ 44,677 \$ 672,815 \$ 163,194 \$ - \$ 84 84 \$ \$ 26029804 - \$ 743 \$ 54 \$ \$ 8 145,390 \$ 13,457 \$ \$		26020081 Lotal	-		5		
\$ 44,677 \$ 672,815 \$ 163,194 \$ - \$ 572,271 \$ 26029804 \$ 743 \$ 54 \$ \$ 145,390 \$ 13,457 \$		26040081 Total					
26029804 \$ 743 \$ 54 \$ <	twork-Replace/Renewal Total		\$		\$ 163,194	572,2	
\$ 8,742 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	place Lkt Mtn Supp Mai	26029804			\$	\$	
145,380				•			
				₩ (145,390		

Sum of Amount				Charge_Type				
Funding_Project_Description	Funding_Project		Est Comp. Date	AFUDC Debt		AFUDC Equity Contracted Services CWIP Accrual Labor	crual Labor Labor Overhead	lead
CHAI-Replace Lkt Mith Supp Mai	20029804	6/10/2010	6/30/2010	o	11,780 \$ 10,832 \$	1,071,306 \$	3 224	3 344
		11/30/2010	12/31/2010	-			· ·	
CHAT Design 14 Mts Sign Moi Total	26029804 Total			\$ €	11,789 \$ 10,663 \$	1,128,516 \$	- \$ 40,903 \$ 36,460	460
CHAT-Retirements	2602000R	1/15/2001	1/15/2001	9	0000		÷00000	201
		6/20/2007 (blank						
		6/25/2007 (blank	Ç)		₩	8,617		ĺ
		8/13/2007 (blank)	03					ĺ
	2602000B Total	10/17/2007 (Diane			U	8 617		ĺ
CHAT-Retirements Total	20020001 F0tal				↔	8.617		ĺ
CHAT-River Front Pipeline	26020303	12/2/2003	12/2/2003		↔ ↔	96,293		ĺ
		7/15/2005	7/15/2005					Ī
		8/30/2005	8/30/2005		\$	27,705		
		9/16/2005	9/16/2005		\$	11,165		
	26020303 Total				₩ (135,164		
CHAI-River Front Pipeline Total	1000000	0000000	0000000		•	135,164		
CHAI-Suck Cleek Utility	26030204 26030304 Total	12/2/2003	12/2/2003		0	70,340		
CHAT-Suck Creek Hility Total	20030204 10tal				(70.340		
CHAT-TOOT Relocations	26020205	12/2/2003	12/2/2003)	2000		
	26020205 26020205 Total							ĺ
CHAT-TDOT Relocations Total								
CHAT-Unauthorized	26029999	12/31/2006 (blank)	0					
	Jeto T opposite	12/31/2007 (blank)	()					
CHAT-Unauthorized Total	20023333 10tal							
Company Level Accrual	26020699	8/13/2007 (blank)	0			69		ĺ
	26020699 Total					\$		
Company Level Accrual Total	-					€		ĺ
Comprehensive Planning Study	26020097	8/10/2007 (blank)			€		÷	Ģ
	H 1000000	11/15/2007	2/15/2008		€		\$ 7,866 \$	159
Comprehensive Planning Study Total	20020097 10tal				0		\$ 7,000 \$	150
Construct 1 0 MG Tank - Hill	26020402	12/2/2003	12/2/2003		↔ ↔		÷	3
	26020402 26020402 Total	2002/2/2	12/2/2003		· ·	803,888 \$		ĺ
Construct 1.0 MG Tank - Hill Total					↔ ↔			
Conversion Funding Project	00000026	12/31/2001	12/31/2001					
		12/31/2006 (blank	()				\$ 92,683	683
i i	00000026 Total						\$ 92,683	683
Conversion Funding Project Total	000000000000000000000000000000000000000	42/2/2003	42/2/2002					983
	000000	5/4/2004	5/4/2004		€	530		1
		11/12/2004	11/12/2004		ഗ	140		
		11/19/2004	11/19/2004		\$	63		
		11/24/2004	11/24/2004		₩	(14,795)		ĺ
		3/28/2005	3/28/2005		U			ĺ
		5/2/2005	5/2/2005		(209 465		ĺ
		7/8/2005	7/8/2005		S	1,007		
		7/14/2005	7/14/2005		↔ ↔	12,085		
		8/12/2005	8/12/2005					
		8/22/2005	8/22/2005	\$ €	(337) \$ (421)			1
		10/24/2005	10/24/2005	₩ (φ.		6	ļ
		10/31/2005	10/31/2005	÷	(133)	1 774	\$ 258 \$	54
		11/10/2005	11/16/2005		0 6.	51.793		Ì
		11/18/2005	11/18/2005		↔ \$	200]
		2/15/2006	2/15/2006			7,097		
		2/20/2006	2/20/2006	↔	(6)	293,628		ĺ
		3/9/2006	3/9/2006	€ ((4) \$ (5) \$	906'09		1
	_	3/24/2006	3/24/2006	₩.	\$ 47	13,795		

The control of the	Sum of Amount Funding_Project_Description	Project		Materials & Supplies Other Other Professi	Over	and
Controlled Total Controlled Total Controlled	:HAT-Replace Lkt Mtn Supp Mai	26029804 \$	95 &	83 \$	154,317	τ,
Macropiet Total St. of St.			>			
PACKADONNO PAC				529	\$ 185,543 \$	
Controlled Con	HAT-Replace Lkt Mtn Supp Mai Total			529	\$ 185,543 \$	1,665,3
MONOCOOK From	HAT-Retirements	2602000R	e	₩.		
Controlled Con			9	(1,007)		
Controlled 1			₩.	417		
Secretion Secr			\$			
Control Cont		2602000R Total	₩.	\$		
Secondo Seco	HAT-Retirements Total		₩	6		
Control Court Cour	HAT-River Front Pipeline			66)		
STREED CONTOUT COME S 199, 129-41 S 19		?				
Secretation Secretaria Se						
Secretary S						
Secretaria Sec	HAT-River Front Pipeline Total			\$ (99,834)	S	
Control Cont	HAT-Suck Creek Utility	26030204	6	\$ (174,267)	€ 6	
EMERCATION EME	AAT-Suck Creek Hillity Total	Z6U3UZU4 I Otal	ਨ ਦ	(174,267)	e e	
Control Cont	HAT-TDOT Relocations	26020205)	(20))	
20020999 S (2007097) S (2007099) S (26020205 Total				
Controlled Con	1AT-TDOT Relocations Total					
260204999 Total \$ (241,147) \$ (26020499 Total \$ (241,147) \$ (26020499 Total \$ (241,147) \$ (26020499 Total \$ (241,147) \$ (26020497 Total \$ (241,24) \$ (2	1AT-Unauthorized	26029999				
26020090 26020090		26030000 Total				
Security	AT-Unauthorized Total	20025555 Ottal				
26020699 Total 26122 6 1020 429 2 17 679 2 1 2 6020 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 6220 402 2 12 670 997 2 12 67	mpany Level Accrual	26020699				
26020097 Total 26020092 26020402 Total 26020402 T		26020699 Total				- \$
Control of the cont	mpany Level Accrual Total	26020097				· ·
2602009T Total \$ 17,679 \$ 17,679 \$ 5,192 \$ (893,456) \$ 34,690 \$ 5,192 \$ (893,456) \$ 34,690 \$ 5,192 \$ (893,456) \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 \$ 5,142 \$ 34,690 <		1600707				
Control of the cont		26020097 Total				
Decound to be a control of the con	nprehensive Planning Study Total		•	4		
Sectorogic Sectoro	nstruct 1.0 MG Lank - Hill	26020402 26020402 Total	vs	so e		
00000026 \$. \$. \$. \$. \$. \$. \$. \$. . \$.<	nstruct 1.0 MG Tank - Hill Total		• • •	S		
CRONDOZG Total S	nversion Funding Project	00000026		s		
26020080 \$ - 5 - 5 - 5 - 5 - 5 -<				<		
26020080 \$ -<	F F F F F F F F F F F F F F F F F F F	00000026 Total				
\$ (2,413) \$ (4,260) \$ (4,	Melsion Funding Project Total	26020080	U.	0	· ·	
\$ (3,150) \$ (2,413) \$ (2,413) \$ (5,710 \$ (2,413) \$ (3,50) \$ (4,260) \$ (319) \$ (4,260) \$ (319) \$ (4,260) \$ (4,260) \$ (4,260) <td< td=""><td></td><td></td><td>+</td><td></td><td></td><td></td></td<>			+			
\$ (3,150) \$ 5 \$ (2,413) \$ (2,413) \$ (2,413) \$ (3,50) \$ (4,260) \$ (319) \$ (4,260) \$ (319) \$ (4,260) \$ (319) \$ (4,260) \$ (319) \$ (4,260) \$ (319) \$ (4,260) \$ (4,260)<						
\$ (2.413) \$ (2.413) \$ (2.413) \$ (4.260) \$ (4.260) \$ (4.260) \$ (15) \$ (16) \$ (15						
\$ 15,710						
\$ 15,710 \$ 15,710 \$ 76 \$ 76 \$ 76 \$ 76 \$ 76 \$ 76 \$ 76 \$ 76 \$ 139 \$ 149 \$ 149 \$ 2,699 \$ 16,74 \$ 16,74 \$ 16,80 \$ 2,699 \$ 16,80 \$ 16,30 \$ 16,						
\$ 906 \$ 906					Ì	2
\$ (4,260) \$ (319) \$ (50						
\$ (68) \$ (15) \$			€	(4.260)		
\$ (15) \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$				(
\$ \$ 1 \$ \$ \$ \$ 149 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$<		_				
\$ 2,659 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$						
\$ \$ 18 \$ \$ \$ \$ 5 5 \$ \$ \$ \$ \$ 10,386 \$ \$ \$ \$ 4,590 \$ \$ \$ \$ 4,590 \$ \$ \$ \$ 4,530 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$						4,
\$ 574 \$ \$ 575 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$						
315 \$ 6321 \$ 1.538 \$ 5			⇔	574		
315 \$ 6321 \$ 1.538 \$ 1.538			6	400		
		er.		403		

				Charge_Type			
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt		ity Contracte	AFUDC Equity Contracted Services CWIP Accrual Labor Labor Overhead
	7000000	4/3/2006		9 6	ф (7)	e (c)	150,021
		9002/57/G	9007/57/C		6	A 6	90,494
		0/2/9/9				9 6	32,323
		9/8/2006				o e	34,478
		9/2//2008				^	32 33 33 30 3 3 3 3 3 3 3 3 3 3 3 3 3 3
		9/6/2006				ઝ €	23,965
		9/8/2006				.,	139,713
		9/20/200				÷	78,614
		9/25/2006	9/25/2006	÷₽	so .		
		10/2/200				8	49,275
		10/5/200					
		10/27/200		€	27 \$	34 \$	19,631
		11/1/2006	11/1/2006			s	278,560
		11/21/2006				€9	7,410
		12/14/2006				+ €	133 609
		000/80/0	(Apold)			9 6	4 105
		2/28/2001	7 (Didilik)			9 6	4,100
		3/13/200	(1)			,	190,213
		4/26/200	/ (blank)			÷	
		5/3/200	7 (blank)				
		5/7/2007	7 (blank)	\$	25 \$	33 \$	18,488
		5/14/200	7 (blank)				163,082
		6/27/2007	7 (blank)			€	
		7/12/2007				+ €	9.385
		002/21/7	(Signik)			÷ 6	5,000 E0 07E
		1/26/2001				Ð	
		8/10/2007	7 (blank)			,	· -
		9/20/2007				s	252,715
		12/21/2007	7 (blank)			s	
	26020080 Total			€	(450) \$ (5	(268)	2,964,066 \$ - \$ 258 \$ 54
	26030080	9/20/5006	9/20/2006	_			
	26030080 Total					÷ €5	28 416
Developer/Govt Contributions Total				U.		(568) \$	\$ 258 \$
Frainsering Studies	RP-2602-S1	(hlank)	12/31/2012	_	· &	\$ 600	2000 \$ - \$
	10-2002-01	(Digitik)	2102/16/21	_	→ 6		5,000 e
ŀ	KP-2602-51 Otal			e e	A 6		- \$ 2,037 \$ - 0,003 \$
Engineering Studies Lotal				_	۰		\$ 2,037 \$
Hill City Booster Suction	26020601	9/8/200			\$.02 \$	220,936
		12/1/2006	12/30/2006	_		S	4,195
	26020601 Total			co	S		225.131
Hill City Booster Suction Total				+ 65	924 \$ 1202		225 131
Till City Discharge	COSOCOSC	11/1/2006	5/33/3002))		253,131
	26020602	11/1/200				e e	
	26020602 Total					₩	
Hill City Discharge Total						s	
Hydrants New	26020084	12/2/2003	3 12/2/2003			\$	13,844 \$ -
•		7/14/200				v.	7.910
		3000/00/8	50000000000000000000000000000000000000	Ð	\$ (99)	(64)	
		9/22/2009			9		
		11/10/200		,			2,893
		2/20/200	5 2/20/2006	₩	& &	10 \$	652
		3/15/200		\$	4 \$	5 \$	1,835
		3/24/200		\$	3		550
		3/30/2006		\$		28 \$	11.381
		000/86/7		+ #	. 4		2 955
		9000/20/3	9002/02/4		÷ 6	5 t	Z,933
		5/23/200		Ð	0	0	nec
		6/8/2006				\$	5,400
		6/12/2006	6/12/2006	\$		23 \$	2,902
		6/15/2006			€:	1	237
		000/00/2		÷ 6	1 C		1 078
		0.500,500		→ (0,00,1
		0/8/500	\$ 9002/8/8	Ð	4 \$	2	601
		9/20/200				s	11,916
		10/26/2006	10/26/2006			s	2,612
		11/1/200				s	2.903
		11/15/200		U	\$	÷ 5	550
		11/28/2006	11/28/2006	÷	÷	÷ θ	1 316
		11/28/200		÷	€		1,310
		12/14/2006		⊅ (\$ 2/	94 \$	/8,453
		12/20/200		sə	so		60,850

randing_rioject			10 040	00 297
- 1		\$ (685)	\$ 12,210	8 104.80
	265 \$			
	300		\$ 1,034	
	429			\$ 28,489
	₩	620	\$ 2,448	\$ 81,68
1				\$ 50,753
Ιĺ				
1	₩.	5,476		\$ 25,86
1	265			
- 1			\$ 113	\$ 4,218
1				2.002 9 8
Ī				
	\$ 280 \$	5,317		
- 1	126		\$ 4,881	
1				
				\$ 65,533
	€	0		
- 1	÷	06		
1	2,255 \$	14,621 \$ (6,558)	\$ 175,050	\$ 3,148,728
1	20			
		,		
€9	2,305 \$	14,621 \$ (6,558)	\$ 175,885	\$ 3,178,02
			\$ 5,281	\$ 40,62
٠,	6,233 \$	116,055	1,729 \$ 62,948	
م		\$	s ·	
₩ (6,233 \$	116,055	1,729 \$ 58,753	\$ 410,028
₽			⇔ €	
				60
			<i>₽</i>	φ θ
	\$ 7	1.810 \$ (13.844)		\$ 1.945
	F			
			\$ (13)	
	₩.	928		\$ 1,718
	ω ε	369		
e	\$ 009	500		
		2,437		
	o v.	2,547		8 1247
1	•	1000		
1	σ	2,859		
	ν	682		3,770
1	÷ ഗ	428		
1	\$	916		
	G	810	\$ 115	3,018
	↔ ↔	919		
	· •	1 201		
		1,50		

Sim of Amorint				2	arge Type					
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date		AFUDC Debt	AFUDC Equity		Contracted Services CWIP Acc	CWIP Accrual Labor Lab	Labor Overhead
Hydrants New	26020084	3/13/200	7	13/2007		23 \$				
		3/15/2007	2007	3/15/2007 \$		4 \$	5 \$	922		
		3/23/;	2002			3 \$		2,074		
		5/22/2007	2007 (blank)	\$			\$ 9	929		
		8/10/2007	2007 (blank)					\$		
		8/27/	8/27/2007 (blank)	\$				6,344		
	1	10/31/	2007 (blank)	>> €						
The representation of the second of the seco	26020084 Total			₽		⇔ 6	1,241 \$	241,995 \$	•	
Hydrafits New Total	2000000	0000/14/07	0000	40000		Ð				
nydianis - Repiacemeni	20020003	1711/7	2000	11/20/2004			£	24 647	47.404	40.000
		10/20/2011	1002	0000/20/5			۶ د	4 226	4 101,10	12,320
		117/0	2006	0/2//2006				12 840		
		4/9/2007	2002	4/9/2005		e &	<u>د</u> ه	13,040		
		3/10/8	2007 (blank)	500			o	6 5		
	26020083 Total	5	(2000)	¥		44	ά.		17 101	12 326
Hydrants - Replacement Total	202000 1081			÷.		\$ 5		39 726 \$	€.	12,326
Hydrants. Valves, and Manholes-New	RP-2602-E1	5/23/2	2002	7/15/2007 \$					· · · · · · · · · · · · · · · · · · ·	01
		10/12/2	2007	11/28/2007 \$		· 60	· &	3,014		
		11/1/2007	2007				413 \$	\$ 909'98		
		12/14/	2002			\$ 008	\$ 598			
				_		237 \$	256 \$	26,142 \$		Ì
		3/27/2008	2008	4/30/2008			()	3,504		
		3/29/2008	2008	6/30/2008				650		
		(9/2)	6/5/2008	8/30/2008 \$		\$ ¢		2,132	011	0
		4/8/	2010	5/31/2010 \$		21 \$	19 \$			348
		7,6/9	2010						239	201
		76/8	8/9/2010	_		7 50 A			010	534
		12/6/2011	2011	12/31/2011 \$		152 \$	300	2,305 \$	18/	203
		2102/02/0	2102	42/24/2012		φ υ υ			04 66	92
		(Dialin)						3.371	6 6 6 6 -	8 695
	RP-2602-F1 Total			\$		1.690 \$	1.807 \$		11.326	10.084
	RP-2603-F1	(hlank)		12/31/2020)			1,020	200
	RP-2603-E1 Total	(Alima)		0707			9 49	2,275 \$		İ
	RP-2604-E1	(blank)		12/31/2020			٠			
	RP-2604-E1 Total							\$		
Hydrants, Valves, and Manholes-New Total				\$		1,690 \$	1,807 \$	176,824 \$	- \$ 11,326 \$	10,084
Hydrants, Valves, and Manholes-Rep	RP-2602-F1	9/6/2007	2007	11/29/2007 \$		\$				
		2/8/2	2/8/2008	5/11/2008			\$	874		
		4/18/	5008			1 \$		5,017		
		5/7/2008	2008	6/26/2008 \$		4 \$	5 \$	3,718		
		:/9/9	6/6/2008	6/26/2008 \$		11 \$	12 \$	4,482		
		9/15/2008	5008	9/15/2008 \$		1 \$	1 \$			
		10/10/2	5008	12/31/2008 \$				8,590 \$		
			5008	12/31/2008 \$		336 \$	341 \$		833	584
		(blank)		12/31/2020					107,636	85,347
	RP-2602-F1 Total			÷> €		398 &	410 \$	65,345 \$	- \$ 108,535 \$	85,932
Hydrants, Valves, and Manholes-Kep Lotal	00000000	10,01	0000	400000		388 %	410 \$	65,345 \$	108,535	85,932
II S Equipment & Systems	26020089	12/2/2003	2003	12/2/2003						
		7/19/2005	2005	7/19/2005 \$		6				
		2/8/2	5006			+				
		5/25/2006	5006	5/25/2006						
		9/6/2006	5006	9/6/2006						
		9/22/2006	5006	9/22/2006						
		10/23/;	5006	10/23/2006						
		12/5/	5006	12/5/2006						
		12/22/2006	5006	12/22/2006			\$	•		
		1/8/	2007	1/8/2007						
		3/13/	2007	3/13/2007						
		3/23/2007	2007	3/23/2007		es X	11			Ĭ
		015315	1,005	3/23/2007						

Funding_Project_Description	made i Billian i							
Hydrants New	26020084		\$	132		4		23,547
			↔ (713				2,025
			\$	1,755		\$ 895		4,731
			₩	891				1,934
			¥	1 234		\$ 721		- K 73
			÷:	750				1,760
	26020084 Total	\$	\$ 009	S	(13,844)	\$ 26,592		1,108
Hydrants New Total		\$	\$ 009		(13,844)	\$ 26,592	.08 \$	301,108
Hydrants - Replacement	26020083	e			- 2			- 00 675
		9	400 4	0	5,400			1 982
)	200				14.462
			\$	1,044		\$ 256	₩ ₩	1,306
								•
	26020083 Total	•	1,455 \$	\$	5,400			110,425
Hydrants - Replacement Total	PD-2602-E1	: 2	1,455 \$		5,400			110,425
nydiants, varves, and mannoes-frew	NF-2002-E1		9 65	902				1,022
			•	12,513		\$ 6,257		56,170
								5,460
			↔	9,674				1,122
			Đ	1 201				3,803
			9 €	1,531				3 978
		€	315 \$	1,705				7,100
		•	,	835				2,869
			\$	2,535				9,917
			\$	2,282				6,455
			\$	1,362				1,896
		e	747 8- 6-		9	\$ 364		5,217
	RP-2602-F1 Total	9 64		46.246 \$	5,556			0.219
	RP-2603-E1 10tal)	> €	40,240	0,000			8.036
	RP-2603-E1 Total		9	4,461		\$ 1.300	φ	8,036
	RP-2604-E1		•					,
	RP-2604-E1 Total							
Hydrants, Valves, and Manholes-New Total		\$	1,260 \$	\$ 20,707	5,556	\$ 29,000	\$ 288	288,255
Hydrants, Valves, and Manholes-Rep	RP-2602-F1		\$	1,663				8,733
			\$	84		\$ 75		1,033
			\$	714			ω ε	6,220
			A U	1,296				5,450
			.	1.456			9 6	16.066
			÷ 69	1,458		\$ 1,728		11,870
			\$					4,705
	1	↔ (120,670	\$ 67,469	\$ 540	540,764
Hydrante Valvae and Manholae-Pan Total	KP-2602-F1 Lotal	⊅ €	17,305 \$	e e	120,670	\$ 80,892 \$ 80,893		2,128
Hydraffis, varves, and marricles-Nep Total	26020089	9		9 69	(6 344)		9 4	6,120
			\$		(2,00)			1,904
			F					'
			\$			\$ 189		2,286
			\$	S	(4,600)			(3,902)
			\$	1,763				2,083
			↔ €	18,494		\$ 2,774		1,268
			A U	15,603				9,036
			φ	3,262				3,403
			\$	2,891			\$	3,017
			\$	9,418		\$ 452		698'6
			S	12,776				3,397
			↔	3,225				3,645

Sum of Amount				Charge_Type					
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt	AFUDC Eq	AFUDC Equity Contracted Services CWIP Accrual Labor	ervices CWIP Ac	crual Labor	Labor Overhead
III S Equipment & systems	26020089	8/10/2	4/30/2007 (blank) 8/10/2007 (blank)				S		
	26020089 Total	5	(2000)	8		11 \$	9		
ITS Equipment & Systems Total	550			÷ •	÷ ↔ • ∞	11 \$	9		
ITS Equipment and Systems	RP-1202-K1	(blank)	(blank)						
	RP-1202-K1 Total	5/46/2007	2006/06/8						
	N-2002- N	7/9/2			10 \$	11			
		7/31/2007				25			
		9/1/2		\$	\$ 9	9	↔ •		
		0/41/0		<i>₽</i> €		11	s) e		
		12/13/2	1007 10/31/2007	9 65		€5 1	7.429 \$. .	
		3/15/2008		\$		210			
		6/6/2	9008 6/30/2008			10	\$		
		7/1/2008					\$		
		10/8/2008				71	₩ €		
		12/2/2008	12/31/2008	<i>₽</i> 6	28 \$	2/	<i>s</i> > €	.	
		6/23/2009				2	. ↔		
		10/2/2009	,				\$		
		1/11/2010	1/10/2010	\$	35 \$	31	\$		
		5/20/2				•			
		6/17/2010	0100 //30/2010			£	3,525 \$.	
		2/01/01		€.		ď	÷ 6		
		2/21/2011	3/10/2011	9	2		1,450 \$		
		2/28/2		\$		2 \$			
		3/23/2011							
		3/31/2	1102/311			↔ (1,038 \$		
			4/20/2011			⊹ >			
		4/18/2011				•			
		5		€		· •			
		5/10/2011	1011 5/11/2011		\$ 9	9			
		6/6/2011					\$		
		7/5/2		\$	28 \$			-	
		9/15/2	9/15/2011	∽		27 \$	1,000 \$		
		10/20/2		₩		127	₩ €		
		11/30/2011	12/31/2011	6	£	26	A 6		
		3/1/2				33	e e	.	
		5/7/2012	012 4/27/2012	9 65	\$ 2	18	€:		
		5/23/2		9		21	φ.		
		5/30/2012		\$	2 \$	2	\$	-	
			1012 8/30/2012	\$		5	\$		
	DD 2602 K1 Total	(blank)	8/30/2012	€		Đ	25 854 G		
ITS Equipment and Systems Total	NF-2002-N 10tal			9 69	9 69		25,854 \$		
Mains - New	RP-2602-A1	8/8/2			\$	÷ ∽			
		12/13/2007		\$	\$	S			
		12/27/2007	12/31/2007	\$	28 \$		15,805 \$		
		2/19/2		,		\$			
		3/6/2008	5/19/2008	\$	30 %	33 &	19,154 \$		
		2/2/2		9 64	0 %		7 933		
		12/2/2	12/24/2008	9) (5,220		
		12/30/2008		\$	\$	÷ \$	10,905 \$		
		12/31/2		\$	₩.	\$			\$
		1/19/2009	2/28/2009	\$	220 \$	€ €	40,448 \$	- \$ 134	
		2/12/1		A 6	A 6				⊅ 6
		11/15/2011		θ.	e 7		0,013 3		o c
_		-		.)

Equipment & Systems	26020089	<i>σ</i>	\$ 6,556	\$ 1.599	9	\$ 8,15
		F			\$	
	26020089 Total	\$	94,102 \$ (10,944)		\$	92,624
ITS Equipment & Systems Total	77,000,00	ග		\$ 9,448		92,62
Equipment and Systems	RP-1202-K1	so (130		•	142
	RP-1202-K1 Total	θ	130	9 216	A 6	74L
	N-2002-N	9 4	3,300		e e	3.28
		φ	21,961	\$ 2,574	9 49	24,583
		· \$	6,827	\$ 645	\$	7,484
		\$	11,599		\$	12,716
		₩.	9,734		↔ .	11,21
		↔ €	9,728	\$ 1,462	• •	18,618
		٠	23,622		•	27,14
		٠,	2,819		<i>₽</i>	3,07
		0	7 903		P	8,64
) 4	7,903		<i>₩</i>	2,040
		÷ •	2,302		6.045	16.86
		φ	6.038	706	+	6.75
		÷ •	2,204		<i>↔</i>	2,970
		₩	19,420		9	22,16
					\$	
		\$	9,312		\$	15,91
		€	1,671		\$	2,657
		ω.	953		₩.	1,06
		₩	4,994		•	6,92
		€	17,431		€	23,65
		θ.	12,504		A 6	13,42
) 4	3,783		↔ ↔	3.36
		÷ •	12,445	\$ \$	9 69	14,186
		€	3,293		12,686 \$	17,36
		€	9,126		\$	15,14
		()	6,952		()	7,47
		٠,	7,611		€	8,02
		<i>•</i>	15,641	9/4	<i>₽</i> €	16,67
		θ θ	5,710		+	12,50
		0	20,3/4 123 118	1,104	e - 000,50	144 064
		- σ	37,535		+	45.83
		- 69	2,108		1,787 \$	4,06
		\$	20,172	1,708	3,583 \$	25,498
		\$	22,347	1,944	183 \$	24,51
		↔ (2,576	\$ 224 \$	364 \$	3,168
		₩.	2,621	228	-	3,04
	RP-2602-K1 Total	€5	560.042		41.382	697.91
Equipment and Systems Total		÷ €	560,173	69,242	+	698,05
Mains - New	RP-2602-A1 \$	829 \$	8,966	\$ 7,982	\$	58,167
	\$		3,256		₩.	19,20
	€		4,819		₩.	
		€	3,200	\$ 982	€	
	er.		2,577		A C	
	ω ω	\$ 230	2,866		<i>Υ</i>	12,265
					\$	
	€	365 \$	846		₩	
	€	\$ 009	1,287		\$	
	ω [107 \$	18,832		•	
	€9	265 \$	10,334	\$ 10,384	\$	59,639
					-	

Sum of Amount					Charge Type						
Funding_Project_Description	Funding_Project	In-Service		Est Comp. Date	ate AFUDC Debt		AFUDC Equity Contrac	Contracted Services CWIP	bor	Labor O	Labor Overhead
Mains - New	RP-2602-A1	(Alcold)	2/9/2012	5/9/2012	59	4		₩.	. \$	2,326 \$	1,449
	RP-2602-A1 Total	(Didilly)		1002/01/21	\$		808				3,194
Mains - New Total	-			₩	\$	813 \$	\$ 808	235,789 \$	3,6	3,930 \$	3,194
Mains - Relocated	RP-2602-D1		12/31/2008	12/31/2008	\$						
			1/15/2009	4/13/2009	ss (
			3/2/2009	4/26/2009	₩ €	18 \$	16 \$	7,829 \$		32 \$	35
			2/26/2010	11/24/2009	₽ U	\$ COV	\$ - 38C	3,672 \$	₽	29 \$ 6 528 \$	41 A 72A
			7/28/2010	7/27/2010	÷ +)		1 827
			2/16/2011	6/30/2011	÷ +:			18.792 \$	÷ 65		2.048
			7/29/2011	12/31/2011	÷ ••	4.413 \$	4.229 \$			05 8	4.064
			11/15/2011	3/31/2012	÷ •			77,470 \$	- \$ 1,0	72 \$	929
			12/30/2011	12/31/2011	\$			l.		\$ 80	1,831
			6/21/2012	4/17/2012	\$					338 \$	408
		(blank)		6/26/2012	\$	\$ 229	747 \$		8 -		488
	H 100000			12/31/2012	₩ €						4,788
Mains - Relocated Total	RP-2002-D1 10tal				e es	29,165 \$	29,285 \$	951.962 \$	- \$ 31,969		21,156
Mains - Replaced / Restored	RP-1702-B1	(blank)	lq)	(blank)	F					\$	
	RP-1702-B1 Total	:							\$	\$	٠
	RP-2411-B1	(blank)	ld)	(blank)							ĺ
	RP-2411-B1 Total		7000/20/4	7/14/2007			e	44.060			ĺ
	RP-2602-B1		4/23/2007	7/15/2007	E	6	<i>*</i>	11,968			
			5/23/2007	7/15/2007	₽ U	+ + - σ	- 07	13,380			
			7/16/2007	10/15/2007		9 4					
			9/19/2007	11/13/2007	÷ •			33.420 \$			ĺ
			12/13/2007	12/31/2007							
				4/1/2008	₩	1,071 \$	1,158 \$,		
			12/21/2007	2/28/2008				22,664 \$			
			2/1/2008	4/15/2008	\$	37 \$		63,325			
			2/8/2008	4/15/2008							
			2/19/2008	4/15/2008							ĺ
			4/11/2008	7/70/2008	A G	\$ QLZ	733 \$	80,670 \$			
			4/16/2008 5/20/2008	9/15/2008	0 6		. 40	47,042	. .		Ī
			6/11/2008	8/30/2008							
			7/21/2008	8/30/2008	9 65						
			8/25/2008	8/15/2008	÷ •			7.860 \$			
				9/1/2008	· 6	24 \$	26 \$,		
				12/15/2008	\$			18,598			
			9/15/2008	12/15/2008	\$	36 \$	39 \$	33,306			
			10/20/2008	10/29/2008	₩ (10 \$	12 \$	8,763			
			11/3/2008	12/30/2008 \$	÷	631 \$	\$ 6/9				
			3/16/2009	5/24/2009	€.					167 \$	173
			5/4/2009	7/13/2009	» (38 8	34 \$	18,007 \$			2
			5/28/2009	8/15/2009		1		64,454 \$. \$	153 \$	122
			8/28/2009	9/1/2009	\$	354 \$	317 \$			197 \$	160
			10/3/2009	11/30/2009	€	2 \$	\$ 9	10,446 \$	\$	504 \$	468
			11/16/2009	12/31/2009	S					504 \$	446
			2/10/2010	3/31/2010	ss ·			30,278 \$		11 \$	344
			2/26/2010	3/20/2010						420 \$	377
			7/28/2010	8/31/2010	A	41.00	4 60	100,313 \$	7 7 6	9 4	4,077
			0/19/2010	9/25/2010	A 6	90.7	90 9		0	717 0	117,1
			9/16/2010	11/16/2010 \$	÷ €			15.493 \$	9 6	1379 \$	1329
			1/11/2011	12/31/2011	÷ •				÷ 6	\$ 612,	629
			1/18/2011	12/31/2012	↔	٠	· σ	109,254 \$. 6	171 \$	364
			8/31/2011	9/7/2011	F	٠				\$	
			9/28/2011	12/31/2011	\$	16 \$	18 \$	28,816 \$		828 \$	505
		_	11/1/2011	12/31/2011	⊕	61 \$				1,861 \$	1,411

Mains - New Total Mains - Relocated Total Mains - Relocated Total Mains - Replaced / Restored Mains - Replaced / Restored RP-2602-D1 Total RP-2602-D1 Total S RP-2602-B1 RP-2602-B1 RP-2602-B1 RP-2602-B1 RP-2602-B1 S S S S S S S S S S S S S	3,876 \$ 3,876 \$ 3,876 \$ 5,000 \$ 1,000 \$ 5,000 \$ 1,000 \$ 5,000 \$ 1,000 \$ 5,000 \$ 1,000 \$ 5,000	\$ 66.659 \$ 3,702 \$ 66.659 \$ 3,702 \$ 6.036 \$ 9,934 \$ 2,266	\$ 56,958	
RP-2602-01 Total		ο Θ		
RP-2602-D1 Total		₩		
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1		6,036 9,934 2,266	l	\$ 375,730
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 Total RP-2602-B1		9,934 2,266		\$ 87,236
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1		7,266		
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1			.s. 1.253	
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1		10,382		\$ 117,621
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1		3,562		
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1			ક	
RP-2602-D1 Total RP-1702-B1 RP-271702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1			s	
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1		35,340		\$ 142,311
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1			s e	
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 Total RP-2411-B1 Total RP-2411-B1 Total RP-2602-B1		9,223	\$ 2,263	
RP-2602-D1 Total RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1 RP-2602-B1			e e	\$ 184,574
RP-1702-B1 RP-1702-B1 RP-2411-B1 RP-2411-B1 RP-2602-B1		357.873 \$	S	\$ 1.618.189
RP-1702-B1 RR-1702-B1 Total RP-2411-B1 RP-2411-B1 RP-2602-B1		357,873 \$	30,156 \$ 160,742	
				\$
	•			· ••
	₩ 6		' ************************************	· • •
	A U	6 781		\$ - 21 663
	→ 65	1 234		
	θ 69	10,610	\$ 6.178	\$ 50,458
		,		
တ	315 \$	7,382		
	265 \$	679	\$ 2,736	\$ 20,672
		6.367		
	50.0	13 290	4,730	
S		6.738		
မာ မ	265 \$	2,548	\$ 1,287	\$ 17,417
တ တ တ တ	624 \$	20,955	\$ 9,223	
တ တ တ		7,467		
en en − e	719 \$	10,620	\$ 5,027	\$ 64,073
		23,048		
•	\$ 09	14,198		
	: → •	2,728		
A 4	265	3,221 6,479	50°,'' &	\$ 18,472
→	400 \$	8.134		
· · · ·	365 \$	2,515		
₩.	126 \$	31,727	\$ 40,799	\$ 199,363
•		1,909		
A 4	721 \$	10,724 6 386	\$ 2,459 6 2,224	\$ 42,714
9 4.		3,383		
•		31,977		
	€9	2,633		
\$	300 \$	6,289	\$ 15,102	
	\$	3,645		
\$	1,420 \$	8,096		\$ 48,710
		13,865		
€£3	1,005 \$	11,437		
6		6,226	\$ 5,228	\$ 38,174
A 4	500 &	3,462 5,071		
မှာ မှာ		13,293	ľ	
85	855 \$	11,095	\$ 5,581	\$ 47,714

Sum of Amount	-			Charge_Type						
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt				bor	Labor	Labor Overhead
Mains - Replaced / Restored	KP-2602-B1	11/15/201	11/30/2011						856 \$	812
		12/2/201		÷ •	28 \$	31 \$	17,289 \$	θ .	102 \$	184
		12/8/2011		-	1	1	1			1,453
				€						1,554
		12/13/2011	1 12/31/2011	\$			\$ 096'16			581
		12/16/201		€					2,579 \$	2,392
		12/30/201		∽						2,320
		1/11/2012	12/31/2011	€ (ഗ •	တ ၊		s	1,295 \$	1,222
				\$	\$	\$				649
		(blank)	8/20/2012							
			3/3/2012							
			9/16/2012							
			12/31/2012		-	2 \$	69 '	⊕ '	⇔ '	•
	RP-2602-B1 Total			⇔	4,887 \$	5,107 \$	3,067,926 \$		26,287 \$	23,382
Mains - Replaced / Restored Total	-	-	-	\$	4,887 \$	5,107 \$				23,382
Mains - Unscheduled	RP-2602-C1	7/2/2007		•				€	87 \$	59
		10/4/2007		<i>-</i> > €	96	104 \$	55,329			
		1/2/200		Ө						
		7/1/200	8/10/2008							
		9/3/2008				↔	16,366			
		11/16/2009		\$	11 \$	10 \$		\$	2,609 \$	2,335
		12/28/2010			1 \$	\$ 0	6,020 \$	\$ -	46 \$	74
		3/3/201		\$	4 \$			\$	74 \$	75
		8/10/2011			14 \$	16 \$	42,455 \$	\$		341
		9/19/2011						\$		82
		12/7/201		↔ •	294 \$			\$	645 \$	393
		3/5/2012	5/2/2012	မ	\$ 0		1,603 \$			
				₽ €		∌ €		,	200	282
		(blank)	12/31/2012	£	/)	., ⊬.	36 478 \$		142,106 \$	112.043
	RP-2602-C1 Total			€	830	\$ 069			146,676 \$	115,686
	RP-2603-C1	(blank)	12/31/2020	_				€	1	
	RP-2603-C1 Total	,						⊕	φ,	
Mains - Unscheduled Total				\$	\$ 089	\$ 069	342,924 \$	- \$ 14	146,676 \$	115,686
Meters New	26020088	9/30/2000	0)30/2000	_						245,878
		10/3/2000				\$				
		12/24/2003								
		12/29/200	12/29/2003							
		5/25/2004								
		10/11/200	10/11/2004							
		8/30/2005								
		0/30/50	9/30/2003			¥	70			
		9/16/200				÷	5			
		10/3/2005								
		8/7/200								
		8/8/2006	8/8							
		12/27/2006	7							
		12/28/2006	Ì					↔		329
		1/8/2007	1/8/2007					↔	862 \$	529
		2/27/200						€		812
		5/23/2007	3/23/2007							
		9/14/200	77 (blank)				¥			
	26020088 Total	0/10/200	/ (Diain)			c	\$ 26		325 609 \$	247 579
	26030088	2/26/200	5/26/2005			↔ &	Ι.	→		
		8/10/2007	77 (blank)				\$			
	26030088 Total	-				φ (4,294 \$			
	26040088	2/56/200	5/26/2005 5/26/2005			∌				Ì
	_	Ø/10/200	// (biank)				Ð			

The Page 2 1 1 1 1 1 1 1 1 1	Funding_Project_Description	oject		Materials & Supplies Other Other Professional Services		and -
S	Mains - Replaced / Restored			16,385	\$ 11,618	\$ 84,836
The control of the		↔ ←		4.123	3.318	
14.65 20.204		<i>€</i>		11 449		
S		→ 49		28.294		
1,200 5 1,200 5 1,200 5 1,200 5 1,489 5 1,48		₩	1	16,091	\$ 12,826	\$ 124,120
S						
S		\$		43,326		
S		₩		20,660		
S 100 5 683 683 685 6		1		11,648		
\$ 100 \$ 1003 \$ 1003 \$ 1004 \$ 1005 \$ 1		₩		4,838		\$ 4,938
RP-2602-61 Total \$ 10.0		€		9,653		ກ
RP-2602-E1 Total \$ 103 \$ 18.164			300			9 4
RP-2602-61 foral \$ 2,0,699 \$ 666,293 \$ 5 RP-2602-C1 \$ 1,150 \$ 1,576 \$ 1,150 \$ 1,576 \$ 1,150 \$ 1,576 \$ 1,577 \$ 1,57		→ ∨		18,164	•	18
PP-2602-C1 \$ 1,150 \$ 15,576					s	
RP-2602-C1 \$ 1,150 5 15,276 5 1,150 5	Mains - Replaced / Restored Total					4,
S	Mains - Unscheduled	•				\$ 163
S		₩ €		15,576	\$ 10,277	
S		50		8,338		
S					· ' '	n 4
\$ 2654 467 5 5 467 5 5 467 5 5 67 687						
S 467 S 162 S 162 S 163 S 164 S		\$		2,654	(.,	
S				467		
S 3.341			↔	152	\$ 337	\$ 4,939
S			\$	3,341		
S 200 \$ 7,082 RP-2602-C1 Total \$ 25,975 \$ 66,157 \$ RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ RP-2603-C1 Total \$ 113,242 \$ \$ RP-2603-C1 Total \$ 113,242 \$ \$ S \$ <th< td=""><td></td><td></td><td></td><td>209</td><td></td><td></td></th<>				209		
S		₩		7,082		
\$ 25,975 \$ 65,157 \$ \text{RP-2602-C1 Total} \$ 27,905 \$ 113,242 \$ \text{RP-2603-C1 Total} \$ 27,905 \$ 113,242 \$ \text{RP-2603-C1 Total} \$ 27,905 \$ 113,242 \$ \text{RP-2603-C1 Total} \$ 27,905 \$ 113,242 \$ \text{Sections} \$ 13,242 \$ \text{Sections} \$ 14,13,243 \$ \text{Sections} \$ 14,14,243 \$ \text{Sections} \$ 14,14,243 \$ S			₩.	275	\$ 161	\$ 2,039
S 26,975 \$ 65,157 \$ RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ 26020088 \$ 27,905 \$ 113,242 \$ 26020088 \$ 27,905 \$ 113,242 \$ \$ \$ \$ \$ 113,242 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$			ss	9,592		
RP-2603-C1 Total \$ 27,905 \$ 113,242 \$		<i>Ψ</i> .		U		913.553
RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ 5 6,916 \$ 5 77,733 \$ 5 77,733 \$ 5 77,733 \$ 7 7,733 \$ 7				242 \$		-
RP-2603-C1 Total \$ 27,905 \$ 113,242 \$ \$ (71,723) \$ 26020088 \$ (71,723) \$ (71,723) \$ \$ (71,				+ !		
\$ 27,905 \$ 113,242 \$ \$ (71,723) \$		RP-2603-C1 Total				
26020088 \$ (71,723) \$ 5 6,916 8 8,785 8 8,775 9 275 10 \$ (271) 10 \$ (270) 10 \$ (270) 10 </td <td>Mains - Unscheduled Total</td> <td></td> <td></td> <td>\$</td> <td>\$ 196,265</td> <td>1</td>	Mains - Unscheduled Total			\$	\$ 196,265	1
\$ 6,916 \$ 8,787 \$ 5,485 \$	Meters New	26020088		s		
\$ 8.787 \$ 5.435 \$ \$ 276 \$ 1.271 \$ 120 \$ 120 \$ 120 \$ 139 \$ 5.922 \$ 67.283 \$ 4.061 \$ \$ 67.283 \$ 5.922 \$ 5.926 \$			\$		\$ 872	\$ 7,788
\$ 5,435 \$ \$ (275) \$ (271) \$ (271) \$ (271) \$ (272) \$ (272) \$ (273) \$			\$			
\$ 275 \$ (271) \$ 5 (496 \$ 120 \$ 120 \$ 5,702 \$ 5,702 \$ 67,283 \$ 4,061 \$ 4,061 \$ 4,061 \$ 5,922 \$ 5,922 \$ 5,922 \$ 5,922 \$ 5,922 \$ 67,283 \$ 67,283 \$ 67,283 \$ 67,283 \$ 67,283 \$ 7,061 \$ 8 3,329 \$ 3,329 \$ 3,329 \$ 5,965 \$ 5,966 \$ 5,966 \$ 67,986 \$			\$	8	\$ 896	33,
\$ (271) \$ (271) \$ (271) \$ (271) \$ (210 \$ (21			ග	275		
\$ 496 \$ 120 \$ 120 \$ 5/92 \$ 5/92 \$ 67,283 \$ 7,086 \$ 7,086 \$ 7,086 \$ 7,086 \$ 7,086 \$ 7,086 \$ 7,086 \$ 8 7,086			€	(271)	\$ (49)	\$ (319)
\$ 210 \$ 120 \$ 120 \$ 5,702 \$ 5,922 \$ 67,283 \$ 4,061 \$ \$ 4,061 \$ \$ 2,96 \$ 2,96 \$ 2,96 \$ 41,929 \$ 5,96 \$ 5,925 \$ 67,283 \$ 67,283 \$ 67,283 \$ 7,086 \$ 7,086 \$ 7,986 \$ 7,986			A 6	106		
\$ 120 \$ 5,702 \$ 5,922 \$ 67,283 \$ 4,061 \$ \$ 3,329 \$ 5,926 \$ 5,926 \$ 5,926 \$ 5,926 \$ 6,1896 \$ 7,996 \$ 7,			↔	210		\$ 307
\$ 139 \$ 5,702 \$ 5,702 \$ 6,7283 \$ 4,061 \$ \$ 3,329 \$ 4,061 \$ \$ 2,996 \$ 41,929 \$ 5,996 \$ 5,996 \$ 5,996 \$ 7,996 \$ 7,996 \$ 8,996 \$			₩ ₩	120		
\$ 5,702 \$ 5,922 \$ 67,283 \$ 4,061 \$ \$ 3,329 \$ 5,1329 \$ 1,896 \$ 2,996 \$ 2,996 \$ 340			₩	139		
\$ 5,922 \$ 67,283 \$ 4,061 \$ \$ 1,329 \$ 1,896 \$ 2,996 \$ 2,996 \$ 41,929 \$ \$ 340			\$	5,702	\$ 788	
\$ 67.283 \$ 4,061 \$ \$ 3.329 \$ (1,896) \$ 2,996 \$ 41,029 \$ \$ 340			₩ (5,922		\$ 6,811
\$ 4,061 \$ \$ 1329 \$ 4,086 \$ 2,986 \$ 2,996 \$ 41,929 \$ \$ 340			•	•		
\$ 3,329 \$ 4,006 \$ 2,996 \$ 2,996 \$ 41,929 \$ 340			₩ (€9	\$ 592	
\$ 4,080 \$ (1,896) \$ 2,996 \$ 41,929 \$ \$ 340			€	3,329	794	
\$ (1,030) \$ 2,996 \$ 41,929 \$ \$ 340			φ θ	4,086	\$ 1,49Z	
\$ 41,929 \$ 340			€	7 996 2 996		
\$ 41,929 \$ 340)	S		\$ (27.149)
<i>в</i> э в		26020088 Total	\$	s	\$ 108,201	
ь		26030088	\$	340	\$ 762	\$ 5,397
9		Total gangerate	6	0.70		
000000		26040088	9	040	737	\$ 5,597
		2004000				

Sum of Amount					Charge_Type					
Funding_Project_Description	Funding_Project	In-Service	Est C	Est Comp. Date	AFUDC Debt	AFUDC	Equity Contracte	~		Labor Overhead
Meters New Total	200000000000000000000000000000000000000						9	8,854 \$	- \$ 325,609 \$	247,579
Meters - New	RP-2602-11	2/8	8/27/2007	9/15/2007	\$	31 \$	34			İ
				12/31/2007	\$		12			
		10/2	10/26/2007	12/4/2007	\$		3			
	•	1/6	9/19/2008	7/28/2008	\$		99		:	
		3/1	3/19/2010	5/3/2010	\$				20	5
		3/2	24/2010	12/2/2010 \$	e e	\$ 77	\$ 07	- (4 933)	4 99 4	783
		11/2	30/2010	12/31/2010	÷ 6			(002,1)	39	68
		1/1	1/19/2011	2/28/2011	+				3	3
		1/1	19/2011	8/19/2011						
		2/6	28/2011	9/25/2011	€	4	2			
		101	12/45/2011	12/10/2011					\$ 1,291 \$	1,198
		3/2	29/2012	6/15/2012					194	175
		1/4	4/18/2012	5/18/2012					809	260
		5	5/7/2012	6/30/2012	\$	\$ 09	55	€	- \$ 1,640 \$	1,200
			30/2012	6/16/2012	•		-		747	921
		(blank)		7/24/2012	€9	25 \$	27	1 003	\$ 704 347 ¢	255 155
			(blank)				€		, , ,	, ,
	RP-2602-I1 Total				\$	218 \$	231 \$	(230) \$	- \$ 800,795 \$	660,763
		(blank)		12/31/2020				\$		
			-					\$		
	RP-2604-11	(blank)		12/31/2020				€9 €		ĺ
Meters - New Total	RP-2004-11 10tal				€.	218	231 \$	\$ (082)	\$ 800 795 \$	660 763
Meters - Replaced	RP-2602-J1	12/2	28/2010	12/31/2010	•				18	45
		11/1	11/15/2011	12/31/2011	S	42 \$	46	S		= ==
			4/18/2012	6/21/2012				\$	236	174
		(blank)		12/31/2020	•		4	⇔ €	340,976	274,055
	RP-2602-J1 Total	(Accid)	_	40/04/0000	₩.	42 \$	46	4 46 4 S	- \$ 341,236 \$	274,285
	Total	(Didilik)		12/31/2020			9 6 7	1,164		
Meters - Replaced Total					\$	42 \$	46 \$	1,164 \$	341,236	274,285
Meters - Replacement	26020087	3/6	9/30/2000	9/30/2000	ŧ		\$		\$ 18,219 \$	14,265
		12/2/	/2/2003	12/2/2003			\$	153,281		
		12/2	2/29/2003	12/29/2003			\$	\$ -	- \$ 88'695 \$	50,146
		/4/	4/15/2004	4/15/2004			4			
		10	10/5/2005				€			ĺ
		10/1	5/16/2006	5/16/2006						
		8/7	10/2007 (blan	-				6 5		
	26020087 Total	5	(2007)	6			\$		106.914	64.411
Meters - Replacement Total							÷ \$	153,566 \$	- \$ 106,914 \$	64,411
Network - Extension	26020082	12	12/2/2003	12/2/2003			\$	16,688		
		3/8	30/2005	3/30/2005			↔			
		117	//14/2005	1/14/2005			÷	÷ 040 0		
		7/11	10/2005	11/10/2005	3	4	₽ ₩			
	1	3/2	2/20/2006	2/20/2006	9 6	- 71	146 \$	19,791		
		3/2	24/2006	3/24/2006	9 49			6.761		ĺ
		4/2	4/28/2006	4/28/2006	\$	\$ 6	11 \$	6,243		
		2/9	27/2006	6/27/2006	\$	4 \$	5 \$	10,009		
		6	/6/2006	9/6/2006				10,672		
		1/6	9/18/2006	9/18/2006 \$	\$	44 8	19 \$	15,123		
		10/21	26/2006	10/26/2006	ድ ୫			14,799		
		8/1	8/10/2007 (blank)		Ŷ			\$		ĺ
	26020082 Total		-	,	\$	208 \$				
Network - Extension Total					\$	208 \$	270 \$	127,196 \$		
Offices & Operations Centers	26020090	12	12/2/2003	12/2/2003			69	42,334 \$		
Offices & Operations Centers	26020090	7.	/2/2003	12/2/2003			Ð			

RP-2602-11	Part Part	Funding_Project_Description	Funding_Project Licenses, Permi	ts & Misc Fees	Materials & Supplies Other Other Professional Services		Grand Total
RP-260211	Principal Prin	Meters New Meters New Total	Z6040088 0tal	¥	¥		\$ 530,199
S	State Control Contro	Meters - New	IRP-2602-11	<i>↔</i>	+		\$ 9.942
RP-2602-11 Total S 1-402 RP-2602-11 Total S 1-403 RP-2602-11 Total S 1-402 RP-2603-11 Total S 1-403 RP-2603-11 Total S 1-402 RP-2603-11 Total S 1-403 RP-2603-11 Total S 1-402 RP-2603-11 Total S 1-402 RP-2603-11 Total S 1-402 RP-2603-11 Total S 1-403 RP-2603-11 Total S 1-402	Comparison of the comparison			· ·	3,090		3,478
Proceedings	The content of the			<i>₩</i>	3 156		3,46
PR-2602.11 Total S 1,424 PR-2602.11 Total S 1,403 PR-2602.11 Total S 1,734 PR-2602.11 Total S 1,734 PR-2603.11 Total S 1,135 PR-2603.11 Total S 1,147	The content of the			↔	5.871		\$ 6.498
RP-280241 Total S	Comparison Com			↔ (1.425		\$ 1,610
S	The content of the			÷ ⇔	4,424		\$ 8,534
RP-260241 Total S	Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 100 Fig. 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,			\$	1,388		\$ 2,386
RP-260241 Total S	Control of the cont			\$	1,403		\$ 2,214
S	Fig. 1985 Fig.			↔	1,403		\$ 2,231
RP-2602-11 Total S 7.077	Part			₩.	3,419		\$ 3,608
RP-2602-11 Total \$ 1,734 \$ 1,7	Fig. 10, 10, 10, 10, 10, 10, 10, 10, 10, 10,			⇔ €	1,541		\$ 1,635
RP-2602.11 Total \$ 1,784 RP-2602.11 Total \$ 2,924 RP-2602.11 Total \$ 66 \$ 95,290 \$ \$ 37.4 \$ 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	Property Total Property Property Property Property Property Property Property Property Property Total Property Property Total Propert			so (7,077		\$ 10,294
RP-260241 Total S	Part			€	7,803		\$ 10,803
RP-2602-11 Total S	Fig. 2002 of 1 Fig. 2015			€	1,734		\$ 2,286
RP-2602-11 Total S	Proposed to the first of the			6	2,924		4,447
RP-260241 Total \$ 65 \$ 94,869 RP-260241 Total \$ 1,025,514 \$ \$ 374 RP-260241 Total \$ 20,455 \$ 1,025,720 \$ \$ 1,025,514 \$ \$ 1,025,514 \$ \$ 1,025,514 \$ \$ 1,025,514 \$ \$ 1,025,514 \$ 1,025,5	No. 1000 Color C			A 4	808,1		9 1 815
\$ 65 \$ 957,290 \$ RP-260241 Total	RP-200241 Total S			(4 869		\$ 5.345
RP-260241 Total \$ 9.74 RP-260341 Total \$ 0.005,514 \$ RP-260341 Total \$ 0.006 RP-260341 Total \$ 0.006 RP-260341 Total \$ 0.006 RP-260241 Total \$ 0.00455 \$ 0.302,620 \$ RP-260341 Total \$ 0.00455 \$ RP-260341 Total \$ 0.0	RP-2002-11 Total S		₩		s		\$ 2,814,577
RP-260241 Total	RP-500941 Total \$ 6 \$ 1,1026,740 \$ 6 99 \$ 49,081 S 40,081 S 7006,741 S 206 S 40,081 S 22 S 689 S 40,081 S 60,081					\$ 405	
RP-2603-11	Proceedings Procedings Proceedings Procedings Proceding				,025,514 \$		\$ 2,907,096
RP-2604-11 Total S	Pro-2004-11 Total Pro-		RP-2603-11	s)	206		\$ 227
RP-2604-1 Total \$ 1,025,720 \$ \$ 1,025,72	Product Total S		RP-2603-11 Lotal BB 2604 14	9	206		\$ 227
RP-2602-J1 S	Page 2007 Page		RP-2604-11 RP-2604-11 Total				9 65
RP-2602-J1	PP 2602-J1 PP	Meters - New Total			025,720 \$		\$ 2,907,323
Section	Proceedings Procedings Pr	Meters - Replaced			4,422		\$ 6,551
RP-2602-11 Total	Procession Pro			\$	6,340		\$ 6,798
RP-2602-J1 Total	RP-28002-17 Total S						\$ 3,647
RP-2602-J1 Total \$ 20,455 \$ 3,316,328 \$ RP-2603-J1 Total \$ 20,455 \$ 3,316,328 \$ RP-2603-J1 Total \$ 20,455 \$ 3,316,328 \$ RP-2603-J1 Total \$ 6,030 \$ (56,31) \$ RP-2603-J1 Total \$ 6,030 \$ (56,31) \$ RP-2602-0087 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2602-0087 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ 6,030 \$ (7,124 \$ RP-2603-J1 Total \$ (7,124 \$ RP-2603-J1 Total	RP-2603-11 Total				s ·		\$ 4,509,260
RP-2603-J1 Total	FF-2603-41 Total S		Total		s		\$ 4,526,256
\$ 20,465 \$ 3,316,328 \$ \$ (66,361) \$ (66,361) \$ \$ (66,361) \$ \$ (66,361) \$ \$ (66,361) \$ \$ (66,361) \$ \$ (66,361) \$ \$ (66,361) \$ \$ (69,361)	Prognosory Total \$ 20,465 \$ \$ 3,316,328 \$ \$ 42,901 \$ 631,086 \$ 61,030 \$ 6,231 \$ 6,231 \$ 6,231 \$ 6,231 \$ 6,231 \$ 6,231 \$ 6,230 \$ 6,231 \$ 6,231 \$ 6,230 \$ 6,231 \$ 6,231 \$ 6,230 \$ 6,231 \$ 6,232 </td <td></td> <td>RP-2603-31</td> <td></td> <td></td> <td></td> <td>4 1 288</td>		RP-2603-31				4 1 288
26020087 \$ 6,030 \$ 156,301 \$ 6,030 \$ 158,001 \$ 5 158,0	26020087 \$ (6,36) \$ (4,26) \$ (1,370) \$ \$ (1,370) \$ <th< td=""><td>Meters - Renlaced Total</td><td></td><td></td><td>U</td><td></td><td>4.52</td></th<>	Meters - Renlaced Total			U		4.52
\$ 199,894 \$ \$ 190,804 \$ \$ 190,	State Stat	Meters - Replacement			es es		
S 198,894 \$	S		ı		s		
\$ 969,782 \$ 8,372 \$ 8,372 \$ 8,372 \$ 8,378 \$ 8,030 \$ 1,147,875 \$ 7,124 \$ 8,030 \$ 1,147,875 \$ 1,147,875 \$ 1,147,875 \$ 1,147,875 \$ 2,6020082 \$ 2,603 \$ 2,603 \$ 2,143 \$ 3,613 \$ 2,345 \$ 2,345 \$ 2,345 \$ 3,887 \$ 3,887 \$ 3,835 \$ 3,335 \$ 3,335 \$ 3,335 \$ 3,335 \$ 3,335 \$ 3,335 \$ 3,335	S SBS 77,124 S 7,124 S 1,202 S 7,124 S 1,202 S 7,124 S 1,202 S 7,124 S 1,202 S<			\$	မှာ		\$ 399,136
\$ 989,782 \$ 7,124 \$ 7,124 \$ 8,377 \$ 8,030 \$ 1,147,875 \$ 6,030 \$ 1,147,875 \$ 1,147,875 \$ 2,6020082 \$ 2,633 \$ 3,615 \$ 2,633 \$ 2,343 \$ 3,615 \$ 2,343 \$ 3,615 \$ 3,887 \$ 3,835 \$ 3,4335 \$ 3,4335 \$ 3,4335 \$ 3,4335 \$ 3,4335	S 983,782 \$ 1,510 \$ 1,			₩	58		
8 8.377 26020087 Total \$ 6.030 \$ 1.147.875 \$ 1.47.875	S R377 S 1,310 S 1,310 S 1,310 S 1,310 S S 1,310 S S 1,310 S 1,310 S S 1,310 S 1,310 S S 1,310 S 3,310 S <			ග	989,782		1,0
26020087 Total \$ 6,030 \$ 1,147,875 \$ 1,244 26020082 26020082	Sectionest Total Section Secti			₩ €	8,377		
26020087 Total \$ 6,030 \$ 1,147,875 \$ 26020082 \$ 6,030 \$ 1,147,875 \$ 26020082 \$ 6,030 \$ 1,147,875 \$ \$ \$ \$ 1,147,875 \$ \$ \$ \$ \$ 1,147,875 \$ \$ \$ \$ \$ 2,655 \$ 1,859 \$ \$ \$ \$ \$ 2,445 \$ \$ 2,345 \$ \$ \$ \$ \$ \$ 2,343 \$ 2,343 \$ \$ \$ \$ \$ \$ \$ 3,887 \$ \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$ 34,335 \$	E6020087 Total \$ 6,030 \$ 1,147,875 \$ (156,300) \$ 92,087 \$ \$ 26020082 \$ 6,030 \$ 1,147,875 \$ (156,300) \$ 92,087 \$			Ð	U		\$ 8,642
\$ 6,030 \$ 1,147,875 \$ 2,6020082 Total \$ 6,030 \$ 1,147,875 \$ 2,6020082 Total \$ 6,030 \$ 1,147,875 \$ 2,6020082 Total \$ 6,030 \$ 1,147,875 \$ 2,6020082 Total \$ 6,030 \$ 1,1553 \$ 34,335 \$ 2,6020082 Total \$ 6,030 \$ 2,435	Sections 6,030 1,147,875 8 (15,873) 5 (61 6.030 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,873) 8 (15,818) 8 (15,818) 8 (15,818) 8 (15,818) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 8 (11,11) 9 (11,11)				9		-
26020082 Total \$ 1,859 \$	26020082 \$ (15,873) \$ 61 5 265 \$ (15,873) \$ 61 5 265 \$ (15,873) \$ 61 5 265 \$ (1,859) \$ 139 \$ 5 5 265 \$ 2,263 \$ 624 \$ 624 \$ 5 5 265 \$ 2,345 \$ 1,922 \$ 685 \$ 85 <t< td=""><td>Meters - Replacement Total</td><td></td><td></td><td>8</td><td></td><td></td></t<>	Meters - Replacement Total			8		
\$ 265 \$ 1,859 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	\$ 1,859 \$ 139 \$ </td <td>Network - Extension</td> <td>26020082</td> <td></td> <td>\$</td> <td></td> <td></td>	Network - Extension	26020082		\$		
\$ 1.859 \$ 2.65 \$ 1.859 \$ 2.65 \$ 2.263 \$ 361 \$ 2.745 \$ 361 \$ 2.173 \$ \$ 2.173 \$ \$ 2.343 \$ \$ 2.343 \$ \$ \$ \$ \$	\$ 1,859 1,859 \$ 139 \$ <th< td=""><td></td><td></td><td></td><td></td><td></td><td></td></th<>						
\$ \$	\$ \$		e		•		
\$ 361 \$ 5,445	\$ 361 \$ 5.125 \$ 1922 \$		<i>ਜ</i> ਦ		Ð		
\$ 197 \$ 2,123 \$ 2,343 \$ 2,343 \$ 2,343 \$ 2,343 \$ 2,349 \$ 2,319 \$ 2,319 \$ 9,839 \$ 2,887 \$ 3,887 \$ 3,887	\$ 197 \$ 2.123 \$ 665 \$ <th< td=""><td></td><td>? €</td><td></td><td>5,345</td><td></td><td></td></th<>		? €		5,345		
\$ 2.343 \$ 2.343 \$ 2.349 \$ 2.319 \$ 3.887 \$ 9,839 \$ 26020082 Total \$ 1,353 \$ 34,335 \$	\$ \$ 2.343 \$ 773 \$ \$ 773 \$		↔ (4		2,123		\$ 9.817
\$ 265 \$ 4,357 \$ 2,319 \$ 3,887 \$ 9,839 26020082 Total \$ 1,353 \$ 34,335 \$	\$ 265 \$ 4,357 \$ 1,917 \$ \$ 1,917 \$ \$ \$ \$ 1,782 \$ \$ \$ 1,782 \$ \$ \$ 1,782 \$ \$ \$ \$ 1,782 \$ <t< td=""><td></td><td>•</td><td></td><td>2,343</td><td></td><td></td></t<>		•		2,343		
\$ 2,319 \$ 3,887 \$ 9,839 26020082 Total \$ 34,335 \$ 1,353 \$ 34,335	\$ 1,782 \$ 1,782 \$		€		4,357		
\$ 2.319 \$ 3.887 \$ 9.839 26020082 Total \$ 1,353 \$ 34,335 \$	\$ 2,319 \$ 3,587 \$ \$ 3,045 \$ \$ \$ \$ 9,839 \$ \$ 2,263 \$ \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 1,353 \$ (111) \$ (24,963) \$ 2,297 \$						\$ 12,454
\$ 3,887 \$ 9,839 26020062 Total \$ 1,353 \$ 34,335 \$	\$ 3.887 \$ 3.045 \$ 3.045 \$ 5.045 \$ 5.0263 \$ 5.263 <			φ.	2,319		
\$ 9,839 26020082 Total \$ 1,353 \$ 34,335 \$	S			•	3,887		
26020082 Total \$ 1,353 \$ 34,335 \$ \$ 1.353 \$ 34.335 \$	26020082 Total \$ 1.353 \$ 34,335 \$ (25,823) \$ 16,818 \$ \$ 26020090 \$ 1,353 \$ 34,335 \$ (25,823) \$ 16,818 \$ 26020090 \$ 1,353 \$ (111) \$ (24,963) \$ 2,297 \$			€	9,839		
\$ 1.353 \$ 34.335 \$	\$ 1,353 \$ 1,353 \$ 24,335 \$ (25,823) \$ \$ 16,818 \$ 26020090 \$ (111) \$ (24,963) \$ 2,297 \$				s		
	26020090 \$ (111) \$ (24,963) \$ 2,297 \$	Network - Extension Total			S		
26020090 \$ (111) \$		Offices & Operations Centers			S		\$ 19,557

Sum of Amount					Charge Type						ĺ
Funding_Project_Description	Funding_Project	In-Service		Est Comp. Date	AFUDC Debt	AFUDC	Equity Contracte	AFUDC Equity Contracted Services CWIP Accrual Labor	ccrual Labor	Labor Overhead	erhead
Offices & Operations Centers	26020090	5/23	5/23/2006	5/23/2006							
		9/25	3/25/2006	9/25/2006							
		3/13	7007	3/13/2007							ĺ
		4/30	/2007 (blank)								
		8/10	8/10/2007 (blank)					\$	-		
Office 9 Occasions Control	26020090 Total						\$	42,334 \$			
Offices and Operations Centers	RP-2602-N1	10/16/2007	/2007	9/29/2007			9	- 1			
		11/28	11/28/2007	11/8/2007				€			
		12/15	12/15/2007	12/20/2007							
		1/16	/2008	3/21/2008			\$	4,200 \$			
		2/29	2/29/2008	3/10/2008	÷	1		007			
		8/28	/2008	12/15/2008	Ð	\$	s xo	2,182			Ì
		2/9	72009	1/30/2009				cr.			
		12/8	/2009	11/20/2009				+			
		6/10	6/10/2011	6/20/2011				\$	\$	11 \$	13
		12/16	/2011	12/31/2011	₽	~	₩	78,488 \$	_		754
	RP-2602-N1 Total	7/7	2/1/2012	2/ 14/2012	€:					o 65	5 449
Offices and Operations Centers Total	202				9	÷ ↔ ∞ ∞	9 9	84.870 \$. \$		5,449
Process Plant - Additions	26020094	12/2	12/2/2003	12/2/2003				4,012			
		11/7	11/7/2006	11/7/2006							ĺ
		12/12	12/12/2006 8/10/2007 (Fleek)	12/12/2006				e			Ì
	Total Total	01/8	/ZUU/ (blank)				6				
Process Plant - Additions Total	Z00Z0094 10tal						A U	4,012 \$			ĺ
Process Plant - Facilities and Equi	RP-2602-Q1	8/15	8/15/2007	8/12/2007)				ĺ
			(blank)		\$		28 \$	31,149			
		10/10	10/10/2007	11/16/2007	\$	64 \$	69				Ī
		11/6	/2007	12/31/2007	÷		9	63,646			
		12/6	/2007	12/31/2007		81	87	₩.	•	9	500
		3/12	2008	3/13/2008	9		Ť			9	107
		3/12	2008	3/15/2008	4.	σ.	σ				Ī
		4/23	/2008	4/30/2008	9	ο co	9				ĺ
		5/12	5/15/2008	8/6/2008	+						
				9/6/2008							
		2/30	5/30/2008	6/21/2008	\$	280 \$	303 \$	(1,270) \$			
		6/17	/2008	7/30/2008	6			38			
				9/30/2008) 49	9 68	26				
		7/2	7/2/2008	8/1/2008	\$		5	\$			
		8/8	/2008	9/1/2007			\$	741			
		10/10	10/10/2008	11/17/2008	€ 6	4 0	2				Ì
		3/7	2009	3/1/2009	ө		7	6.		838	538
		4/30	4/30/2009	5/15/2009			\$	20,130	φ		9
		2/2	5/7/2009	5/5/2009	\$		2				
		5/25	5/22/2009	7/1/2009	\$		7		\$		10
		7/7	7/7/2009		€ €	43 \$	39	↔	↔		2
		8/14	8/14/2009	8/14/2009	€ €				₩.	18 \$	10
		70/01	9/29/2009	11/5/2009	÷> €	35 & C	32 8	8,756 \$	<i>€</i> :		19
		3/3	3/3/2010	_	9 60		32	cc	0 69	31 8	22
		4/14	/2010	4/30/2010	÷ +		20) ())	31 \$	25
		4/15	/2010	4/28/2010 \$	\$		246 \$	١			8
		4/22	/2010	5/7/2010	\$		\$ 0	16,847 \$		41 \$	24
		5/6	5/6/2010	6/30/2010 \$	so ⊌	386 &	346	ഗ	s) 4		38
		7/7	/2010	7/30/2010	9 6		270	9 64		52 C	3.1
		2/2	/2010	7/15/2010	· •		233 \$	67.240 \$	9		7
_	_	=	<u>-</u>	•							

Offices & Operations Centers 28 Offices & Operations Centers Total Offices and Operations Centers RI	26020090	•		•	θ	
Total		Ð	1,667		7	1,81
	I	•	2,008		\$	2,03
		€ (5,083	\$ 220	9	5,303
		€	3,093		\$	3,85
	l	so	15,248		\$9 •	18,10
	Total Conduction	6	6		9 6	73 03
	ouzougu Lotal	9 6	20,960 \$ (24,963)	9 0,010 9 6 70	9 6	50,00
	RP-2602-N1	ઝ ઇ			9 4	4.02
	1 2002-1	4	2,400		9 4	2,62
			6.485	\$ 925	9 69	7.410
		Þ			9	4.558
		↔	2,064	\$ 161	\$	2,22
	•				\$	2,36
	•	↔	3,532		\$	3,80
	•	₩	6,070		9	6,61
		€	3,981	1	\$	5,456
		\$	604 \$ -	\$ 2	\$	63
	ļ				€9	85,82
		₩.	12,902		\$	23,453
	RP-2602-N1 Total	€ €			₩.	
Offices and Operations Centers Lotal	700000	€	÷> €	\$ 12,728	\$	
	0020094	θ θ			Α Ψ	
		↔	2,302	6. 006,1. 8.	15.768	19.085
	l	→	1,011	2	_	200
26	26020094 Total	₩	S	2,652	+	37,07
Process Plant - Additions Total		₩ ₩	15,446 \$ (800)	\$ 2,652 \$	15,768 \$	37,079
	RP-2602-Q1	₩	16,495		φ.	18,44
	l	•			9	36,30
	I	æ	16,984		2	18,85
	1	ь	42 103		A U	74,10
		+	3 598		9 65	49,09
	l	↔ 6	5.211		9	5,58
		↔ ↔	9,290		9	10,05
		÷ ↔	6,312		\$	98'9
		€	2,873		\$	3,11
		\$	4,777		€	5,18
	!	ω.	159,613	Ì	\$	172,41
		⇔ €	3,246	\$ 250	69 6	3,53
		, Α θ	5,475		9 6	5,95
	I	0 4	5377		9 4	57,79
)	20,0		9 65	74
		₩	4,743	\$ 1,618	\$	6,370
		\$	2,946		\$	3,19
		₩	210,400	\$ 19,145	9	230,92
	l	€			59 6	21,96
		φ.	2,354	\$ 213	9 6	7,57
	l	9 4	0,000		9 4	9,40
	l	→ 4	57,200	\$ 21 994	9 4	87.40
		,	2.383		9 69	14.95
		↔ ↔	7,904		9	13,63
		↔	3,145	\$ 326	\$	3,53
		\$	23,000		\$	25,46
					\$	35,78
		•	100 01	\$ 1,735	9	18,648
		φ.	12,601		<i>A</i> 6	14,17
	I	9 6	9 663		9 6	01,20
	l	Ð	7,00,0		9 6	3,32

Sum of Amount				Charge_Type					
Funding_Project_Description	Funding Project	In-Service	Est Comp. Date	AFUDC Debt	AFUDC	AFUDC Equity Contracted Services	ed Services CWIP Accrual	Labor	bor Ove
Process Plant - Facilities and Equi	RP-2002-Q1	1102/81/11				\$		e es	1,144
		12/17/2010		€	\$ 09	45 \$	715	63	
		5/9/2011	1 6/30/2011	_				\$ 2,049 \$	1,595
		5/13/2011	1	\$	\$ -		\$		5,175
		6/7/2011							13
		6/8/201	6/13/2011			i		\$ 11.5	13
		7/20/201		÷> €		91		11	13
		1122/2011		A		D 4			17
		8/3/201			⊃ (ç	- - -	747	46 6	92
		8/4/2011	8/13/2011				14,710	7 23	17
		102/8/8				⊅ 6	14,131	. 4 1,819 4	2,072
		8/24/201		€.	10	÷ ++	<u>-</u>	11	
		8/29/201	11/1/2011	÷ 4			c	<u> </u>	5 4
		9/15/201		÷ 6		30	÷		
		9/27/2011	9/30/2011	÷ 65	37 \$	40			
		102/8/201		+ 45		i c		17	23
			-	_			25,806	\$ 2,066 \$	2,077
		10/17/2011				S	833	11	24
				€9	11 \$	12		1,	2,101
		10/20/201				\$	12,680		
		10/25/2011	12/31/2011	\$	2 \$	2	€9		
		11/22/2011		\$		26 \$	40,515 \$		
		12/5/2011				s	17,810		
		12/9/201				\$	20,196	\$ 1,788 \$	2,532
		12/16/201	12/15/2011	_		9			
				€	-		2,340 \$	57	121
		12/20/201	12/31/2011			8	9,774 \$	1,052	460
		12/22/201				\$		\$ 741 \$	334
		1/23/2012		\$	2 \$		\$	883	1,349
		3/20/2012	2/29/2012	\$					
				\$	172 \$	190 \$	102,000 \$	- \$ 11 \$	15
		(blank)	6/16/2012	€9			3,166 \$		
			7/26/2012	€				- \$ 34 \$	46
			8/1/2012			875 \$	29,204 \$	1,451	1,811
			8/31/2012	• •					
	RP-2602-Q1 Total			\$	3,625 \$	3,690 \$	574,678 \$	- \$ 35,148 \$	32,753
	RP-2603-Q1	12/31/2007							
				_					
		9/20/2011	1 9/30/2011	_				. 3	20
	RP-2603-Q1 Lotal			÷> €	465 \$	504 \$	9,264 \$	11	
Process Plant - Facilities and Equi Total	26020003	10/07/20/03	5000/20/04	-	4,090 \$	4,194		\$ 6CL'CS \$ -	32,113
	00000	12/2/200				U	13 828		
		7/19/2005	2/19/2005			F			
		8/30/2005				\$			
		11/30/2005	11/30/2005			\$	861		
		3/28/2006		\$	32 \$	46			
		6/21/2006							
		6/27/2006		_					
		7/21/2006		\$	109 \$	142 \$	202		
		12/12/2006	5 12/12/2006			\$			
		12/27/200				€			
		3/5/2007	7 3/5/2007				,		
		8/10/200	7 (blank)			•	ده		
		8/27/2007	7 (blank)			≶ €	1,709		
	Total Cooperate	12///200	/ (blank)	6					
Process Plant - Replacement Total	20020093 10tal			o 6	145 \$	188	17,104 \$.	
Projects Funded by Others	DV-2602-1	2/19/200							
		4/9/2007				θ 69	39,130		
		4/30/2007	12/31/2007			↔	18,750		Ī
_									

	Jeci	Licenses, Permits & Misc Fees Materia	Materials & Supplies Other Other Professional Services	Over	Grand
Process Plant - Facilities and Equi	RP-2602-Q1	s 9	19,895	\$ 11,825	\$ 34,441
		₩	48,194		
		8	956		\$ 4,9
		\$	9,987		
		€	10,803	\$ 794	\$ 11,621
		↑	3,111		
		A 4	9,187		9 0
		↔ &	6.784		
			1000		\$ 15,604
		↔	121,437	\$ 7,726	
		↔	121,304		\$ 148,026
		₩	3,042		
		\$	5,427		
		↔	8,213		
		€	25,525		
		69 +	6,770	\$ 404	\$ 7,2
		<i>↔</i>	206,448		
		€	1,522	\$ 413	\$ 2,803
		A	10,506		
		E	200		
		9	1,013		\$ 2,129
		9	182		
		e	161 560		
		↔ &	7.246		
)	011	002.	00t'0
		6.	78 212		
		↔	78.212		\$ 104.4
		<i>↔</i>	3,008	\$ 307	
		÷ €	35.824		
		+		\$ 8,876	
		↔	10,799		
		↔	30,149		
		€9	44,854		\$ 85,2
		⇔	15,680		
	RP-2602-Q1 Total	ω.	1,846,159		
	RP-2603-Q1	₩ €	7,487	638	\$ 8,124
		A	35,312		
		÷	001 07	3 1,602	\$ 10,898
	RP-2603-Q1 Total	⇔	42,799	\$ 7,015	Ì
Process Plant - Facilities and Equi Total	26020002	4	1,888,958	\$ 312,989	\$ 2,862,100
cess right - replacement	20020032	9 4	¥		477
)	(4 812) \$ 4 650	SS- 5-	200,1
		·	→		
		\$	3,920	\$ 326	
		↔	23,334		
		\$	10,825		\$ 11,637
		\$	65,576	\$ 23,079	
		\$	6,574	\$ 226	\$ 8,087
		\$	103,819		\$ 119,031
		\$	20,163	\$ 3,202	
		₩	99,164		
		6	007		
		Α 6	52,139		5,50 6,00
	26020093 Total	↔ ↔		\$ 2,554 & \$	- \$ 2,354 2,354
Process Plant - Replacement Total	20020030 10001	(389.587 \$ (16.427)	83.201	
Projects Funded by Others	DV-2602-1	+	•	963	
20000)	

Sum of Amount	-	-			
Funding_Project_Description	Funding Project	In-Service	Est Comp. Date	AFUDC Equity Contracted Services CWIP Accrual Labor	Labor Overhead
	7-2002-70	7/27/2007	11/6/2007	5.000	
		8/13/2007			
		8/21/2007	-		
		9/10/2007	11/7/2007	\$ 40,054	
		9/12/2007		\$ 36,480	
		100000	11/6/2007		Î
		10/8/2007	11/7/2007	\$ 27,064	
		10/3/2007	12/6/2007		
		11/5/2007		↔ &	
		11/14/2007		€	
		11/16/2007	12/31/2007	8 9,282	
		11/28/2007	_	58,520	
		12/6/2007			552
		12/7/2007	11/7/2007		
		12/13/2007			
		12/14/2007	12/31/2007	\$ 51,163	
		12/31/2007		· •	Ī
		1/7/2008	,		
		1/19/2008		\$	
		1/28/2008		\$	
		2/8/2008	12/31/2007	S	
		2/28/2008			
		3/6/2008	5/6/2008	•	
		3/13/2008		€	Î
		3/31/2008		•	Ī
		4/3/2008	4/15/2008	•	Î
		8/10/2/08		000,1 000,1	
		4/33/2008	3/30/2008		
		4/23/2000	6/20/2008		ĺ
		4/25/2008		230,500	
		5/7/2008	9/15/2008	↔	ĺ
		6/11/2008		↔ ↔	Î
			9/18/2008		
			12/1/2008	€	
		7/10/2008	9/30/2008		Ī
			11/1/2008	₩	
		8/25/2008	8/15/2008		
			9/15/2008	69 1	
		00000131110	9/30/2008		
		9/12/2008		A 6	
		10/10/2008	12/1/2008	→	
		10/24/2008			İ
		11/3/2008	12/15/2008	÷ €9	
		11/14/2008		\$ 212,200 \$ 92	128
		11/25/2008		2,168 \$ - \$	က
		12/11/2008		\$ 14,469 \$ 11	17
		1/2/2009	`	\$ 4,464 \$ - \$ 38	46
		1/5/2009		73,060 \$ 11	15
		1/26/2009			13
		6002/6/2		2/1 & - & 0,202 & &	507
		2/20/2009		35	30
		4/23/2009	5/18/2009	\$ 20,971 \$ - \$ 118	139
		5/4/2009		\$ 2,736 \$ 37	37
		5/26/2009		\$ 4,959 \$ - \$ 241	255
		6/9/2009		3,658 \$ - \$ 11	11
		7/16/2009	6/1/2009	\$ 300,300	4,602
_	_	6002/11/1		\$ 41,285 \$ - \$ 5,009	4,267

\$ 200	\$ 5,920 \$ 1,36	5,920 1,364	\$ 162 \$ 718	\$ 32,282
	¢ co/	SUC		
			\$ 3,561	\$ 40
	\$ 629	8,824		
				5
		0707		
	\$ 502	1,018	\$ 829	11 8 8
	€	11,504	\$ 454 \$ 2,623	6 98 8 99
				90 00 00 00 00 00 00 00 00 00 00 00 00 0
			\$ 4,494	\$ 57
		19,806		
		5,837	\$ 1,490	9
		3,135		
	265 \$	1,243	5,000	40,900
	€ €	1,582	316	\$ 4,031
	9	0,100		
	\$ 066	14,767	\$ 3,062	
	↔	7,157	\$ 1,622	
	324 \$			
	€	836		- 8 8.717.4
	1,244 \$	20,644	\$ 3,769	
		15,848	\$ 3,472	
		606		
	<i>•</i> €	18,347	3,264	\$ 46,15Z
	385 \$	51,758	\$ 9,062	
	\$	20,605	\$ 3,993	
	1,061 \$	17,815		
		15,40/		
	æ	1 589		002
	φ	7,455	\$ 3.120	\$ 25.072
	100 \$	2,405		
	100 \$	5,879		\$ 14
		4,461		
	€ 1 4 C C	5,866	\$ 1,574	\$ 19,229
	2655	3,114		
		1 254		
	ν	1,609	\$ 667	
	÷ ເ	1,646		\$ 5,827
			١	

Sum of Amount Finding Project Description		In-Service	Fst Comp Date	Charge_Type AFLIDC Debt	AFUDC Fauity		Contracted Services CWIP	CWIP Accrisi Labor	Capor	Overhead
Projects Funded by Others	DV-2602-1		10/20/2009					\$	\$	64
		9/20/2009				↔	2,404 \$	\$	92 \$	105
		10/3/2009	_			↔	51,690 \$		858 \$	813
		11/16/2009				↔			249 \$	284
			1			₩ €			877 \$	833
		12/2/2009				A 6	2,706 \$		1/6 \$	600
		12/3/2009	1/1/2010			9 4	2 764	o c	216 \$	300
		12/22/2009				θ.			334 \$	319
		2/26/2010				↔ \$	1		5,230 \$	4,760
		3/17/2010	3/31/2010			S	4,038 \$	•	794 \$	851
		4/28/2010				\$			324 \$	334
		6/2/2010				ഗ (\$ 909	2,528
		8/18/2010				s)	57,773 \$		3,364 \$	2,672
		0106/86/61	12/34/2010			o u			909 p	738
		01020201) (97,294 \$		12,065 \$	9,715
		12/30/2010							2,862 \$	3,104
		3/3/2011	6/22/2011	\$	42 \$	37 \$			591 \$	24,045
		3/25/2011				()	7,929 \$	∽	2,109 \$	1,643
		1102/2011	6/15/2011			₽ 4				200
		5/31/2011				9 69		9 69	288	1.319
		6/30/2011	9/1/2011	\$	11 \$	12				617
				.					444 8	453
			,			\$		1		1,013
		8/29/2011	9/30/2011			\$		1	,264 \$	1,069
		9/28/2011				↔				268
			12/15/2011			⇔ €	11,715 \$	↔ •	545 \$	591
		11/00/00/11				Ð		,	∌ e	164
		11/15/2011				U	\$ 920.05			214
		11/22/2011	12/31/2011			θ 49			2.916 \$	2,711
		12/2/2011				⊕	29,563 \$	8		540
		11/30/2011	12/31/2011			\$				521
						\$		\$	365 \$	355
		1/18/2012	_			ഗ (16,461 \$	\$	\$ 08	173
		3/22/2012	9			φ (296			
		(blank)	6/5/2012			€	25,302		. 73 23	34
			5/10/2012	Ψ.			70		287 ¢	1 780
			8/2/2012	÷ €:	9 C	5 G	3 427			15
			8/12/2012	•			į S	» (46 \$	36
			8/20/2012							
			8/21/2012			•	ļ	\$	6,654 \$	247
	DV-2602-1 Total		12/31/2012	¥	400	100 &	45/ 3 360 401 ¢	÷	_ا_	5/3
	DV-2604-1	5/17/2007	12/31/2007	9			3,300,491 \$		_	30,740
	DV-2604-1 Total					φ	26,282			
Projects Funded by Others Total					\$			- \$ 116,041	041 \$	96,746
Rehah of Aldrich Units #3 and #4	IP-2602-10	12/29/2008	12/30/2008		€9		1,131,951 \$			
	IP-2602-10 Total				φ.					
Rehah of Aldrich Units #3 and #4 Total	20000 01	04000040								007
Keplace Koof, Cifico Filter Hse # Z	IP-2602-35	4/18/2012	71.07/77/9		A G			,		129
Replace Roof, Citico Filter Hse # 2 Total	IF-2002-30 0tal			9 69	2.473 \$	2,732 \$	444.856 \$	9 69	e & &	129
SCADA EQUIPMENT & SYSTEMS	26020703	7/12/2007 (blank)	(blank)							
		8/13/2007								
		11/1/2007	11/1/2007				↔			
		12/3/2007	(blank)				s.			
		12/17/2007	10/15/2007				↔ 69			
	26020703 Total						÷ \$			
_	-			_						

Sum of Amount Funding_Project_Description	Funding_Project	Licenses, Permits & N	its & Misc Fees Material	Materials & Supplies Other Profe	Other Professional Services Overhead F	Retainage Service Company Charges	Grand Total	Total
Projects Funded by Others	DV-2602-1				\$ 665		↔	6,211
			↔	1,454	\$ 498		\$	4,553
		\$		7,500			\$	71,299
		∽ (365 \$	9,575			69 (30,962
		€		14,598			so €	44,661
		<i>₽</i>	265 \$	1,460			es e	29,452
		9		1.137			9 6	4 840
			9	1,698			9	5,882
		\$	100 \$	5,999			\$	37,491
				\$ 761			€	7,053
		•	⇔ €	1,751			€ €	5,364
		€9	100 \$	9,735			€ €	40,547
		€5	\$ 265	9,863	\$ 4,134		A 69	572.302
				٠			€	5,965
			\$	26,744			\$	160,463
			\$:				40,017
		€		31,078 \$ 8,256		₩.	1,348	119,433
		÷> €	415 \$	2,935	\$ 1,221		÷> €	16,252
		9 64		1, 101			9 65	5,303
		φ.	415 \$	6,340	\$ 2,788		↔	41,082
			l	331			↔	1,882
		€		1,357			69 €	4,047
		⇔ €	315 \$	27,611	\$ 4,063		: → €	66,645
		A		21 041			e e	53,674
		€5	415 \$	7.518) 69	22,339
				1,858	\$ 353		+ €9	5,439
			\$				\$	•
				29,970	\$ 5,662		\$	86,105
		€9 €	100 \$	18,530			မှာ မ	60,142
		÷	415 \$	000		200	÷ €	35,781
		€9	315	\$ 655,289 \$	A 69	4,904	, 69	6,820
		* \$	380 \$		1		\$	24,567
							\$	296
			↔	9,842	2,8		€9 (38,077
			•	•			⇔ €	608
			⊅	810 \$ 2,139 2,206	4 504 004		æθ	6.285
			9 € 9	1,895	S		9 69	1,986
			↔	1,743			€9	1,743
		↔ :	310 \$	1,546	\$ 754		↔	9,510
	DV-2602-1 Total	÷> ⊌	16 238 &	10,902 663 608 & 767 076 &	474	9 7007		13,295
	DV-2604-1)	200)	\$ 2,061	, ,	S	28,343
	DV-2604-1 Total				ક		ક	28,343
Projects Funded by Others Total		\$	16,238 \$	653,508 \$ 757,075 \$		\$ 4,904 \$	1,348 \$ 6	5,453,873
Rehah of Aldrich Units #3 and #4	IP-2602-10		()	4,232				,480,335
	IP-2602-10 Total		↔ €	4,232				1,480,335
Rehan of Aldrich Units #3 and #4 Total	1D 2602.3E		æ		\$ 336,462	03 3EO		,480,335
	IP-2602-35 IP-2602-35 Total			ભ લ્ય	43,300	\$ 23,330		555 691
Replace Roof, Citico Filter Hse #2 Total	202 00 100				\$ 43,300	\$ 23.350		555.691
SCADA EQUIPMENT & SYSTEMS	26020703		€	36,950	\$ 8,424			45,374
			\$	1,904				2,370
			↔	4,915				5,658
			φ.	6,042				6,613
			۶ د	72,688			÷ €	26,369
	Total Total		θ θ	4,120	0 11 561		θ θ	0,404
_	בטטבטו טט ו טומי		₹	177,11)	00 2,10

Sum of Amount				Charge_Type						
Funding_Project_Description	Funding Project Ir	In-Service	Est Comp. Date		AFUDC	AFUDC Equity Contracted Services		CWIP Accrual Labor	Labor C	Labor Overhead
SCADA Equipment and Systems	RP-2602-L1	7/2/200		7/15/2008 \$		25 \$	\$ 009'9			
	<u> </u>	12/22/2008		11/30/2008 \$	294 \$		ı			
				12/15/2008 \$			191 \$			
		12/31/2008		15/2008 \$		124 \$	219 \$			
		2/25/200				26				
	1	6/29/2010		6/26/2010 \$	2	4		⇔	40 \$	17
		7/30/201		30/2010 \$				€		17
		8/27/201		8/30/2010 \$	153 \$	137 \$	10,315 \$	⇔ €	40 8 6	17
		100/11/01								17
		12/15/2011		12/15/2011 \$	400	53	Ð			823
	į	(hlank)		31/2011			¥			
	RP-2602-I 1 Total	Jidilh	ò	31/2012			21 117 \$		1 970 \$	930
SCADA Equipment and Systems Total	171 -2002-E1 10tal				749 \$	745 \$	21,117 \$	9 65	1.970 \$	930
SECURITY EQUIPMENT & SYSTEMS	26020704	7/19/200	7/19/2007 (blank)	+						
	26020704 Total		,			φ.	5,770			
SECURITY EQUIPMENT & SYSTEMS Total						· 6	5,770			
Security Equipment and Systems	RP-2602-M1	10/23/2007		12/31/2011 \$	422 \$		6,347 \$			
		12/27/2007		12/31/2007 \$			110,056			
		12/31/200					44,790 \$			
		6/30/2009								
		12/30/2009		12/31/2020 \$	185 \$	166 \$	14,309 \$			
		12/1/201		31/2015 \$						
		6/30/2011		31/2015 \$	2 \$	3 &				
		9/30/2011		12/31/2016 \$	9 8	4	4,124 \$			
		10/27/2011		31/2015 \$		1,273 \$				
	1	12/31/201		12/31/2016 \$						
		6/11/2012		31/2016 \$		\$ 226	21,891 \$			Î
		(blank)	12/	12/31/2016 \$			€ €			
Occurity Farmons to be of the Control	RP-Z6UZ-IVI1 10tal			Α 6	3,345 \$	3,576 \$	3/2,22/ \$			Ì
Security Equipment and Systems Total	36030403	14/00/1000		41/24/2004		9,070,0				
Security: Triysical naturaling	200402	12/1/2004		12/1/2004		9	10,979			
	26020403 Total	12/1/20		21/2004		¥	10 979			Ì
Security: Physical hardening Total	20020403 10001					÷ 6	10,979			
Services New	26020086	9/11/2000		9/11/2000		÷:	-	€.	4 478 \$	2,933
		0/30/06/6		9/30/2000		÷ €	491 \$	Š	÷ 6	196,617
		12/2/200		12/2/2003		÷ &	1	•)	0,0
	1	12/5/2008	(Aucl4)	22,2003		€	2,332	Đ	\$50 ¢	346
		12/3/200	(Dialik)	2000/01				9 6		340
		7007/2007		1/0/2/01					007	929
		7/2/1/2001	() - () - () - ()	27/2007						123
		4/12/2007	/ (blank)				•	Ð	3/1	877
	H 0000000	9/10/Z0C	/ (blank)			€		€	€	004 040
	26020066 0tal	1000/00/11		2000,001		9 6	4,403 9	129 & 29	4 114,782	201,378
	7000000	3/26/200	(blank)	20/2/03		9	4,00,4			
	26030086 Total	007/01/0	(Signify)			67.	4 094 \$			
	26040086	5/26/2005		5/26/2005		↔ 69				Ī
	26040086 Total					€9	4.602			
Services New Total						- 69		129 \$ 29		201,376
Services - Replacement	26020085	9/30/2000		9/30/2000				s	S	48,686
-		8/10/200	(blank)							
	26020085 Total		,			€	4,125 \$			48,686
Services - Replacement Total						\$	4,125 \$	9 \$ -	66,325 \$	48,686
Services and Laterals - New	RP-2602-G1	1/18/2007					12,724	٠		
		12/15/201		12/31/2011 \$	1 \$	2		\$		319
		3/29/201		6/15/2012			\$	⇔ (242
		4/18/2012		4/30/2012		,		€9 €	864 \$	644
		5/7/2012		31/2012 \$	4	4	¥	A U		341
		5/30/201 (hlank)		16/2012 34/2020		er	2 828 &	- \$1.151.555	A 64	1 034 842
	RP-2602-G1 Total	Jidliny	j	\$ 172020	22	9 9 9	15.552 \$	- \$1,153,485	9 69	1.036.435
_				}				!	+	

SCADA Equipment and Systems Total SECLIE SECULATE SPICE SECULATE SECULATION SECULATION SECULATION SECURATION S		·		\$ 562	σ	91,788
		↔	25,836		9	
		↔	12,105			
		€	4,217	\$ 1,508	\$ 7,845	14,033
		9 4	90,900		9	
		↔ ↔	7,640		, 0	
		. ↔	1,901	\$ 1,274	φ.	13,838
		φ.	57		=00	
		so ⊌	13,098	\$ 2,500	307 \$	18,649
		9	45,557		9	
	RP-2602-L1 Total	€9	145.490			
		÷ σ	145,490	\$ 19,486	8,152	198,640
	26020704					8,632
	04 Total			\$ 2,150	Н	
SECURITY EQUIPMENT & SYSTEMS Total		,			713	
Security Equipment and Systems RP-2602-M1	2-M1	€9	20,725		43,990 \$	45,344
		¥	3 161		A U	
		÷			9	6.973
		€	1,534		<i>•</i>	
					\$	
					\$	
		€	000		\$ 2,167 \$	
		A	1,332		A 4	
		c .	2 475		9	
RP-260	RP-2602-M1 Total	↔ ↔	29,227	\$ 60,891	\$ 16,157 \$	
Security Equipment and Systems Total		\$			H	
Security: Physical hardening 26020403	03	\$	287		\$	300,934
700000	1-1-H 00	€	\$ (287,688)		97 6	
Society: Division bandoning Total	U3 Lotal	Α 6		506 \$	A 6	
Services New 126020086					9 49	
	φ	59,130 \$	(211,026) \$ (12,484)	7		
				\$ 359	9	4,351
	€	265 \$	1,009 \$ 480		φ.	
		\$	086		\$	
		↔	1,557		φ.	
		€	880		03	1,849
000036	totol &	00 CS	(224 455) \$ (4 040)		<i>A</i> 6	1 440 604
202002	26030086	9 65,000		020,110		
		→				
260300	86 Total	↔	775		φ.	
2604008	26040086	\$	475	\$ 487	\$	5,565
		со е			σ (
Services New Lotal	\$	62,045 \$	(230,215) \$ (4,919)	٦.	,	
Services - Replacement 26020085			.,		\$	
002096	26020085 Total &		U .		0.	
	÷ €	24,470 \$	(60,517) \$ 51,602			
Services and Laterals - New RP-2602-G1				\$ 1,016	\$	13,739
		↔ (,		03	
		€	1,721 \$ 447		o (
		€9 €	2,438			4,289
		9 6	892		9 44	
	v		S			
RP-260	RP-2602-G1 Total \$	128.448 \$	594.189 \$ 293.726	\$ 571.827	÷ €	3,793,672

Sum of Amount				Charge_Type				
Funding_Project_Description	Funding_Project	In-Service (hlank)	Est Comp. Date	AFUDC Debt	AFUDC Equity Contra	Contracted Services CWIP Acc	CWIP Accrual Labor Labor Overhead	rhead
	RP-2603-G1 Total	(Signa)	2,01,2020		φ			
	RP-2604-G1	(blank)	12/31/2020		↔ �	7,497 \$		
	RP-2604-G1 Total						-	
Services and Laterals - New Total				\$	5 \$ 6 \$		1,153,485 \$	1,036,435
Services and Laterals - Replaced	RP-2602-H1	5/18/2012	6/21/2012		e		240 \$	177
	RP-2602-H1 Total	(Didilk)	12/31/2020		o 69	4,528 \$	- \$ 185.898 \$ -	162,763
Services and Laterals - Replaced Total					↔		185,898 \$	2,763
Tank Rehabilitation/Painting	26020096	12/2/2003	12/2/2003		\$			
		11/16/2005		÷	•	22,054		
		3/14/2007	3/14/2007	₽	8,007 \$ 10,360 \$		\$ 838 \$	620
	26020006 Total	8/10/200/	(blank)	¥	10.360		\$ CO	620
Tank Rehabilitation/Painting Total	20020030 10tal			9 69	9 69	821,156 \$	938 8	620
TAW GIS Data Conversion	IP-2602-22	(blank)	12/31/2012	· 69	>		3,575 \$	1,531
	IP-2602-22 Total			\$	2 \$ 9	\$	\$	1,531
TAW GIS Data Conversion Total	-			\$	2	\$	s	1,531
TN DOT Relocations	26020501	5/25/2006	5/25/2006	€ €	\$ 2,127	231,949		i
		6/12/2006	6/12/2006	>> €	789 \$ 908 \$	984,595	\$ 872 \$	495
		5/14/2007	(hlank)	Ф	\$ 7,132	\$	1	
		8/25/2008	8/21/2008		\$			
	26020501 Total			\$	S		872	495
TN DOT Relocations Total				\$	4,264 \$ 5,187 \$	1,383,367 \$	- \$ 872 \$	495
Tools and Equipment	26020032	10/27/2003	10/27/2003		4		1	
		12/2/2003	12/2/2003		\$	27 \$	- \$ 5,737 \$	4,987
		12/3/2003	12/3/2003					ĺ
		3/17/2004	3/17/2004					
		4/13/2004	4/13/2004					Î
		4/13/2004	4/13/2004					İ
		12/3/2004	12/3/2004					
		8/30/2005	8/30/2005					
		4/28/2006	4/28/2006					
		5/15/2006	5/15/2006					
		5/19/2006	5/19/2006					ĺ
		5/23/2006	5/23/2006					ĺ
		5/25/2000	5/25/2006	u	973 \$ 1265		\$ A 330 \$	3 164
		5/25/2006	5/23/2006	Ф	o		4,559 p	3,104
		6/14/2006	6/14/2006					
		6/28/2006	6/28/2006					
		8/3/2006	8/3/2006					
		8/15/2006	8/15/2006					
		9/11/2006	9/11/2006					
		10/2/2006	10/2/2006					
		12/6/2006	12/6/2006		€			1
		12/11/2006	12/11/2006		P			1
		3/14/2007	3/14/2007					
		4/12/2007	4/12/2007					Ì
		4/16/2007	4/16/2007					
		4/18/2007	4/18/2007					
		8/10/2007				\$		
		8/13/2007	(blank)					
	26020092 Total	-000,01,0	100000000000000000000000000000000000000	€	973 \$ 1,265 \$	27 \$	- \$ 10,075 \$	8,151
	KF-2602-P1	8/13/2007	8/12/200/			Ð		Î
		12/15/2007	12/15/2007			€.		
		6/11/2008	5/22/2008			÷		ĺ
		6/18/2008	7/10/2008					
		7/10/2008	7/27/2008					
		7/14/2008	7/25/2008					

Services and Laterals - New RP-2603-G1/RP-2603-G1/Total RP-2603-G1/Total RP-2603-G1/Total RP-2604-G1/G1/G1/G1/G1/G1/G1/G1/G1/G1/G1/G1/G1/G		⇔ ₩	\$ 470	€ 6	\$ 10,338
ced Total ced Total otal		¥	11)		
		→	4/0		
		\$ -	2,316		
	i	128,448 \$	596,974 \$ 293,726	\$ 574,482	\$ 3,815,527
		63,050 \$	S	\$ 96,525	\$ 817,860
		63,050 \$		\$ 96,766	
	9	63,050 \$	•	\$ 96,766	\$ 820,870
	96		\$ (189)	-	\dashv
		6	م	\$ 21/ \$	
		0			943,043
	36 Total	U.	G .	112 860 \$	÷ 6 :
		(60 \$ (71328)	\$ 112,860 &	25 \$ 882,697
	-22)	>	300	÷ 6
	-22 -22 Total				
	-22 Utal				
	2	e	16 803	8000 002 200	0,420
		9 6			
		9 4	13.280 \$ 02,303	\$ 133,063 \$ 46.453	4 1,100,392
		?	13,200		
		6	E 664		0 4 760
360305	36030604 Tetal	9 6	e	\$ 14,030 \$ 100 011	1
ZOUZOS	JI I Otal	⊖ €	57,030 \$ 02,309		
Tools and Equipment	66	θ θ	Ð	4 180,014 e	φ 1,007,464
	76	9 4			
		9 6	130,232 \$ (140,070)		0,121
		0 6	1,049		
		↑	934		934
		↔ €	4/4		
		€	443		
		€	789		
		↔ €	1,032		3,1,032
		⊖ €	2400	E	
		÷ 6	7.47.7) ↔	
		9 4	7,717 F 600		4 7 7 7
		9 6	0,030	- CCC 9	
		0 6	9,105		
		٠,	339,180	·	348,922
		,	5,621		
		↔ ↔	2,317		
		€ .	43,377		
		€	8,071	•	
		€ (6,627		\$ 6,627
		€ (2,392		
		⊅ 6	19,768	· (u	3 19,768
		θ 4	40,363		
		9 4	7,103		
		↔ 4	7,905		
		↔ 4	7,505		
		↔ 4	36.742	(C)	36.798
)	37.73		
		9	t, 7, 5	•	
		σ.	5.419	· ·	\$ 5.419
00000	32 Total	↔	701 075 \$ (146 676)	4 1145	
RP-260	RP-2602-1	÷:			
		÷ ⇔	4,259	\$ 978	\$ 5,238
		6	41,954		
		\$	2,741	\$ 234	\$ 2,975
		\$	3,731		
		\$	2,198		\$ 2,365
		\$	2,070		

Sim of Amount				Charge Type	
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt AFUDC Equity Contracted Services CWIP Accrual Labor	Labor Overhead
Tools and Equipment	RP-2602-P1	7/14/2008			
		7/31/2008	8/18/2008		
		8/8/2008			
		8/12/2008			
		9/23/2008			Ì
		10/16/2008	12/2/2008	•	•
		3/3/2010			26
		6/30/2010	7/10/2010		
		0/2/2010			
		8/9/2010	8/30/2010		
		8/15/2010			
		8/26/2010			
		5/24/2011		38	36
		11/17/2011	12	*	,
		12/14/2011		\$ 3,700 \$	866 \$ 9
			1		
		2/6/2012	1/31/2012	· \$	
	RP-2602-P1 Total			\$ 3,700 \$ - \$ 1,170	090'1 \$ 1,060
	RP-2603-P1	12/21/2011	12/21/2011		
	RP-2603-P1 Total			e 1000	€
Tools and Equipment Total		(Apply)	12/21/2012	C47'11 ¢ - ¢ /7/'5 ¢ C97'1 ¢ 5/6 ¢	9,211
	IP-2602-24 Total	(Didilin)	210211201		
Unallocated Engineering Overhead Total					
Vehicles	26020091	6/17/2005			
		7/11/2005	7/11/2005		
		8/11/2005			
		1/20/2006			
		11/20/2006		€	
		11/29/2006	11/29/2006	· · · •	
		12/19/2006			
		8/10/2007	(blank)	· •	
		8/27/2007	(blank)	>	
	26020091 Total			· · · · · · · · · · · · · · · · · · ·	
	RP-2602-01	10/30/2007	12/31/2007		
	0 1001	12/6/2007			
		12/0/2/001			Ì
		7/16/2007	12/31/200/		Î
		0000/01//		9 6	Ì
		1/23/2008			
		8/5/2008		٠,	
		12/2000 12/20/2000	7/34/2000		
		12/30/2008		→ ←	
		800Z/8/L	3/31/2008	A 4	
		1/28/2009			
		2/23/2009	2/27/2009	•	
		4/30/2009		• •	
		10/15/2009	-		
		11/19/2010			
		10/26/2011	10/29/2011	↔	
		12/15/2011		· •	
		12/27/2011	11/29/2011		
			12/27/2011	•	
		12/30/2011			
		2/6/2012	1/31/2012		
	RP-2602-01 Total				
Vehicles Total				٠ ج	
Walden's Ridge Utility	26060302	12/2/2003		\$ 18,785	
		11/18/2005		€	
		11/28/2005			
		12/2/2005	12/2/2005	\$ 1,450,529	Î
_	-	_			

March Marc	Tools and Equipment	Polygon Licenses, Fermins & Misc Fees	-	A CAPPINGS CATES CATES CONTROL OF STORY	080	3 062
1 1 1 1 1 1 1 1 1 1	ספוס מוים באמיסיים ויי	1 2002 1	θ .	13,549	1	
Control Cont			· ()	8,948		
Contract Contract						
Comment Comm			↔	2,376		
Comparison of the Comparison			မ	32,342		
The content of the			₩.	6,877		
Control of the cont			e e	3,180		
Page 1971 Page			0 4	3,689		
Part			θ.	3.731		
Fig. 10, 12, 12, 12, 12, 12, 12, 12, 12, 12, 12			↔ 69	14,848		
Page 2007 Page			\$	9,490		
Page 2002 Page 1 colored Page 2002 Page 2 colored Page 2002 Page 2 colored Page 2 c			\$	7,236		
Figure F			↔	737		
Page 1960 April 1961			φ.	46,019		
Proceeding Proceding Proceding Proceding Proceding Proceding Proceding Proceding Proceeding Proceding Pr			<i>≯</i>) €	6,529		
Control Part		PP-2602-P1 Total	e e	27,303		
Page 2002-94 Total September Septe		RP-2603-F1 10tal	→ 4	230,242		
Control Page 224 Control Con		RP-2603-P1 Total	÷ +	1 184		
Ig Descriptional of processed in p	ools and Equipment Total		€	s		
	nallocated Engineering Overhead	IP-2602-24				\$
26020061 26020061 2 2 2 2 2 2 2 2 2		IP-2602-24 Total			' •	\$
S	nallocated Engineering Overhead Total		,			s
S	ehicles	26020091	θ.			₩ €
S 202,406 \$ (20,204) \$ 0.274			.,			÷> €
S E64,229 COCORDITION S 20,331 S 20,331 S S 20,331 S S 20,331 S			Đ	e		
Control			€:	-		
S 78,309 \$ 3,557 \$ 26/20/2004 Total \$ 106,481 \$ 0 \$ 0 \$ \$ 0 \$ \$ 0 \$ \$ 0 \$ \$ \$ 0 \$			φ	44,932		
SECTION OF TOTAL IT SECTION OF TOTAL IT			€9	78,308		
RP-2002-OH \$						
RP-2602-Ord Total \$ 86.564-5 (28.204) \$ 25.6848 \$ \$ RP-2602-Ord Total \$ 7.6422 \$ 5.772 \$ </td <td></td> <td></td> <td>\$</td> <td></td> <td></td> <td></td>			\$			
RP-2602-O1 \$ 78,4895 \$		26020091 Total	↔	s		
\$ \$ \$ \$ \$ \$ \$ \$ 16,306 \$ 1,241 \$ \$ \$ 16,306 \$ 1,241 \$ \$ \$ 40,295 \$ 1,241 \$ \$ \$ 40,295 \$ 22,162 \$ \$ \$ 64,959 \$ 22,162 \$ \$ \$ 105,070 \$ 38,927 \$ \$ \$ 105,070 \$ 38,927 \$ \$ \$ 105,070 \$ 38,927 \$ \$ \$ 105,070 \$ 38,927 \$ \$ \$ 105,070 \$ 38,927 \$ \$ \$ 105,070 \$ 32,37 \$ \$ \$ 105,070 \$ 2,455 \$ \$ \$ 105,070 \$ 2,455 \$ \$ \$ 105,070 \$ 2,455 \$ \$ \$ 1,386,00 \$ 1,276 \$ \$ \$ 1,386,00 \$ 1,276 \$ \$ \$ 1,386,00 \$ 1,386,00		RP-2602-01	€ (83,695	•	
5 500,000 5 70,790 5 70,790 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 71,7190 8 8 8 71,7190 8 8 8 71,7190 8 8 8 71,7190 8 8 8 71,7190 8 8 8 71,7190 8 8 8 9			မာ	75,422		
\$ 17,306 \$ 1,241 \$ \$ 1,241 \$ \$ 1,241 \$ \$ 1,241 \$ \$ 1,241 \$ \$ \$ 1,241 \$ <th< td=""><td></td><td></td><td>₩ (</td><td>355,859</td><td></td><td></td></th<>			₩ (355,859		
\$ 17,790 \$ 40,296 \$ 22,162 \$ 40,296 \$ 22,162 \$ 40,296 \$ 22,162 \$ 103,596 \$ 38,927 \$ 105,070 \$ 38,927 \$ 23,37 \$ 38,927 \$ 28,027 \$ 38,927 \$ 28,027 \$ 38,927 \$ 28,027 \$ 38,027 \$ 28,027 \$ 38,027 \$ 28,027 \$ 38,027 \$ 28,027 \$ 23,337 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 28,027 \$ 21,256 \$ 22,13,756 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 \$ 18,027 \$ 18,020 <td></td> <td></td> <td>မ</td> <td>16,306</td> <td></td> <td></td>			မ	16,306		
\$ 40,295 \$ 2,162 \$ \$ 64,959 \$ 22,162 \$ \$ 103,596 \$ 9,365 \$ \$ 105,070 \$ 38,927 \$ \$ 105,070 \$ 38,927 \$ \$ 105,070 \$ 2,337 \$ \$ 28,025 \$ 2,337 \$ \$ 28,025 \$ 2,337 \$ \$ 28,025 \$ 2,455 \$ \$ 28,025 \$ 2,455 \$ \$ 28,025 \$ 2,455 \$ \$ 28,025 \$ 2,455 \$ \$ 34,280 \$ 2,078 \$ \$ 26,590 \$ 20,718 \$ \$ 1398,302 \$ 157,226 \$ \$ 13,384 \$ 157,226 \$ \$ 14,280 \$ 157,226 \$ \$ 18,653 \$ 157,23 \$ \$ 16,633 \$ 157,23 \$ \$ 16,633 \$ 157,23 \$ \$ 16,633 \$ 16,633 \$ 157,23 \$ 16,633 \$ 16,633 \$ 16,73 \$ 16,648 \$ 16,648 \$ 16,73			.,	17,790		
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26060302 \$ (7,853) \$ 1,573 \$ \$ \$ (18,653) \$ 702 \$ \$ \$ (848) \$ \$	ehicles Total		\$	2,213,756 \$ (28,204)		
\$ (18,653) \$ /02 \$	/alden's Ridge Utility	26060302		\$ (7,853)		
\$ (848)				\$ (18,653)		
		•		\$ (848)		

Sum of Amount				Charge_Type					
Funding_Project_Description	Funding_Project	In-Service	Est Comp. Date	AFUDC Debt	AFUDC Equ	AFUDC Equity Contracted Services CWIP Accrual Labor	rvices CWIP #	ccrual Labor	Labor Overhead
Walden's Ridge Utility	26060302 Total					\$ 1,4	,489,274		
Walden's Ridge Utility Total						\$ 1,4	,489,274		
WTP Study Evaluation	26020503	10/31/2010	0 12/31/2010	\$	185,520 \$ 173,	173,156 \$ 4,8	4,887,912 \$	\$ 28,787 \$	
		3/1/201	1 6/30/2011	\$	815 \$	730 \$ 1	135,090 \$		\$ 10,003
		(blank)	4/1/2013						
	26020503 Total			\$	186,335 \$ 173,8	173,886 \$ 5,0	5,023,002 \$	\$ 28,787 \$	
WTP Study Evaluation Total				\$	186,335 \$ 173,8	173,886 \$ 5,0	5,023,002 \$	- \$ 68,787	. \$ 71,477
Grand Total				\$	452,287 \$ 465,	465,519 \$ 32,2	32,217,070 \$	129 \$3,976,786	٠,

Sull of Africalit									
Funding_Project_Description	Funding_Project	Licenses, Permits & Misc Fees	Materials & Supplies Other	plies Other	Other Professional Services Overhead		Retainage Service Company Charges		Grand Total
Walden's Ridge Utility	26060302 Total	\$ 239	s	4,035 \$ (1,436,369)		\$ 33,594			\$ 90,773
Walden's Ridge Utility Total		\$ 239	s	4,035 \$ (1,436,369)		\$ 33,594			\$ 90,773
WTP Study Evaluation	26020503	\$ 250	\$	12,069 \$ 86,612		\$ 100,145 \$198,222	3,222 \$	191,821	\$ 5,965,967
									\$ 146,638
							↔		8
	26020503 Total	\$ 250	\$	12,069 \$ 86,612		\$ 100,145 \$198,222	3,222 \$	191,821	\$ 6,112,605
WTP Study Evaluation Total		\$ 250	\$	12,069 \$ 86,612		\$ 100,145 \$198,222	3,222 \$	191,821	\$ 6,112,605
Grand Total		\$ 518.861	8	15.947.351 \$ (1.725.974)	€	135.711 \$6.648.776 \$302.015	2.015 \$	4.895.718	4.895.718 \$ 67.191.436

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Linda C. Bridwell

Other Participating Employees: Kate Nartey-Quaye, Lance Williams

Question:

16. Please *Identify* which of the *Plant Additions or Improvements* identified in response to the previous Request involved the following major plant elements: (a) Treatment Plant; (b) Tank Addition; (c) Tank Rehabilitation or Painting; (d) Pumping Equipment; (e) Repair or Replacement of Water Mains, providing for each category the following information:

Major Plant Element		
(Treatment Plant, Tank		
` Addition; Tank		
Rehabilitation or Painting;		
Pumping Equipment;		
Repair or Replacement of	Description of Plant Additions or	
. Water Mains)	. Improvements	Total Cost

Response:

Major Plant Element	Description	Total
MAIN	1101 Broad Street 12" Main Break	112541.35
REPLACEMENT/RESTORED		
	Catoosa St. 710'-6" main and FH	59494.98
	CharMac Ln 482'-6"-303'-4" & FH	70884.41
	Clemons Rd, 635'- 8" main	83937.97
	DAVID ST 327'-4" DI MAIN	29494.8
	DORISA AV INSTALL 325'-6" MAIN	25514.97
	Dunlap Ave Install 295'-6" main	30868.98
	E Ridge elm sch 210' of 8" Di	41908.3
	Elfin Rd install 1,867' of 6" main	296833.35
	ENG FEE- PRELIM DESIGN AND	25538.48
	EASEMENT	
	ENG FEES FOR RELOC E BRAINERD RD DI	87835.28
	ENG SVC LEE HWY SR-2 MAIN RELOC	64411.12

FAIR OAK PLACE MAIN 4"6"	134870.88
GRANADA DR INSTALL 1645'-6" MAIN	172012.63
Grandview Place 8" main replaced	54122.83
INS 218' 4" DI IN JOHNSON ST	18471.72
INS 273' 4" IN COLVILLE ST	17416.96
INS 291' 8" IN LEE HWY. (OFFSET)	87235.59
INS 3,603' 8" IN STANDIFER GAP RD.	199363.47
Ins 300' 6" DI MAIN IN OLIVE ST.	
	27349.3
INS 4,550' 12" DI IN FRAWLEY RD.	685683.65
INS 510' 8" IN GLOVERKNOLL DR.	21662.6
INS 530' 6" DI IN ABERNATHY ST.	58004.87
INS 530' 6" IN ROSEWOOD AVE.	46259.23
INS 6" DI & REPLACE HYDT. VINE ST.	11427.61
INS 6" MAIN, 1 HYDRANT, WINDISH CIR	25187.76
INS 6" REPLACEMENT MAIN WORTHINGTON	64073.41
INS 6" S. ST. MARKS & SUNBEAM	139304.25
INS 6" WEST END AVE & CONNELL ST	117921.55
INS 764' 8" DI IN BENNETT RD,	68809.11
INS 8" IN 1ST ST & GLOVERKNOLL DR	50458.16
INS 8" MAIN & HYDT. FORREST AVE.	33968.74
INS 801' 6" IN OAKWOOD LN.	63956.59
Ins 819' of 6" main @125' of 4" 5 s	90579.63
INS 950' 8" DI IN KEEBLE ST.	83070.63
INS INSERTING VALVE, SKYLINE DR.	20671.72
INS MAIN & HYDT IN DORCHESTER RD.	82533.12
INS. 365' 8" DI IN WILLOW ST.	50470.23
Inst 180' of 6" Di on Park Dr	21632.64
Inst 1875' of 8" in Standifer Gap	207057.21
Inst 380' of 4" main Lwr Cravens Tr	25795.76
Inst 400' of 2" copr Cummings Hwy	38433.8
Inst 464' of 6" main btw jeff & mad	42714.3
Inst 6" main in Everglades Blvd.	131971.61
INST 8" OFFSET IN BENTON DR	11115.36
Jersey Pk offset @ Oakwood Dr	28722.09
JOYCE AVE 750'-6"&548'-4"MAIN	18266.65
KELLY FERRY RD 1,400'-6" MAIN	103371.37
KEY WEST AVE 1,450' OF 6" MAIN	105119.54
LIBERTY ST 6" MAIN AND FH	124120.49
LOOKOUT CREEK BRIDGE MAIN REP	100134.01
LUPTON CITY STORAGE TANK	15636.44
Mississippi Ave Instal 730'-4" main	109148.35
NOT FOUND	104273.62
OFFSET 8"-12" MAIN OLD PINEVILLE RD	44410.29
O'NEAL ST RETIRE 374'-6" MAIN	17611
Parksdale Ave 475' - 6" main	42283.88
Rel 6" Main n Noah Reid Rd	43598.42
Reloc Shalloford btw Jenkins & Gunb	333981
RELOC SHALLOWFORD RD BRIDGE	304633.89
KELOG SHALLOWFORD KD BRIDGE	304033.89

	Relocate 100' of 12" Main Chapman R	38036.24
	RELOCATE METER 1001 SCENIC HWY.	16320.44
	Roanoke Ave - 385' -4" main	31461.36
	Rollingwood Dr Inst 990' of 6" DI	73957.44
	Shallowfd @ Jenkins Intersect Reloc	142310.53
	Shallowford Rd. relocation 16" main	48314.52
	Spears Ave Relocate 2200' main	184573.64
	St Elmo Bridge 620' of 6" DI replac	117621.32
	ST ELMO BRIDGE PHASE II	27360.75
	SUMMIT AVE 1,370' - 6" MAIN	94550.48
	Unsch Main Rep-Chattanooga ALL	797144.41
	Unsch Main Rep-East Ridge, TN ALL	71304.65
	Unsch Main Rep-Red Bank, TN ALL	16344.01
	Unsch Main Rep-Rossville, GA ALL	16303.16
	VALLEY VIEW 935' - 6" DI MAIN	71237.23
	WAHEELA AVE 2" WATER MAIN	48709.78
	WEST END AVE 755'-6" MAIN	47713.73
MAIN REPLACEMENTS	WESTONIA DRIVE 6" & 4" MAIN-FH	84836.43
	WILCOX RD 420'-4" DI MAIN	30489.7
		23933.3
	Blkt Mn Repl.12" Chattanooga	
	Blkt Mn Repl2" Chattanooga Blkt Mn Repl.2.5" Chattanooga	28800
		10033.79
	Blkt Mn Repl.6" Chattanooga	54057.44
	Blkt Mn Repl.8" Chattanooga	187855.37
	Bluff Job instl 8"&12" Valve	33626.72
	INS 1,001' 6" CHANDLER AVE	62650.39
	INS 1,037 4" IN KOBLENTZ CIR	33962.56
	INS 1,072' 12" FRAWLEY RD.	164095.03
	INS 1,075' 6" DI IN OCOEE ST	59629.58
	INS 1,164' 6" IN CARDEN AVE	65117.87
	INS 1,238' 12" IN HAMM RD.	80683.26
	INS 1,381'4" STANFIEL & BRADT	83799.48
	INS 1,565' 6" IN HIXSON PIKE	111189.53
	INS 1,588' 8" DIXIE CIR	155813.2
	INS 1,660 8" IN LAKEVIEW DR	250365.97
	INS 12" DI IN RIVERSIDE AVE	169678.58
	INS 128' 12" DI S CREST RD	68921.62
	INS 16" DI IN SHALLOWFORD RD	1186391.93
	INS 16"MFG RD/CHEROKEE/FRAZIER	29984.84
	INS 164' 6" IN DAISY ST	16847.66
	INS 2 - 6" GATE VALS HWY 58	15262.01
	INS 2,002' 6" IN LYERLY ST	142853.66
	INS 2,013' 12" BRAINERD RD	690489.3
	INS 2,293' 8" IN KIRKMAN RD	176704.25
	INS 200' 4" DI IN MARYLAND ST	11248.13
	INS 245' 8" IN DUANE RD	37648.65
	INS 250' 4" DI IN BUSH ST.	18170.25
	INS 264' 8" IN PEERLESS ST	17389.31

INS 273' 6" IN ELMENDORF CIR	14704.94
INS 273' 8" DI IN MARYLAND ST	18847.2
INS 3,094' 8" WEST HILLS DR	123676.18
INS 328' 8" DI IN NEWBY ST	36440.34
INS 350' 4" DI IN SHADY CIR	22699.03
INS 382' 6" DI IN E 18TH ST	26638.3
INS 382' 8" DI IN WATAUGA ST	20172.87
INS 400' 6" DI IN LOCKSLEY CIR	16188.43
INS 436' 8"DI DORCHESTER RD	45399.7
INS 473' 8" DI IN PAGE RD.	46261.33
INS 528' 6" DI IN OLIVE ST	37625.92
INS 546' 6" DI IN HUNT AVE	26575.57
INS 552' 4" DI IN DIXIE CIR	30179.22
INS 564' 6"DI IN TREWHITT ST	38494.33
INS 582' 8" DI IN E 3RD ST	44525.07
INS 6" IN JORDAN DR & LEE PKY	33658.38
INS 600' 24" DI IN TAMPA ST.	12002.74
INS 601' 8" IN ARLINGTON AVE	32594.73
INS 601' 8" IN PAGE RD	54672.27
INS 618' 8" IN SPRING ST.	58986.94
INS 635' 8" IN FAXON ST	40778.71
INS 650' 6" IN OAKWOOD RD	83027.79
INS 655' 8" IN FLEGAL ST	40058.31
INS 673' 8" DI IN ADAMS ST	41291.02
INS 728' 6" CHICKAMAUGA TRAIL	84828.83
INS 728' 8" IN THOMPSON ST	51649.19
INS 770' 12" IN RINGGOLD RD.	97229.3
INS 780'8" TIE-INS BRAINERD RD	280728.11
INS 8 SERV LATERALS ADAMS ST.	10229.9
INS 8" DAISY OREAR & APPLING	70608.87
INS 8" GA TER & S MISSION DR	13552.07
INS 8" IN AUDUBON & DAUPHIN	67478.89
INS 8" MAIN 9TH AVE & OTHER	161238.23
INS 8" MAIN IN MERCER ST	111528.44
INS 819' 8" DI IN NORTHRUP ST	50526.61
INS 900' 12" DI RIVERSIDE AVE	138181.17
INS 910' 6" MAIN IN TAYLOR ST	70656.87
INS 927' 8" IN SPEARS AVE	68086.99
INS 983' 6" IN NEWTON ST	107317.95
INS AIR VACUUM RELIEF VALVE	50597.67
INS VALVE WHITE OAK TANK	191782.82
INSTALL 8" VALVE-706 E. BROW RD-LKT	34399.96
Mains Suck Creek Utility	99553.56
PRELIM ENG LKT MTN SUPPLY MAINS	1369402.33
Pur add esmt 4 bluff project	59930.74
Purchase Esmt @ Bluff of lk ot mtn	167159.82
RELOC 1,125' 6" ASHLAND TER	140988.34
 RELOC. 6" MAIN IN ASHLAND TER.	44762.51

	RELOCATE 12" MAIN IN W 38TH ST	110732.07
	RELOCATE 12 IMAIN IN W 361H ST	174496.69
	RENEW 2" SERVICES RINGGOLD RD REPAIR 12" MAIN S CREST RD	15717.09
		23014.93
	TRANS SERVICES/HYDTS MFG RD	190206.1
Process Plant - Facilities and Equi	Caustic Corr Inhibitor Tank Lining	48408.15
	Caustic Scrubber Containment	20886.18
	East Ridge #6 Motor Starter	15404.13
	LOOKOUT MTN PUMP # 8	41056.49
	Description Not Found	112062.01
	Purchase new current detector(SCD)	20399.2
	Rehab Filter Underdrain Aldrich 1&2	111265.23
	Rep GAC Filt Media Aldrich #6	108497.71
	Rep GAC Filter Media Ald Unit5	104922.52
	Rep GAC Filter Media Ald Unit7	104443.81
	Rep GAC Filter Media Filter #2	39573.95
	Rep GAC Filter Media Filter #3	38886.96
	Rep GAC Filter Media Filter #4	39126.87
	Rep GAC Filter Media Filter #5	38845.01
	Rep GAC Filter Media Filter #6	38870.95
	Repl Cone Valve #18 H.S.	10420.01
	Repl GAC Filter Media Ald Unit #8	109720.36
	Replace bridge to Screen House	14870.12
	Replace Elder Mtn. Pump #1	38642.11
	Replace Filter Media 2 Suck Creek	10897.95
	Replace GAC Filter Media Filter #1	39275.96
	Replace GAC Filter Media Filter #13	36845
	Replace GAC Filter Media Filter #14	37796.52
	Replace GAC Filter Media Filter #15	37927.46
	Replace GAC Filter Media Filter #16	36718.35
	Replace GAC Filter Media Filter #17	36529.98
	Replace GAC Filter Media Filter #18	36378.38
	Replace GAC Filter Media Filter #19	36723.84
	Replace GAC Filter Media Filter #20	36291.58
	Replace North End Tank Valves	21845.07
	REPLACE ROOF @HILL CITY STATION	10069.63
	Upgrade Waldens Ridge Pump 1	28909.35
	Walden Rdg #2 Valves Replaced	85228.45
	Walder Rug #2 Valves Replaced	03220.43
PUMPING EQUIPMENT	Winding/Rewind #17 High Svc Motor	25464.13
	INS 1,420'24"TAMPA TO DELMONT	410027.52
	INSTALL 20" GATE VALVE PUMP 19	16184.9
	New Impeller for St.Elmo Lkmtn Stat	9953.37
	New Motor replacement St Elmo #5	11621.17
	Rep pump bowl assm wldn ridg #2	49727.77
	REPLACE MISSION RIDGE #6 MOTOR	10050.17
	REPLACE ROTATING ELEMENT #15	49098.24

TANK ADDITION	CONSTRUCTION - JENKINS RD TANK	1418396.5
	INS 16" DI TO JENKINS RD TANK	295977.99
	INS 3,714' 16" IN TYNER RD	961862.04
	PUR SCADA SYS JENKINS RD TANK	12682.09
T 1 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		40040.00
Tank Rehabilitation/Painting	Clearwell No 2 Rehabilitation	12816.03
	Elder Mtn Receiving Tank	248998.93
	ENG SERVICES ELDER MOUNTAIN TANK	33673.6
	ENG SERVICES SUCK CREEK TANK	13285.47
	PAINTING & REHAB WHITE OAK TANK	287534.61
	PAINTING ALDRIDGE UNITS 1 & 2	707387.46
	PUR CARBON - ALDRIDGE 1 & 2	44842.3
	PUR UNDERDRAINS ALDRIDGE 1&2	191414.88
TREATMENT PLANT	Basin 1 sludge collection system	87407.21
TREATMENT LANT	Citico WTP Upgrades Phase 1A	5965967.16
	GAC lease buyout Ald Unit # 1	14173.8
	INS 3 REPLACEMENT VALVES AT CITICO	37746.33
	INS SEWER LINE CITICO STATION	18646.23
	Inst Bell Jnt Clmp on Lo Svc Hdr	18647.76
	Installation of Emergency Generator	146637.66
	Paint Interior Citico Station	74823.84
	PUR & INSTALL RADIO EQUIPMENT	
	· · · · · · · · · · · · · · · · · · ·	14544.77
	PUR & INSTALL TURBIDIMETERS	88655.15
	PUR 36"GATE VALVES/CITICO	101067.3
	PUR 7 ON LINE CHLORINE ANALYZERS	18849.88
	PUR AIR COND & CONTROLS/ LAB	23330.9
	PUR EXHAUST FAN AT CITICO	36306.01
	Pur GAC FOR ALDRICH 3 & 4	230921.22
	PUR GATE & CONTROLLER	15068.67
	PUR RADIO CONTROLS FOR TANKS	13226.38
	REBUILD NORTH TRAVELING	72379.62
	REPAIR ELECTRICAL, CITICO STATION	18442.8
	REPAIR SOUTH TRAVELING SCREEN	74100.18
	Repl Fence and Inst retaner wall	35781.28
	REPLACE #2 ALDRICH ACTUATORS	172417.95
	REPLACE CITICO BATTERIES	20371.76
	REPLACE CORROSION INHIBITOR	23365.86
	REPLACE FLUORIDE FEED PUMPS	31143.02
	REPLACE MOTOR EAST RIDGE #7	11637.4
	REPLACE MOTOR STARTER	13556.55
	REPLACE ROOF FILTER HOUSE 2	555691.09
	Replace Roof on Chem Bldg	21965.8
	Sludge Collection System Improvemen	81252.33
	TIME & LABOR PROGRAMMING	15798.9

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Linda C. Bridwell

Other Participating Employees: Kate Nartey-Quaye, Lance Williams

Question:

17. Provide copies of all *Capital Investment Plans* completed or updated since January 1, 2000 for or by *TAWC*.

Response:

Please see attached.

TAW_R_COCDR1#017Attachment Page 1 of 19

Estimate Type: NET
Budget Version: 2012-2014 BP

Year: 2012

FP Type District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2012	Total 2013	Total 2014	Total 2015	Total 2016	Total 2017	Total Futu
RP PROJECTS													
26-Tennessee Ame	erican Water Co												
RP-26-A	Mains - New			\$720,153	\$260,894	\$362,531	\$96,728	\$85,933	\$88,510	\$86,451	\$0	\$0	
RP-26-B	Mains - Replaced/Restored			\$10,312,562	\$4,415,998	\$4,446,564	\$1,450,000	\$1,754,499	\$1,754,500	\$906,998	\$0	\$0	
RP-26-C	Mains - Unscheduled			\$1,864,474	\$395,080	\$1,109,121	\$360,274	\$159,135	\$163,909	\$72,036	\$0	\$0	
RP-26-D	Mains - Relocated			\$3,489,022	\$1,675,980	\$1,043,042	\$770,000	\$500,000	\$500,000	\$675,980	\$0	\$0	
RP-26-E	Hydrants, Valves, and Manholes - New			\$431,169	\$122,488	\$270,519	\$38,162	\$39,309	\$40,487	\$42,692	\$0	\$0	
RP-26-F	Hydrants, Valves, and Manholes - Repla	ce		\$1,911,401	\$278,135	\$543,266	\$1,090,000	\$92,998	\$96,000	\$89,137	\$0	\$0	
RP-26-G	Services and Laterals - New			\$6,010,839	\$2,042,639	\$3,518,201	\$450,000	\$624,000	\$642,000	\$776,639	\$0	\$0	
RP-26-H	Services and Laterals - Replaced			\$1,547,190	\$577,965	\$587,225	\$382,000	\$232,000	\$239,000	\$106,965	\$0	\$0	
RP-26-I	Meters - New			\$4,200,770	\$1,015,000	\$2,700,771	\$485,000	\$500,000	\$515,000	\$0	\$0	\$0	
RP-26-J	Meters - Replaced			\$7,010,358	\$2,047,388	\$4,185,971	\$777,000	\$621,000	\$691,000	\$735,389	\$0	\$0	
RP-26-K	ITS Equipment and Systems			\$1,195,858	\$345,285	\$634,798	\$215,775	\$118,811	\$59,850	\$166,624	\$0	\$0	
RP-26-L	SCADA Equipment and Systems			\$1,175,742	\$901,288	\$204,454	\$70,000	\$70,000	\$764,909	\$66,379	\$0	\$0	
RP-26-M	Security Equipment and Systems			\$851,501	\$318,000	\$453,501	\$80,000	\$70,000	\$105,000	\$143,000	\$0	\$0	
RP-26-N	Offices and Operations Centers			\$218,587	\$66,656	\$131,331	\$20,600	\$23,047	\$21,800	\$21,809	\$0	\$0	
RP-26-O	Vehicles			\$2,939,754	\$1,108,552	\$1,496,202	\$335,000	\$376,000	\$376,000	\$356,552	\$0	\$0	
RP-26-P	Tools and Equipment			\$406,325	\$113,770	\$256,555	\$36,000	\$37,600	\$38,240	\$37,930	\$0	\$0	
RP-26-Q	Process Plant Facilities and Equipment			\$5,782,916	\$2,433,536	\$2,273,497	\$1,075,883	\$742,630	\$742,630	\$948,276	\$0	\$0	
RP-26-R	Capitalized Tank Rehabilitation/Painting	1		\$4,367,977	\$2,693,639	\$804,274	\$870,064	\$1,749,000	\$709,288	\$235,351	\$0	\$0	
RP-26-S	Engineering Studies	•		\$320,438	\$210,319	\$40,649	\$69,469	\$69,470	\$69,470	\$71,379	\$0	\$0	
		Total fo	or RP PROJECTS:	\$54,757,037	\$21,022,612	\$25,062,471	\$8,671,955	\$7,865,432	\$7,617,593	\$5,539,586	\$0	\$0	
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DV PROJECTS													
26-Tennessee Ame													
DV-26	PROJECTS FUNDED BY OTHERS			\$2,028,132	\$2,800,000	(\$1,471,868)	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$0	;
		Total fo	or DV PROJECTS:	\$2,028,132	\$2,800,000	(\$1,471,868)	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$0	:
P PROJECTS													
2602-TN-Chattano	oga												
IP-2602-16	Metershop Building Additions	Randal Taylor	4/1/2013	\$750,000	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$0	\$0	
IP-2602-18	Electrical Motor Efficiency Enhance	Randal Taylor	12/30/2016	\$2,896,408	\$2,896,408	\$0	\$0	\$46,408	\$950,000	\$950,000	\$950,000	\$0	
IP-2602-19	NRW Pressure Reduction	Randal Taylor	12/31/2012	\$100,000	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	\$0	
IP-2602-20	Interconnects Adjacent Water UD	Randal Taylor	12/31/2015	\$600,000	\$600,000	\$0	\$0	\$0	\$300,000	\$300,000	\$0	\$0	
IP-2602-22	TAW GIS Data Conversion	Megan L. Tylka	12/31/2012	\$175,000	\$0	\$0	\$175,000	\$0	\$0	\$0	\$0	\$0	
IP-2602-25	Post Acquisition BD CapEx	Randal Taylor	12/31/2016	\$811,665	\$779,165	\$0	\$32,500	\$119,892	\$175,014	\$240,627	\$243,632	\$0	
IP-2602-31	Construct 1.0MG Tank & 2500-16" ER	Randal Taylor	12/31/2016	\$1,077,946	\$1,077,946	\$0	\$0	\$0	\$100,008	\$900,250	\$77,688	\$0	
IP-2602-34	Citico Plant Improvements Phase 1B	Kristina E. McGee	8/31/2015	\$8,819,173	\$8,819,173	\$0	\$0	\$180,000	\$2,278,732	\$6,030,441	\$330,000	\$0	
IP-2602-35	Replace Roof, Citico Filter Hse # 2	Kate Nartey-Quaye	6/22/2012	\$615,674	\$0	\$205,555	\$410,118	\$0	\$0	\$0	\$0	\$0	
IP-2602-33	5933 If of 20" Ringgold Rd. at I-75	Kate Nartey-Quaye	12/31/2014	\$2,100,538	\$1,800,000	\$25,538	\$275,000	\$1,800,000	\$0	\$0	\$0	\$0	
IP-2602-4	Wastewater Treatm't & Handling Impr	John S. Watson	12/31/2014	\$600,000	\$600,000	\$23,330	\$273,000	\$400,000	\$200,000	\$0	\$0	\$0	
	Convert ER Reservoir to Pump Storag	Randal Taylor	12/31/2014	\$250,000	\$250,000	\$0	\$0	\$250,000	\$200,000	\$0	\$0 \$0	\$0	
IP-2602-7					9230.000	φU	ψU	φ 2 .30,000	φυ	ψU	JU JU	JU JU	

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7/20/2012

TAW_R_COCDR1#017Attachment Page 2 of 19

Budget Version: 2012-2014 BP Year: 2012

Estimate Type: NET

FP Type District FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2012	Total 2013	Total 2014	Total 2015	Total 2016	Total 2017	Total Future
FP Number	FP Name	Project Manager	in Srvc Date	Overali Total	5 Year Total	lotal Prior	10tal 2012	10tal 2013	10tai 2014	10tai 2015	10tai 2016	10tal 2017	lotal Future
CS PROJECTS													
2602-TN-Chattan	ooga												
CS-2602-3	Business Transformation	Athanasios Birbilis	12/31/2014	\$6,610,575	\$1,222,767	\$2,814,992	\$2,572,816	\$1,151,398	\$71,369	\$0	\$0	\$0	\$0
CS-2602-4	Business Transformation - Other	Michael S. O'Donnell	12/31/2013	\$464,985	\$27,087	\$187,246	\$250,652	\$27,087	\$0	\$0	\$0	\$0	\$0
,		Total for	CS PROJECTS:	\$7,075,560	\$1,249,854	\$3,002,238	\$2,823,467	\$1,178,485	\$71,369	\$0	\$0	\$0	\$0
		Total for 26-Tennessee Am	erican Water Co:	\$82,657,132	\$42,645,158	\$26,823,934	\$13,188,040	\$13,290,217	\$12,392,716	\$14,660,904	\$2,301,320	\$0	\$0
-			Grand Total:	\$82,657,132	\$42,645,158	\$26,823,934	\$13,188,040	\$13,290,217	\$12,392,716	\$14,660,904	\$2,301,320	\$0	\$0

Page 2 of 2 AWBV-010 YR

TAW_R_COCDR1#017Attachment Page 3 of 19

Estimate Type: NET
Budget Version: 2011-2016 BP

Year: 2011

FP Type													
District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2011	Total 2012	Total 2013	Total 2014	Total 2015	Total 2016	Total Futur
RP PROJECTS													
26-Tennessee Am	nerican Water Co												
RP-26-A	Mains - New			\$898,612	\$456,238	\$348,464	\$93,910	\$96,728	\$85,933	\$88,510	\$91,166	\$93,901	:
RP-26-B	Mains - Replaced/Restored			\$11,730,972	\$8,468,000	\$2,572,972	\$690,000	\$1,450,000	\$1,754,500	\$1,754,500	\$1,754,500	\$1,754,500	;
RP-26-C	Mains - Unscheduled			\$1,762,144	\$805,779	\$802,174	\$154,191	\$150,000	\$159,135	\$163,909	\$163,909	\$168,826	;
RP-26-D	Mains - Relocated			\$3,839,882	\$2,770,000	\$565,482	\$504,400	\$770,000	\$500,000	\$500,000	\$500,000	\$500,000	
RP-26-E	Hydrants, Valves, and Manholes - New			\$558,715	\$210,754	\$254,031	\$93,930	\$38,162	\$39,309	\$40,486	\$42,797	\$50,000	
RP-26-F	Hydrants, Valves, and Manholes - Repla	ce		\$990,742	\$480,000	\$399,246	\$111,495	\$90,000	\$93,000	\$96,000	\$99,000	\$102,000	
RP-26-G	Services and Laterals - New			\$6,600,338	\$3,058,000	\$2,973,067	\$569,271	\$450,000	\$624,000	\$642,000	\$661,000	\$681,000	
RP-26-H	Services and Laterals - Replaced			\$1,832,421	\$1,352,000	\$367,621	\$112,800	\$382,000	\$232,000	\$239,000	\$246,000	\$253,000	
RP-26-I	Meters - New			\$5,302,452	\$2,578,000	\$2,323,698	\$400,754	\$485,000	\$500,000	\$515,000	\$531,000	\$547,000	
RP-26-J	Meters - Replaced			\$7,737,449	\$3,388,000	\$3,524,448	\$825,001	\$777,000	\$621,000	\$691,000	\$355,000	\$944,000	
RP-26-K	ITS Equipment and Systems			\$969,480	\$515,725	\$271,305	\$182,450	\$215,775	\$115,550	\$59,850	\$54,000	\$70,550	
RP-26-L	SCADA Equipment and Systems			\$1,329,449	\$1,124,909	\$134,454	\$70,086	\$70,000	\$70,000	\$764,909	\$150,000	\$70,000	
RP-26-M	Security Equipment and Systems			\$895,335	\$535,000	\$280,335	\$80,000	\$80,000	\$70,000	\$105,000	\$130,000	\$150,000	
RP-26-N	Offices and Operations Centers			\$195,637	\$112,147	\$39,352	\$44,137	\$20,600	\$23,047	\$21,800	\$23,000	\$23,700	
RP-26-O	Vehicles			\$3,217,800	\$1,839,000	\$990,580	\$388,220	\$335,000	\$376,000	\$376,000	\$376,000	\$376,000	
RP-26-P	Tools and Equipment			\$470,464	\$191,840	\$184,624	\$94,000	\$36,000	\$37,600	\$38,240	\$40,000	\$40,000	
RP-26-Q	Process Plant Facilities and Equipment			\$6,173,684	\$3,706,260	\$1,123,682	\$1,343,742	\$721,000	\$742,630	\$742,630	\$750,000	\$750,000	
RP-26-R	Capitalized Tank Rehabilitation/Painting	1		\$6,221,455	\$5,611,680	\$309,775	\$300,000	\$870,064	\$1,749,000	\$709,288	\$1,848,000	\$435,328	
RP-26-S	Engineering Studies			\$361,609	\$273,965	\$40,649	\$46,995	\$69,470	\$69,470	\$69,470	\$65,554	\$0	
OV PROJECTS			or RP PROJECTS:	\$61,088,640	\$37,477,297	\$17,505,960	\$6,105,384	\$7,106,799	\$7,862,174	\$7,617,592	\$7,880,926	\$7,009,805	
26-Tennessee Am													
DV-26	PROJECTS FUNDED BY OTHERS			\$2,028,132	\$3,500,000	(\$2,336,467)	\$864,599	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	
		Total fo	or DV PROJECTS:	\$2,028,132	\$3,500,000	(\$2,336,467)	\$864,599	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	
P PROJECTS													
2602-TN-Chattano	ooga												
IP-2602-15	Dummy Unbudgeted Amount	Randal Taylor	12/31/2011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
IP-2602-18	Electrical Motor Efficiency Enhance	Randal Taylor	12/30/2016	\$2,896,408	\$2,896,408	\$0	\$0	\$0	\$46,408	\$950,000	\$950,000	\$950,000	
IP-2602-19	NRW Pressure Reduction	Randal Taylor	12/31/2016	\$184,655	\$100,000	\$0	\$84,655	\$100,000	\$0	\$0	\$0	\$0	
IP-2602-20	Interconnects Adjacent Water UD	Randal Taylor	12/31/2015	\$600,000	\$600,000	\$0	\$0	\$0	\$0	\$300,000	\$300,000	\$0	
IP-2602-22	TAW GIS Data Conversion	Megan L. Tylka	12/31/2015	\$400,000	\$400,000	\$0	\$0	\$350,000	\$50,000	\$0	\$0	\$0	
IP-2602-24	Unallocated Indirect Overhead	Brian J. Markham	12/31/2011	\$129,870	\$0	\$0	\$129,870	\$0	\$0	\$0	\$0	\$0	
IP-2602-25	Post Acquisition BD CapEx	Randal Taylor	12/31/2016	\$811,662	\$811,662	\$0	\$0	\$32,500	\$119,888	\$175,015	\$240,626	\$243,633	
IP-2602-26	Install New Hill City Pumps	Randal Taylor	12/31/2016	\$700,000	\$700,000	\$0	\$0	\$300,000	\$400,000	\$0	\$0	\$0	
IP-2602-29	Install 5.700' of 16"- East Braine	Randal Taylor	12/31/2016	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000	\$900,000	
IP-2602-30	5800'-16" Main in Navajo Dr.	Randal Taylor	12/31/2016	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000	\$900,000	
IP-2602-31	Construct 1.0MG Tank & 2500-16" ER	Randal Taylor	12/31/2016	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$100,000	\$500,000	\$400,000	
IP-2602-34	Citico Plant Improvements Phase 1B	Kristina E. McGee	8/31/2015	\$8,639,173	\$8,639,173	\$0	\$0	\$0	\$0	\$2,278,732	\$6,030,441	\$330,000	
IP-2602-34	5933 If of 20" Ringgold Rd. at I-75	Kate Nartey-Quaye	12/31/2014	\$2,100,538	\$2,075,000	\$25,538	\$0	\$275,000	\$1,800,000	\$2,270,732	\$0,030,441	\$330,000	
IP-2602-4	Wastewater Treatm't & Handling Impr	John S. Watson	12/31/2014	\$600,000	\$600,000	\$25,556	\$0	\$275,000	\$400,000	\$200,000	\$0 \$0	\$0 \$0	
IP-2602-7	Convert ER Reservoir to Pump Storag	Randal Taylor	12/31/2014	\$250,000	\$250,000	\$0 \$0	\$0 \$0	\$0 \$0	\$250,000	\$200,000	\$0 \$0	\$0 \$0	
IP-2602-7	3000'-24" Tennessee River Crossin	Randal Taylor	12/31/2016	\$250,000	\$250,000	\$0 \$0	\$0 \$0	\$0 \$0	\$250,000	\$0 \$0	\$100,000	\$400,000	
16-2002-0	JUUU -24 Termiessee River Grossin	Natival Idylor	12/3/12010	φ300,000	φυυ,υυυ	ąυ	φu	φu	φu	φU	φισυ,σου	φ400,000	

TAW_R_COCDR1#017Attachment Page 4 of 19

Estimate Type: NET
Budget Version: 2011-2016 BP

Year: 2011

FP Type District FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2011	Total 2012	Total 2013	Total 2014	Total 2015	Total 2016	Total Future
IP PROJECTS													
2602-TN-Chattano	ooga												
IP-2602-9	Repl Lktout Mtn Pump#4	Randal Taylor	12/31/2016	\$900,000	\$900,000	\$0	\$0	\$0	\$0	\$0	\$400,000	\$500,000	\$0
		Total fo	or IP PROJECTS:	\$21,712,307	\$21,472,243	\$25,538	\$214,526	\$1,057,500	\$3,066,296	\$4,003,747	\$8,721,067	\$4,623,633	\$0
CS PROJECTS													
2602-TN-Chattano	ooga												
CS-2602-3	Business Transformation	Athanasios Birbilis	12/31/2014	\$6,957,623	\$3,810,920	\$631,005	\$2,515,699	\$2,572,816	\$1,165,704	\$72,400	\$0	\$0	\$0
CS-2602-4	Business Transformation - Other	Michael S. O'Donnell	12/31/2013	\$148,297	\$74,553	\$0	\$73,744	\$56,696	\$17,857	\$0	\$0	\$0	\$0
		Total fo	r CS PROJECTS:	\$7,105,920	\$3,885,473	\$631,005	\$2,589,443	\$2,629,512	\$1,183,561	\$72,400	\$0	\$0	\$0
		Total for 26-Tennessee Am	erican Water Co:	\$91,935,000	\$66,335,013	\$15,826,036	\$9,773,951	\$11,493,811	\$12,812,032	\$12,393,739	\$17,301,993	\$12,333,438	\$0
			Grand Total:	\$91,935,000	\$66,335,013	\$15,826,036	\$9,773,951	\$11,493,811	\$12,812,032	\$12,393,739	\$17,301,993	\$12,333,438	\$0

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TAW_R_COCDR1#017Attachment Page 5 of 19

Estimate Type: NET
Budget Version: 2010 Original Budget

Year: 2010

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FP Type District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total 2015	Total Futu
RP PROJECTS													
26-Tennessee Am	nerican Water Co												
RP-26-A	Mains - New			\$722,823	\$333,890	\$338,433	\$50,500	\$89,133	\$79,186	\$81,562	\$84,009	\$0	\$
RP-26-B	Mains - Replaced/Restored			\$4,720,758	\$2,139,792	\$2,220,966	\$360,000	\$749,815	\$449,700	\$463,190	\$477,086	\$0	
RP-26-C	Mains - Unscheduled			\$439,215	\$255,420	\$127,501	\$56,294	\$51,474	\$65,983	\$67,962	\$70,001	\$0	
RP-26-D	Mains - Relocated			\$3,191,579	\$2,438,663	\$311,695	\$441,220	\$474,567	\$635,445	\$654,509	\$674,143	\$0	;
RP-26-E	Hydrants, Valves, and Manholes - New			\$472,223	\$210,003	\$212,020	\$50,200	\$89,133	\$39,104	\$40,280	\$41,486	\$0	
RP-26-F	Hydrants, Valves, and Manholes - Repl	ace		\$407,610	\$286,302	\$42,469	\$78,840	\$44,567	\$78,209	\$80,555	\$82,972	\$0	
RP-26-G	Services and Laterals - New			\$4,683,850	\$2,978,115	\$1,030,736	\$675,000	\$711,850	\$733,206	\$755,202	\$777,858	\$0	
RP-26-H	Services and Laterals - Replaced			\$680,377	\$384,108	\$161,269	\$135,000	\$142,370	\$78,209	\$80,555	\$82,974	\$0	:
RP-26-I	Meters - New			\$4,142,817	\$2,268,203	\$1,480,415	\$394,200	\$379,653	\$611,000	\$629,335	\$648,215	\$0	
RP-26-J	Meters - Replaced			\$6,324,524	\$2,852,890	\$2,683,234	\$788,400	\$783,035	\$669,661	\$689,751	\$710,443	\$0	
RP-26-K	ITS Equipment and Systems			\$476,457	\$180,542	\$255,415	\$40,500	\$44,566	\$43,992	\$45,312	\$46,672	\$0	
RP-26-L	SCADA Equipment and Systems			\$315,994	\$154,292	\$102,572	\$59,130	\$33,425	\$39,104	\$40,277	\$41,486	\$0	
RP-26-M	Security Equipment and Systems			\$434,281	\$115,010	\$260,141	\$59,130	\$33,425	\$26,395	\$27,187	\$28,003	\$0	
RP-26-N	Offices and Operations Centers			\$223,176	\$105,000	\$39,336	\$78,840	\$44,566	\$19,552	\$20,139	\$20,743	\$0	
RP-26-0	Vehicles			\$1,666,242	\$1,116,595	\$107,477	\$442,170	\$237,284	\$284,484	\$293,018	\$301,809	\$0	
RP-26-P	Tools and Equipment			\$383,155	\$200,673	\$137,482	\$45,000	\$94,913	\$34,216	\$35,243	\$36,300	\$0	
RP-26-Q	Process Plant Facilities and Equipmen			\$3,817,245	\$2,442,600	\$744,646	\$630,000	\$327,419	\$684,325	\$704,855	\$726,001	\$0	
RP-26-R												\$0	
RP-26-S	Capitalized Tank Rehabilitation/Paintin	9		\$1,492,999	\$980,421	\$308,902	\$203,675 \$0	\$284,740 \$46,955	\$233,095	\$227,876	\$234,711	\$0	•
KP-20-3	Engineering Studies			\$306,478	\$271,955	\$34,523	\$0	\$40,900	\$75,000	\$75,000	\$75,000	ψU	
		Total f	or RP PROJECTS:	\$34,901,804	\$19,714,473	\$10,599,232	\$4,588,100	\$4,662,890	\$4,879,866	\$5,011,807	\$5,159,910	\$0	\$
DV PROJECTS													
26-Tennessee Am	nerican Water Co												
DV-26	PROJECTS FUNDED BY OTHERS			\$1,831,661	\$4,000,000	(\$3,168,340)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0	\$
· <u> </u>		Total f	or DV PROJECTS:	\$1,831,661	\$4,000,000	(\$3,168,340)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0	
IP PROJECTS													
2602-TN-Chattano	ooqa												
2602000R	CHAT-Retirements		12/31/2007	\$8,919	\$0	\$8,919	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020205	CHAT-TDOT Relocations	Kate Nartey-Quaye	12/31/2007	(\$22,300)	\$0	(\$22,300)	\$0	\$0	\$0	\$0	\$0	\$0	
26020303	CHAT-River Front Pipeline	Randal Taylor		\$38,318	\$0	\$38,318	\$0	\$0	\$0	\$0	\$0	\$0	
26020401	Business Process Efficiency P			(\$205,548)	\$0	(\$205,548)	\$0	\$0	\$0	\$0	\$0	\$0	
26020402	Construct 1.0 MG Tank - Hill	Randal Taylor		(\$52,939)	\$0	(\$52,939)	\$0	\$0	\$0	\$0	\$0	\$0	
26020403	Security: Physical hardening	Randal Taylor		\$13,247	\$0	\$13,247	\$0	\$0	\$0	\$0	\$0	\$0	
26020503	Citico WTP Improve Phase 1A	Kristina E. McGee	10/31/2010	\$15,218,244	\$9,131,084	\$1,387,088	\$4,700,072	\$2,390,060	\$6,441,024	\$300,000	\$0	\$0	
26020601	Hill City Booster Suction	Randal Taylor		\$409,273	\$0	\$409,273	\$0	\$0	\$0	\$0	\$0	\$0	
26020602	Hill City Discharge	Randal Taylor		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
26020701	NRW Pressure Reduction	Randal Taylor	12/31/2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
26029804	CHAT-Replace Lkt Mtn Supp Mai	Kate Nartey-Quaye	6/15/2010	\$1,640,333	\$0	\$440,333	\$1,200,000	\$0	\$0	\$0	\$0	\$0	
IP-2602-10	Rehab of Aldrich Units #3 and #4	Kate Nartey-Quaye	3/30/2009	\$1,480,335	\$0	\$1,480,335	\$1,200,000	\$0	\$0 \$0	\$0	\$0	\$0	
IP-2602-10		Randal Taylor			\$2,000,062					\$0 \$0	\$0 \$0	\$0 \$0	
	Metershop Building Additions		12/30/2012	\$2,000,062		\$0	\$0	\$1,000,049	\$1,000,014				
IP-2602-18	Electrical Motor Efficiency Enhance	Randal Taylor	12/30/2014	\$1,000,000	\$1,000,000	\$0	\$0	\$0 \$044.30E	\$500,000	\$0	\$500,000	\$0	
IP-2602-19	NRW Pressure Reduction	Randal Taylor	12/31/2012	\$1,262,866	\$1,212,866	\$0	\$50,000	\$944,205	\$82,515	\$89,364	\$96,782	\$0	:
IP-2602-20	Interconnects Adjacent Water UD	Randal Taylor	12/31/2014	\$600,000	\$600,000	\$0	\$0	\$0	\$0	\$0	\$600,000	\$0	

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Budget Version: 2010 Original Budget

Year: 2010

Estimate Type: NET

FP Type District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total 2015	Total Future
IP PROJECTS													
2602-TN-Chattano	ooga												
IP-2602-21	Missionary Ridge Storage Tank	Randal Taylor	12/31/2014	\$3,500,000	\$3,500,000	\$0	\$0	\$0	\$0	\$1,000,000	\$2,500,000	\$0	\$0
IP-2602-22	TAW GIS Data Conversion	Megan L. Tylka	12/31/2014	\$350,000	\$350,000	\$0	\$0	\$0	\$0	\$350,000	\$0	\$0	\$0
IP-2602-24	Unallocated Indirect Overhead	Brian J. Markham	12/31/2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IP-2602-25	Post Acquisition BD CapEx	Randal Taylor	12/31/2015	\$1,650,000	\$1,600,000	\$0	\$50,000	\$50,000	\$750,000	\$750,000	\$50,000	\$0	\$0
IP-2602-4	5933 If of 20" Ringgold Rd. at I-75	Kate Nartey-Quaye	12/31/2014	\$1,525,538	\$1,500,000	\$25,538	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$0
IP-2602-6	Wastewater Treatm't & Handling Impr	John S. Watson	12/31/2014	\$600,000	\$600,000	\$0	\$0	\$0	\$0	\$400,000	\$200,000	\$0	\$0
IP-2602-9	Repl Lktout Mtn Pump#4	Randal Taylor	12/31/2014	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$0
2603-TN-Suck Cre	eek (SCUD)												
26030204	CHAT-Suck Creek Utility	Randal Taylor	12/31/2006	\$95,774	\$0	\$95,774	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2606-TN-Waldens	s Ridge												
26060302	Walden's Ridge Utility	Randal Taylor		\$88,588	\$0	\$88,588	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Total f	or IP PROJECTS:	\$32,200,709	\$22,494,012	\$3,706,625	\$6,000,072	\$4,384,314	\$8,773,553	\$4,389,364	\$4,946,782	\$0	\$0
CS PROJECTS													
2602-TN-Chattano	ooga												
CS-2602-1	Business Transformation CPS	Athanasios Birbilis	12/31/2009	\$132,653	\$0	\$132,653	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CS-2602-3	Business Transformation	Athanasios Birbilis	12/31/2012	\$8,038,963	\$5,506,937	\$0	\$2,532,026	\$1,704,065	\$1,510,721	\$1,300,293	\$991,858	\$0	\$0
		Total fo	r CS PROJECTS:	\$8,171,617	\$5,506,937	\$132,653	\$2,532,026	\$1,704,065	\$1,510,721	\$1,300,293	\$991,858	\$0	\$0
		Total for 26-Tennessee Am	nerican Water Co:	\$77,105,791	\$51,715,423	\$11,270,171	\$14,120,198	\$11,751,269	\$16,164,139	\$11,701,464	\$12,098,550	\$0	\$0
			Grand Total:	\$77,105,791	\$51,715,423	\$11,270,171	\$14,120,198	\$11,751,269	\$16,164,139	\$11,701,464	\$12,098,550	\$0	\$0

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Estimate Type: NET
Budget Version: 2009-2014 BP

Year: 2009

FP Type													
District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2009	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total Future
RP PROJECTS													
26-Tennessee Am	erican Water Co												
RP-26-A	Mains - New			\$828,521	\$452,284	\$284,809	\$91,428	\$100,500	\$93,910	\$83,430	\$85,933	\$88,511	\$0
RP-26-B	Mains - Replaced/Restored			\$5,022,683	\$2,714,469	\$1,793,686	\$514,528	\$460,000	\$790,000	\$473,800	\$488,014	\$502,655	\$0
RP-26-C	Mains - Unscheduled			\$831,098	\$345,403	\$420,203	\$65,493	\$76,294	\$54,233	\$69,519	\$71,604	\$73,753	\$1
RP-26-D	Mains - Relocated			\$3,498,918	\$3,269,357	\$79,613	\$149,948	\$700,000	\$500,000	\$669,500	\$689,585	\$710,272	\$(
RP-26-E	Hydrants, Valves, and Manholes - New			\$610,441	\$321,457	\$198,984	\$90,000	\$100,200	\$93,910	\$41,200	\$42,438	\$43,709	\$1
RP-26-F	Hydrants, Valves, and Manholes - Repla	ice		\$711,379	\$389,245	\$235,412	\$86,721	\$87,600	\$46,955	\$82,400	\$84,872	\$87,418	\$1
RP-26-G	Services and Laterals - New			\$6,027,645	\$3,887,720	\$1,389,855	\$750,070	\$750,000	\$750,000	\$772,500	\$795,675	\$819,545	\$1
RP-26-H	Services and Laterals - Replaced			\$843,303	\$554,693	\$208,343	\$80,267	\$150,000	\$150,000	\$82,400	\$84,872	\$87,420	\$
RP-26-I	Meters - New			\$4,680,186	\$2,827,762	\$1,266,907	\$585,518	\$438,000	\$400,000	\$643,745	\$663,062	\$682,954	\$
RP-26-J	Meters - Replaced			\$6,984,313	\$3,881,784	\$2,477,468	\$625,061	\$876,000	\$825,000	\$705,550	\$726,716	\$748,518	\$1
RP-26-K	ITS Equipment and Systems			\$502,806	\$235,218	\$211,208	\$56,381	\$45,000	\$46,955	\$46,350	\$47,741	\$49,173	\$1
RP-26-L	SCADA Equipment and Systems			\$336,853	\$228,261	\$68,592	\$40,000	\$65,700	\$35,216	\$41,200	\$42,436	\$43,709	\$1
RP-26-M	Security Equipment and Systems			\$448,576	\$186,874	\$231,533	\$30,169	\$65,700	\$35,216	\$27,810	\$28,644	\$29,504	\$1
RP-26-N	Offices and Operations Centers			\$271,704	\$198,227	\$33,476	\$40,000	\$87,600	\$46,955	\$20,600	\$21,218	\$21,855	\$1
RP-26-O	Vehicles			\$2,704,961	\$1,667,736	\$837,219	\$200,006	\$491,300	\$250,000	\$299,731	\$308,722	\$317,984	\$(
RP-26-P	Tools and Equipment			\$448,909	\$261,427	\$137,482	\$50,000	\$50,000	\$100,000	\$36,050	\$37,132	\$38,246	\$(
RP-26-Q	Process Plant Facilities and Equipment			\$4,038,840	\$3,273,505	\$265,345	\$499,990	\$700,000	\$344,966	\$721,000	\$742,630	\$764,909	\$1
RP-26-R	Capitalized Tank Rehabilitation/Painting			\$1,781,046	\$1,246,778	\$304,117	\$230,151	\$226,305	\$300,000	\$233,095	\$240,088	\$247,290	\$1
RP-26-S	Engineering Studies			\$306,478	\$271,955	\$34,523	\$0	\$0	\$46,955	\$75,000	\$75,000	\$75,000	\$1
		Total fa	or RP PROJECTS:	440.070.004	***************************************	A40.470.775	A4 405 700	AF 470 000	A4 040 070	AF 404.070	AF 070 000	AF 400 404	•
		iotai io	or RP PROJECTS:	\$40,878,661	\$26,214,156	\$10,478,775	\$4,185,730	\$5,470,200	\$4,910,270	\$5,124,879	\$5,276,383	\$5,432,424	\$0
DV PROJECTS													
26-Tennessee Am	erican Water Co												
DV-26	PROJECTS FUNDED BY OTHERS			\$6,391,281	\$5,000,000	\$391,280	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$(
						- '							
		Total fo	or DV PROJECTS:	\$6,391,281	\$5,000,000	\$391,280	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0
IP PROJECTS													
2602-TN-Chattano	·					*		•	•				_
26020501	TN DOT Relocations	Kate Nartey-Quaye	12/31/2010	\$1,915,372	\$0	\$1,727,147	\$188,225	\$0	\$0	\$0	\$0	\$0	\$1
26020503	Citico WTP Improve Phase 1A	Kristina E. McGee	8/31/2010	\$15,600,773	\$13,975,942	\$1,199,336	\$425,495	\$4,701,305	\$2,490,308	\$6,484,329	\$300,000	\$0	\$1
26029804	CHAT-Replace Lkt Mtn Supp Mai	Kate Nartey-Quaye	12/1/2009	\$1,177,357	\$0	\$77,357	\$1,100,000	\$0	\$0	\$0	\$0	\$0	\$1
IP-2602-10	Rehab of Aldrich Units #3 and #4	Kate Nartey-Quaye	3/30/2009	\$1,480,335	\$0	\$1,458,432	\$21,903	\$0	\$0	\$0	\$0	\$0	\$(
IP-2602-15	Dummy Unbudgeted Amount	Randal Taylor	12/31/2011	(\$50)	\$0	\$0	(\$50)	\$0	\$0	\$0	\$0	\$0	\$(
IP-2602-16	Metershop Building Additions	Randal Taylor	12/30/2012	\$2,000,062	\$2,000,062	\$0	\$0	\$0	\$1,000,049	\$1,000,014	\$0	\$0	\$(
IP-2602-18	Electrical Motor Efficiency Enhance	Randal Taylor	12/30/2014	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	\$(
IP-2602-19	NRW Pressure Reduction	Randal Taylor	12/31/2012	\$1,264,474	\$1,264,474	\$0	\$0	\$267,900	\$996,574	\$0	\$0	\$0	\$(
IP-2602-20	Interconnects Adjacent Water UD	Randal Taylor	12/31/2014	\$600,000	\$600,000	\$0	\$0	\$0	\$0	\$0	\$0	\$600,000	\$1
IP-2602-21	Missionary Ridge Storage Tank	Randal Taylor	12/31/2014	\$3,500,000	\$3,500,000	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$2,500,000	\$(
IP-2602-22	TAW GIS Data Conversion	Megan L. Tylka	12/31/2013	\$350,000	\$350,000	\$0	\$0	\$0	\$0	\$0	\$350,000	\$0	\$1
IP-2602-25	Post Acquisition BD CapEx	Randal Taylor	12/31/2015	\$1,856,701	\$1,650,000	\$0	\$206,701	\$50,000	\$50,000	\$750,000	\$750,000	\$50,000	\$(
IP-2602-4	5933 If of 20" Ringgold Rd. at I-75	Kate Nartey-Quaye	12/31/2013	\$1,525,538	\$1,500,000	\$22,372	\$3,166	\$0	\$0	\$0	\$1,500,000	\$0	\$(
IP-2602-6	Wastewater Treatm't & Handling Impr	John S. Watson	12/31/2014	\$600,000	\$600,000	\$0	\$0	\$0	\$0	\$0	\$400,000	\$200,000	\$0
IP-2602-7	Convert ER Reservoir to Pump Storag	Randal Taylor	12/31/2011	\$100,000	\$100,000	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	\$0

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Budget Version: 2009-2014 BP

Year: 2009

Estimate Type: NET

FP Type District FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2009	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total Future
IP PROJECTS		. roject manage.	6.10 24.0	010.4 10.4	0.00		.0 2000						
2602-TN-Chattan	•												
IP-2602-9	Repl Lktout Mtn Pump#4	Randal Taylor	12/31/2014	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$0
		Total f	or IP PROJECTS:	\$33,970,563	\$27,540,478	\$4,484,644	\$1,945,440	\$5,119,205	\$4,536,931	\$8,734,343	\$4,300,000	\$4,850,000	\$0
CS PROJECTS													
2602-TN-Chattan	nooga												
CS-2602-1	Business Transformation CPS	Athanasios Birbilis	12/31/2009	\$157,184	\$0	\$0	\$157,184	\$0	\$0	\$0	\$0	\$0	\$0
CS-2602-3	Business Transformation	Athanasios Birbilis	12/31/2012	\$8,038,963	\$8,038,963	\$0	\$0	\$2,532,026	\$1,704,065	\$1,510,721	\$1,300,293	\$991,858	\$0
		Total fo	or CS PROJECTS:	\$8,196,148	\$8,038,963	\$0	\$157,184	\$2,532,026	\$1,704,065	\$1,510,721	\$1,300,293	\$991,858	\$0
		Total for 26-Tennessee Am	nerican Water Co:	\$89,436,652	\$66,793,598	\$15,354,700	\$7,288,354	\$14,121,431	\$12,151,266	\$16,369,942	\$11,876,676	\$12,274,282	\$0
			Grand Total:	\$89,436,652	\$66,793,598	\$15,354,700	\$7,288,354	\$14,121,431	\$12,151,266	\$16,369,942	\$11,876,676	\$12,274,282	\$0

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Estimate Type: NET
Budget Version: 2008-2013 BP

Year: 2008

P Type													
District FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2008	Total 2009	Total 2010	Total 2011	Total 2012	Total 2013	Total Futu
	ir Name	Froject Manager	III SIVE Date	Overall Total	J Teal Total	TOTAL FILO	10141 2000	10101 2009	10(a) 2010	10(a) 2011	10(a) 2012	10(a) 2013	- Total i utt
P PROJECTS													
26-Tennessee Am	erican Water Co												
RP-26-A	Mains - New			\$1,093,248	\$692,862	\$100,071	\$300,315	\$226,184	\$233,108	\$233,570	\$0	\$0	;
RP-26-B	Mains - Replaced/Restored			\$8,621,596	\$6,582,185	\$778,244	\$1,261,167	\$2,148,748	\$2,214,526	\$2,218,911	\$0	\$0	
RP-26-C	Mains - Unscheduled			\$750,103	\$346,431	\$302,231	\$101,441	\$113,092	\$116,554	\$116,785	\$0	\$0	;
RP-26-D	Mains - Relocated			\$2,469,486	\$2,078,585	\$170,830	\$220,071	\$678,552	\$699,324	\$700,709	\$0	\$0	•
RP-26-E	Hydrants, Valves, and Manholes - Ne	ew		\$973,709	\$692,862	\$181,348	\$99,500	\$226,184	\$233,108	\$233,570	\$0	\$0	
RP-26-F	Hydrants, Valves, and Manholes - Re	place		\$130,532	\$0	\$63,347	\$67,185	\$0	\$0	\$0	\$0	\$0	•
RP-26-G	Services and Laterals - New			\$3,603,006	\$2,425,016	\$563,982	\$614,008	\$791,644	\$815,878	\$817,494	\$0	\$0	\$
RP-26-H	Services and Laterals - Replaced			\$390,031	\$199,891	\$70,452	\$119,688	\$65,254	\$67,252	\$67,385	\$0	\$0	\$
RP-26-I	Meters - New			\$2,184,759	\$1,039,292	\$555,530	\$589,936	\$339,276	\$349,662	\$350,354	\$0	\$0	\$
RP-26-J	Meters - Replaced			\$7,696,633	\$5,196,462	\$1,492,716	\$1,007,454	\$1,696,380	\$1,748,310	\$1,751,772	\$0	\$0	\$
RP-26-K	ITS Equipment and Systems			\$267,782	\$0	\$96,282	\$171,500	\$0	\$0	\$0	\$0	\$0	\$
RP-26-L	SCADA Equipment and Systems			\$375,200	\$300,200	\$0	\$75,000	\$98,000	\$101,000	\$101,200	\$0	\$0	\$
RP-26-M	Security Equipment and Systems			\$248,290	\$0	\$173,290	\$75,000	\$0	\$0	\$0	\$0	\$0	\$
RP-26-N	Offices and Operations Centers			\$493,660	\$399,781	\$13,330	\$80,549	\$130,508	\$134,503	\$134,770	\$0	\$0	\$
RP-26-O	Vehicles			\$980,509	\$0	\$511,759	\$468,751	\$0	\$0	\$0	\$0	\$0	\$
RP-26-P	Tools and Equipment			\$867,963	\$692,862	\$54,432	\$120,670	\$226,184	\$233,108	\$233,570	\$0	\$0	\$
RP-26-Q	Process Plant Facilities and Equipme	ent		\$2,070,739	\$1,501,000	\$238,636	\$331,102	\$490,000	\$505,000	\$506,000	\$0	\$0	\$
RP-26-R	Capitalized Tank Rehabilitation/Paint	ting		\$2,765,690	\$2,078,585	\$529,941	\$157,164	\$678,552	\$699,324	\$700,709	\$0	\$0	\$
RP-26-S	Engineering Studies			\$69,956	\$0	\$30,513	\$39,443	\$0	\$0	\$0	\$0	\$0	\$
		Total fo	or RP PROJECTS:	\$36,052,891	\$24,226,012	\$5,926,935	\$5,899,944	\$7,908,558	\$8,150,657	\$8,166,797	\$0	\$0	\$
DV PROJECTS													
26-Tennessee Am	erican Water Co												
DV-26	PROJECTS FUNDED BY OTHERS			\$2,017,940	\$0	\$179,964	\$1,837,976	\$0	\$0	\$0	\$0	\$0	\$
		Total fo	or DV PROJECTS:	\$2,017,940	\$0	\$179,964	\$1,837,976	\$0	\$0	\$0	\$0	\$0	\$
P PROJECTS				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	•	• • • • • • • • • • • • • • • • • • • •	, , ,.	•			•	••	
2602-TN-Chattano	ū	K . N . O	10/01/010	44.040.050	4070 100	** *** ***	****	2100 710	4440.000	•	••	••	
26020501	TN DOT Relocations	Kate Nartey-Quaye	12/31/2010	\$1,918,352	\$270,108	\$1,448,244	\$200,001	\$129,746	\$140,362	\$0	\$0	\$0	\$
26020503	Citico WTP Improve Phase 1A	Kristina E. McGee	3/22/2010	\$13,734,364	\$12,209,649	\$341,771	\$1,182,943	\$9,398,343	\$2,811,306	\$0	\$0	\$0	\$
26020701	NRW Pressure Reduction	Randal Taylor	12/31/2009	\$150,000	\$0	\$0	\$150,000	\$0	\$0	\$0	\$0	\$0	
26020702	Missionary Ridge Storage Tank	Randal Taylor	12/31/2014	\$150,000	\$0	\$0	\$150,000	\$0	\$0	\$0	\$0	\$0	
26029804	CHAT-Replace Lkt Mtn Supp Mai	Kate Nartey-Quaye	12/1/2009	\$39,515	\$2,988	\$6,488	\$30,038	\$2,988	\$0	\$0	\$0	\$0	\$
IP-2602-4	5933 If of 20" Ringgold Rd. at I-75	Kate Nartey-Quaye	12/31/2008	\$2,137,682	\$0	\$0	\$2,137,682	\$0	\$0	\$0	\$0	\$0	
IP-2602-5	Citico WTP Filtration - Phase 2	Kristina E. McGee	12/31/2011	\$5,920,000	\$5,920,000	\$0	\$0	\$360,000	\$2,210,000	\$3,350,000	\$0	\$0	
		Total f	for IP PROJECTS:	\$24,049,913	\$18,402,746	\$1,796,503	\$3,850,664	\$9,891,078	\$5,161,668	\$3,350,000	\$0	\$0	\$
		Total for 26-Tennessee An	nerican Water Co:	\$62,120,744	\$42,628,758	\$7,903,403	\$11,588,584	\$17,799,636	\$13,312,325	\$11,516,797	\$0	\$0	\$
			Grand Total:	\$62,120,744	\$42,628,758	\$7,903,403	\$11,588,584	\$17,799,636	\$13,312,325	\$11,516,797	\$0	\$0	\$

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Estimate Type: NET

Budget Version: Original 2007-2011 Plan (Converted)

Year: 2007

ED T													
FP Type District													
FP Number	FP Name	Project Manager	In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2007	Total 2008	Total 2009	Total 2010	Total 2011	Total 2012	Total Future
RP PROJECTS													
26-Tennessee Am	nerican Water Co												
RP-26-A	Mains - New			\$992,200	\$792,200	\$0	\$200,000	\$191,800	\$196,000	\$202,000	\$202,400	\$0	\$1
RP-26-B	Mains - Replaced/Restored			\$9,494,900	\$7,525,900	\$0	\$1,969,000	\$1,822,100	\$1,862,000	\$1,919,000	\$1,922,800	\$0	\$
RP-26-C	Mains - Unscheduled			\$516,100	\$396,100	\$0	\$120,000	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$1
RP-26-D	Mains - Relocated			\$2,976,600	\$2,376,600	\$0	\$600,000	\$575,400	\$588,000	\$606,000	\$607,200	\$0	\$
RP-26-E	Hydrants, Valves, and Manholes - New			\$992,200	\$792,200	\$0	\$200,000	\$191,800	\$196,000	\$202,000	\$202,400	\$0	\$
RP-26-F	Hydrants, Valves, and Manholes - Replace	e		\$450,500	\$396,100	\$0	\$54,400	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$
RP-26-G	Services and Laterals - New			\$3,522,700	\$2,772,700	\$0	\$750,000	\$671,300	\$686,000	\$707,000	\$708,400	\$0	\$
RP-26-H	Services and Laterals - Replaced			\$291,354	\$198,054	\$0	\$93,300	\$47,954	\$49,000	\$50,500	\$50,600	\$0	\$
RP-26-I	Meters - New			\$1,488,300	\$1,188,300	\$0	\$300,000	\$287,700	\$294,000	\$303,000	\$303,600	\$0	\$
RP-26-J	Meters - Replaced			\$7,441,500	\$5,941,500	\$0	\$1,500,000	\$1,438,500	\$1,470,000	\$1,515,000	\$1,518,000	\$0	\$
RP-26-K	ITS Equipment and Systems			\$496,100	\$396,100	\$0	\$100,000	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$
RP-26-L	SCADA Equipment and Systems			\$473,600	\$396,100	\$0	\$77,500	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$
RP-26-M	Security Equipment and Systems			\$502,500	\$396,100	\$0	\$106,400	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$
RP-26-N	Offices and Operations Centers			\$496,100	\$396,100	\$0	\$100,000	\$95,900	\$98,000	\$101,000	\$101,200	\$0	\$
RP-26-O	Vehicles			\$3,522,700	\$2,772,700	\$0	\$750,000	\$671,300	\$686,000	\$707,000	\$708,400	\$0	\$
RP-26-P	Tools and Equipment			\$952,200	\$792,200	\$0	\$160,000	\$191,800	\$196,000	\$202,000	\$202,400	\$0	\$
RP-26-Q	Process Plant Facilities and Equipment			\$2,480,500	\$1,980,500	\$0	\$500,000	\$479,500	\$490,000	\$505,000	\$506,000	\$0	\$
RP-26-R	Capitalized Tank Rehabilitation/Painting			\$2,976,600	\$2,376,600	\$0	\$600,000	\$575,400	\$588,000	\$606,000	\$607,200	\$0	\$
		Total fo	or RP PROJECTS:	\$40,066,654	\$31,886,054	\$0	\$8,180,600	\$7,719,954	\$7,889,000	\$8,130,500	\$8,146,600	\$0	\$
DV PROJECTS													
26-Tennessee Am	nerican Water Co												
DV-26	PROJECTS FUNDED BY OTHERS			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$
· ·		Total fo	or DV PROJECTS:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IP PROJECTS													
2602-TN-Chattano	ooga												
26020205	CHAT-TDOT Relocations	Kate Nartey-Quaye	12/31/2007	\$25,945	\$0	\$25,945	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020303	CHAT-River Front Pipeline	Randal Taylor		\$38,336	\$0	\$38,336	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020401	Business Process Efficiency P			(\$178,174)	\$0	(\$178,174)	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020402	Construct 1.0 MG Tank - Hill	Randal Taylor		\$159,998	\$0	\$159,998	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020403	Security: Physical hardening	Randal Taylor		\$8,601	\$0	\$8,601	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020501	TN DOT Relocations	Kate Nartey-Quaye	12/31/2010	\$1,250,000	\$0	\$1,250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$
26020503	Citico WTP Improve Phase 1A	Kristina E. McGee	3/22/2010	\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$
				•		•					1.5	•	
26020601	Hill City Booster Suction	Randal Taylor		\$450,000	\$0	\$450,000	\$0	\$0	\$0	\$0	\$0	\$0	\$
	· · · · · · · · · · · · · · · · · · ·	Randal Taylor Randal Taylor		\$450,000 \$35,001	\$0 \$0	\$450,000 \$35,001	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$1

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Budget Version: Original 2007-2011 Plan (Converted)

Year: 2007

Estimate Type: NET

FP Type District FP Number	FP Name	Project Manager In Srvc Date	Overall Total	5 Year Total	Total Prior	Total 2007	Total 2008	Total 2009	Total 2010	Total 2011	Total 2012	Total Future
IP PROJECTS												
2606-TN-Waldens	s Ridge											
26060302	Walden's Ridge Utility	Randal Taylor	\$100,003	\$0	\$100,003	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Total for IP PROJECTS:	\$2,290,441	\$0	\$1,990,441	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0
		Total for 26-Tennessee American Water Co:	\$42,357,095	\$31,886,054	\$1,990,441	\$8,480,600	\$7,719,954	\$7,889,000	\$8,130,500	\$8,146,600	\$0	\$0
		Grand Total:	\$42,357,095	\$31,886,054	\$1,990,441	\$8,480,600	\$7,719,954	\$7,889,000	\$8,130,500	\$8,146,600	\$0	\$0

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Units:

Company/State TN Revision Date Oct 17, 2005 Status Approved Q3 Reforecast

													Ī
	Proje												
	ct					Total	Plan Total	Plan Total	Plan Total	Plan Total	Plan Total		
Com	Code	Brief Description of Proposed Expenditures	Stage (P	ss Plan⊡ 5-ye	Prior	2005	2006	2007	2008	2009	2010	Post 2010	Project Total
TN	0800	Mains, Hydrants, Valves, Meters - Deposit/Contribution	PIA	5,500,000		1,000,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000		
TN			PIA	12,717,337		1,080,000	1,080,000	2,700,000	2,835,000	2,976,750	3,125,588		
TN		Network - Extension	PIA	1,000,000		200,000	200,000	200,000	200,000	200,000	200,000		
TN		Hydrants - Replacement	PIA	464,547		50,000	40,000	98,500	103,425	108,596	114,026		
TN		Hydrants - New	PIA	750,000		149,999	150,000	150,000	150,000	150,000	150,000		
TN		Services - Replacement	PIA	651,867		35,000	70,000	135,000	141,750	148,838	156,279		
TN		Services - New	PIA	3,900,000		780,001	780,000	780,000	780,000	780,000	780,000		
TN		Meters - Replacement	PIA	9,100,000		850,000	1,800,000	4,000,000	1,000,000	1,000,000	1,300,000		
TN		Meters - New	PIA	2,450,000		600,000	490,000	490,000	490,000	490,000	490,000		
TN		ITS Equipment & Systems	PIA	250,000		30,129	50,000	50,000	50,000	50,000	50,000		
TN		Offices and Operations Centers	PIA	50,000		75,000	10,000	10,000	10,000	10,000	10,000		
TN		Vehicles		90,000		12,297	90,000						
TN		Tools and Equipment	PIA	460,000		150,000	100,000	90,000	90,000	90,000	90,000		
TN		Process Plant - Replacement	PIA	1,005,000		114,000	50,000	225,000	235,000	245,000	250,000		
TN		Process Plant - Additions		500,000		1,811		125,000	125,000	125,000	125,000		
TN		Treatment Media Replacement and Process Rehabilita											
TN		Tank Rehabilitation / Painting (capitalized)	PIA	2,050,000		550,000		550,000	500,000	500,000	500,000		
TN	0097	Comprehensive Planning Studies	PIA	100,000				100,000					
		TOTAL DEGUEDANG DOG 15070						40.000.000			0.440.000		
		TOTAL RECURRING PROJECTS		41,038,751		5,678,238	6,009,999	10,803,500	7,810,175	7,974,184	8,440,893		
		SLICK Creek Association											
TN	00.04	SUCK Creek Acquisition	DIA		475 000	2.505							170.017
TN		Replace Lookout Mountain Supply Mains STEP Project	PIA PIA	2 200 000	175,622	3,595 400,000	E00.000	4 000 000	400.000	200,000	400,000		179,217
		,	PNI	2,200,000	398,141	•	500,000	1,000,000	400,000	200,000	100,000		2,998,141
TN TN		Security: Physical hardening and exterior lighting TDOT - I75, Signal Mt. Rd, Hickory Valley Rd	PCA		650,928	173,673 (591)							824,601 (591)
TN		Walden's Ridge Utility District Main Extension	PIA		214,118	` '							4,214,118
TN		TDOT Highway Projects - non refundable	PNI	2,075,000	214,110	200,000	750,000	725,000	200,000	200,000	200,000		2,275,000
IIN		WTP Study, Evaluation	PNI	271,000		80,000	271,000	725,000	200,000	200,000	200,000		351,000
TN			PIA	271,000	548,810	961,000	271,000						1,509,810
TN	03-03	, , , , , , , , , , , , , , , , , , ,	FIM	6,300,000	340,010	301,000	200,000	550,000	4,500,000	1,050,000			6,300,000
TN	D 0	Pretreatment Facility Improvements Filter House No 3 Imporvements		5,000,000			200,000	500,000	3,300,000	1,000,000			5,000,000
IIN		WTP Improvments, DBP (Ammoniation)		700,000			200,000	70,000	400,000	230,000			700,000
TN		Construct 1.0 MG Tank - Hill City Pressure Zone	PNI	700,000	3,431	1,467,000		70,000	400,000	230,000			1,470,431
IIN		WTP Tank Truck Containmant	New	100,000	3,431	1,407,000			100,000				1,470,431
TN		East Ridge Zone Storage and Pipline	PCA	1,450,000	12,067	50,000	1,450,000		100,000				1,512,067
IIN		1	1 07		12,007	30,000	1,400,000			E0 000			
I	A-5	Convert East Ridge Resv. To Pumped Storage		50,000				l l		50,000		l l	50,000

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Units:

Company/State TN Revision Date Oct 17, 2005 Status Approved Q3 Reforecast

	Proje ct					Total	Plan Total			Plan Total	Plan Total		
Com			Stage (P	ss Plan⊡ 5-ye	Prior	2005	2006	2007	2008	2009		Post 2010	Project Total
		WTP Reliability		1,600,000							1,600,000		1,600,000
		Replace Lookout Mtn. Pump #4,											
TN		Standby Power at Citico Plant		1,500,000							1,500,000		1,500,000
TN		Wastewater Treatment & Handling Improvements											
TN		Replace Roof, Filter House #2											
		Construct 1.25 MG Tank and 1000'-16" Missionary Rid	lge Zone										
TN		Southside Chattanooga Improvements		600,000						600,000			600,000
		Hill City Booster Suction,		506,000						506,000			506,000
		5800'-16" Main in Navajo Dr.											
		3000'-24" Tennessee River Crossing											
TN	B-2	Install 9,100' of 12", South Crest, Wahella & John Ros	s										
TN	B-3	Install 2'300' of 12" - Page Road & Meadow Lane		215,000						215,000			215,000
TN	B-4	Construct 1.0 MG Tank - Rossville Pressure Zone		2,050,000						50,000	2,000,000		2,050,000
TN	B-6	Signal Mountain Interconnection Improvements											
TN		Install 10,000' of 16" - Chickamuaga Ave.											
	B-1	4600'-12"Ringgols St											
TN	B-10	Install 1,400' of 24" - Tremont, Oliver & Kent Streets										260,000	260,000
TN	A-4	Install 5,700' of 16" - East Branierd Road										570,000	570,000
TN		Install Main in Jersey Pike & 153											
TN													
TN		Non Budget IP				18,163							18,163
TN													
		TOTAL INVESTMENT PROJECTS		24,617,000		7,352,840	3,371,000	2,845,000	8,900,000	4,101,000	5,400,000	830,000	34,802,957

65,655,751 13,031,079 9,380,999 13,648,500 16,710,175 ######## 13,840,893

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	PROGRAM OF CONSTRUCTION	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN SEP	PLAN OCT	PLAN NOV	PLAN DEC	TOTAL	SBP	VARIANO
	ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG			20,000	20,000	400,000	SBP	400.0
	A-MAINS & HYDRANTS, DEPOSIT AGREEMENTS	86,916 15,097	46,346 51,538	56,738 113,267	30,000 140,000	30,000 165,000	30,000 180,000	20,000 175,000	20,000 150,000	20,000 127,500	20,000 122,500	20,000 87,830	142,268	1,470,000		1,470,0
	3-MAINS & HYDRANTS, COMPANY EXPENSE	94,244	81,839	75,500	75,500	55,500	55,500	105,500	105,500	55,500	55,500	45,500	44,417	850,000		850,0
	C—SERVICES D—METERS & INSTALLATIONS	59,411	52,855	59,000	141,000	112,000	192,000	192,000	187,000	137,000	137,000	137,000	83,734	1,490,000		1,490,0
	COFFICE FURNITURE & EQUIPMENT	39,411	0	35,000	141,000	112,000	192,000	5,000	5,000	137,000	137,000	15,000	03,734	60,000		60,0
	TRANSPORTATION EQUIPMENT	0	o o	33,000	0	0	148,000	0,000	152,000	22,000	22,000	6,000	0	350,000		350,0
	GGENERAL EQUIPMENT	5,000	15,000	14,600	18,500	9,400	140,000	0	5,000	5,000	8,000	9,500	10,000	100,000		100,0
	IMISCELLANEOUS	0,000	0 000	0 000	30,450	20,000	5,000	44,500	100,000	209,500	210,000	6,500	3,050	629,000		629,0
ittan t	SUB-TOTAL	260,668	247,578	354,105	435,450	391,900	610,500	542,000	724,500	576,500	575,000	327,330	303,469	5,349,000	0	5,349,
	LESS: Item A	86,916	46,346	56,738	30,000	30,000	30,000	20,000	20,000	20,000	20,000	20,000	20,000	400,000	0	400,
	TOTAL	173,752	201,232	297,367	405,450	361,900	580,500	522,000	704,500	556,500	555,000	307,330	283,469	4,949,000	0	4,949,
CPS		PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN			
#	INVESTMENT PROJECTS:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	ОСТ	NOV	DEC	TOTAL	SBP	VARIAN
8-04	Replace Lookout Mountain Supply Mains	0	0	0	0	0	0	0	0	0	0	0	0	0		
0-03	East Ridge Zone Storage and Pipline	25,000	25,000	50,000	50,000	100,000	100,000	200,000	200,000	200,000	200,000	250,000	200,000	1,600,000		1,600,0
2-05	TDOT - 175, Signal Mt. Rd, Hickory Valley Rd	0	0	0	0	0	0	0	0	0	0	0	0	0		
3-02	Walden's Ridge Utility District Main Extension	200,000	200,000	250,000	250,000	300,000	200,000	150,000	50,000	50,000	25,000	0	0	1,675,000		1,675,
3-03	River Front Pipeline Project	0	0	0	0	0	0	0	0	0	0	0	0	0		
4-01	STEP Project	90,677	90,677	90,677	88,163	83,913	83,913	73,940	66,241	66,241	66,241	76,238	76,238	953,159		953,
4-02	Construct 1.0 MG Tank - Hill City Pressure Zone	10,000	15,000	25,000	50,000	50,000	50,000	100,000	200,000	200,000	200,000	200,000	200,000	1,300,000		1,300,0
4-03	Security: Physical hardening and exterior lighting	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Southside Chattanooga Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	TDOT Highway Projects - non refundable	25,000	25,000	50,000	0	0	50,000	0	0	0	50,000	0	0	200,000		200,
0	Pretreatment Facility Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 2'300' of 12" - Page Road & Meadow Lane	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Construct 1.0 MG Tank - Rossville Pressure Zone	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 1,400' of 24" - Tremont, Oliver & Kent Streets	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 5,700' of 16" - East Branierd Road	0	0	0	0	0	0	0	0	0	0	0	0	0		1
0	Standby Power at Citico Plant	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 9,100' of 12", South Crest, Wahella & John Ross	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Wastewater Treatment & Handling Improvements	0	- 0	0	0	0	0	0	0	0	0	0	0	0		
0	Signal Mountain Interconnection Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install Main in Jersey Pike & 153	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Filter House No 3 Imporvements	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 10,000' of 16" - Chickamuaga Ave	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
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0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		1
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	Construct 1,25 MG Tank - Missionary Ridge Zone	0	0	0	0	0	0	0	0	0	0	0	0			
0	0	0	0	0	0	0	0	0	0	0	0	0	0			
0	0	0	0	0	0	0	0	0	0	0	0	0	0			
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٥	0	0	0	0	0	0	0	0	0	0	٥	٥١	٥١	0		
							- Y						1	0		
_	SUB-TOTALS IP'S	350,677	355,677	465,677	438,163	533,913	483,913	523,940	516,241	516,241	541,241	526,238	476,238	5,728,159	0	5,728,
	IP Reimbursements (INPUT)	20,000	12,000	20,000	20,000	20,000	28,000	28,000	60,000	60,000	60,000	40,000	32,000	400,000		400.0
	TOTAL IP'S (Less Reimbursements)	330,677	343,677	445,677	418,163	513,913	455,913	495,940	456,241	456,241	481,241	486.238	444,238	5,328,159	0	
	TOTAL PLAN (Less Item A and Reimbursements)	504,429	544,909	743,044	823,613	875,813	1,036,413	1.017.940	1,160,741	1,012,741	1,036,241	793,568	727,707	10,277,159	0	10,277,1

TAW_R_COCDR1#017Attachment

INVESTM	MENT PLA ORECAST FOR THE YEAR:	2004				FOh, AST	OF BOOKED	EXPENDITU	IRES				Р	age 15	of 19	31-Dec-03 9 45 AM
	PROGRAM OF CONSTRUCTION	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN		THAIL.	16
	ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	SBP	VARIANCE
III	MAINS & HYDRANTS, DEPOSIT AGREEMENTS	20,0		20,000	20,000	20,000	28.000	28,000	60,000	60,000	60,000	40,000	32,000	400,000		400,000
Item B	MAINS & HYDRANTS, COMPANY EXPENSE	49,0		49,000	49,000	49,000	68,600	68,600	147,000	147,000	147,000	98,000	78_400	980,000		980,000
	SER VICES	25,5		25,500	25,500	25,500	35,700	35,700	76,500	76,500	76,500 69,000	51,000 46,000	40,800 36,800	510,000 460,000		510,000 460,000
III.	METERS & INSTALLATIONS	23,0		23,000	23,000	23,000	32,200 4,200	32,200 4,200	69,000 9,000	69,000 9,000	9,000	6,000	4,800	60,000		60,000
11	OFFICE FURNITURE & EQUIPMENT	3,0	0 1,800 0 21,000	3,000 21,000	3,000 21,000	3,000 21,000	24,500	4,200	9,000	9,000	9,000	0,000	191,500	300,000		300,000
	TRANSPORTATION EQUIPMENT	5,6		5,600	5,600	5,600	7,800	11,200	10,700	10,700	16,700	16,700	0	111,500		111,500
	GENERAL EQUIPMENT MISCELLANEOUS	2,5		2,500	2,500	2,500	3,500	3,500	7,500	7,500	7,500	5,000	4,000	50,000		50,000
Hem ri-	SUB-TOTAL	128,6			149,600	149,600	204,500	183,400	385,700	385,700	385,700	262,700	388,300	2,871,500	0	2,871,500
1	LESS: Item A	20,0			20,000	20,000	28,000	28,000	60,000	60,000	60,000	40,000	32,000	400,000	0	400,000
1	TOTAL	108,60		129,600	129,600	129,600	176,500	155,400	325,700	325,700	325,700	222,700	356,300	2,471,500	0	2,471,500
CPS		PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN			
#	INVESTMENT PROJECTS:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	SBP	VARIANCE
00-03	Construct 1.0 MG Tank - East Ridge Pressure Zone	200,0	100,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	1,450,000		1,450,000
02-07	West Valley Water Association		0 0	0	0	0	0	0	0	0	0	0	0	0		0
03-02	Walden's Ridge Utility District Main Extension	50,0	50,000	100,000	100,000	250,000	250,000	400,000	400,000	100,000	50,000	0	0	1,750,000		1,750,000
0	0		0 0		0	0	0	0	0	0	0	0	0	0		0
0	0		0 0	0	0	0	0	0	0	0	0	0	0	0		١
0	Proposed Investment Projects		0 0	0	0	0	0	0	50,000	30,000	20,000	10,000	0	400,000		400,000
04-01	Fire Protection for Municipal Governments		0 20,000	30,000	60,000	60,000	60,000	60,000	50,000 50,000	50,000	20,000	10,000	0	200,000		200,000
04-02	Chattanooga Fire Flow Improvements		0 0	0	0	0	50,000 65,000	50,000 70,000	65,000	30,000	0	0	0	200,000		200,000
04-03	Southside Chattanooga Improvements		0	0	0	0	76,000	100,000	100,000	0	0	0	0	276,000		276,000
04-04	Tank Painting		0	0	0	١	76,000	100,000	100,000	0	0	0	0	0		0
0	U		0 0	0	75,000	90,000	120,000	120,000	120,000	45,000	0	0	0	570,000		570,000
04-06	Install 5,700' of 16" - East Branierd Road Construct 1.0 MG Tank - Hill City Pressure Zone		0 0	150,000	75,000	50,000	50,000	50,000	0	0	0	0	0	300,000		300,000
04-07	Fire Protection for Municipal Governments		0 0	0	0		0	0	0	0	0	0	0	0		0
0	Chattanooga Fire Flow Improvements		0 0	0	0	0	0	0	0	0	0	0	0	0		0
0	Tank Painting		0 0	0	0	0	0	0	0	0	0	0	0	0		0
0	Pretreatment Facility Improvements		0 0	0	0	0	0	0	0	0	0	0	0	0		0
0	Southside Chattanooga Improvements		0 0	0	0	0	0	0	0	0	0	0	0	0		0
0	Install 4,600' of 12" - Ringgold Road		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 9,100' of 12", South Crest, Wahella & John Ross		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 2'300' of 12" - Page Road & Meadow Lane		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Construct I 0 MG Tank - Rossville Pressure Zone		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Wastewater Treatment & Handling Improvements		0 0	0	0	0	0	0	0	0	0	0	0	٥		1 1
0	Signal Mountain Interconnection Improvements		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Install Main in Jersey Pike & 153		0 0	0	0	0	0	0	0	0	0	0	0	ů		
0	Filter House No 3 Imporvements		0 0	0	0	0	0	0	0	0	0	0	0	0		1 1
0	Install 10,000' of 16" - Chickamuaga Ave		0 0	0	0	0	0	0	0	0	0	0	0	0		
0	Install 1,400' of 24" - Tremont, Oliver & Kent Streets		0	0	0	0	0	0	0	0	0	0	0	0		
0	Construct 1 25 MG Tank - Missionary Ridge Zone		0	0	0	0	0		١	0	0	0	0	0		1 3
1 1	0			· ·	"	"	· ·	ľ	ľ	ľ	ľ					
1 1																1
			1													0
			1													0
1 1																0
																0
																0
1 1	'													0		0
														0		
	SUB-TOTALS IP'S	250,0	0 170,000	395,000	350,000	565,000	786,000	965,000	900,000	340,000	185,000	125,000	115,000	5,146,000	0	1
	IP Reimbursements (INPUT)		0 0	12,000	0		12,000	0	0	12,000	105,000	125 000	115 000	36,000 5,110,000	0	36,000 5,110,000
	TOTAL IP'S (Less Reimbursements)	250,0		383,000	350,000		774,000	965,000	900,000	328,000 653,700	185,000 510,700	125,000 347,700	115,000 471,300	7,581,500	0	
	TOTAL PLAN (Less Item A and Reimbursements)	358,6	0 256,100	512,600	479,600	694,600	950,500	1,120,400	1,225,700	033,700	310,700	341,100	4,1,500	1,5501,550		4

Tennessee-American Water Company 2003 INVESTMENT PLAN

STRATEGIC CAPITAL BUSINESS PLAN

1.	/ul	1							
Investme	Brief Description of Proposed Expenditures				2003	2004	2005	2008	2007
Hem	Mains, Hydrants, Valves, Meters - Deposit/Contribution				400,000	400,000	400,000	400,000	400.0
						880.000	980,000	980 000	980.0
В	Mains, Hydrants, Valves - Company Expense				980,000 510,000	510,000	\$10,000	510,000	510.0
C	Bervices	1			480,000	480,000	460,000	460,000	460.00
D	Meters	1	1		50,000	50,000	50,000	50,000	50,00
E .	Office Furniture & Equipment	1	l		108,500	120,000	120 000	120,000	120,00
F	Transportation General Equipment	1	l		111,500	100,000	100,000	100,000	100,00
G H	Miscelleneous	1			25,000	25,000	25,000	25,000	25,00
	LOTAL LIEM A THROUGHTH				2,845,000	2,645,000	2,845,000	2,645,000	2,645,00
		CPS No.	Estimated Cost	Prior	2003	2004	2005	2006	2007
	Current Investment Projects								
96-12			1,554,200	1,554.200					
98-04			646,000	117,000	531,000				
00-03			1,775,300	9,800		1,450,000	315,000		
00-07			395,000	395,000					
01-02			850,000	24,800					
01-02			39,900	39,900					
			400,000		400,000				
02-01		-	75,000		75,000				
02-02		1	50,000		50,000				
02-03	Southside Chattanooga Improvements		2,168,850		350,000				
02-05		_	350,000		350,000				
02-04		1	271,950		271,950				
02-08	Proposed Investment Projects	1							
	(-	375,000						
02-04		-	800,000			200,000	200,000	200,000	200,00
	Chattanooga Fire Flow Improvements	-				400,000	400,000	400,000	400.00
	Fire Protection for Municipal Governments		1,600,000			275,000	300,000	300,000	300,00
	Tenk Peinting		1,176,000			200,000	200,000	0	
02-	Southside Chattanooga Improvements	A-3	400,000			200,000	570,000		-
03-	Install Main in East Brainerd Road	A-4	570,000				570,000		
02-08	Lone Oak Utility District O&M		271,950						
03-	Filter House No. 3 Improvements	B-8	0					500,000	1,000.00
04-	Pretreatment Facility Improvements	A-2	1,500,000					500,000	1,000,0
05	Install Main in Page Road	B-3	0						
	Install Main in Jersy Pike & Hery, 153	B-7	0						
	1.25 MG Tank in Missionary Ridge Zone	B-14	2,200,000					300,000	500,0
	Filter Plant Basin Repairs		100,000			100,000			
	1.0 MG Tank in Rossville Zone	B-4	2,000,000					200,000	500,0
	1.0 M/G TBIR III NOSSYING ZOTO	9 003	0						
		-	0		_				
		-	ő						
			0		4				
	INVESTMENT PROJECT TOTAL				2,027,950	2,626,000	1,985,000	1,900,000	2,900,0
					4,672,950	5,271,000	4,630,000	4,545,000	5,545,0
1	TOTAL ITEM A THROUGH IP'S	+		_	601,000	400.000	400,000	400,000	400.00
2	item A and IP Contributions (includes hook-up fees)	1			4.071.950	4,871,000	4.230.000	4,145,000	5,145.0
3	COMPANY FUNDED EXPENDITURES (1 minus 2)	1			38,000	36,000	30,000	38,000	36.0
1 5	TOTAL REFUNDS Total Company Funded Capital Expenditures (3 plus 4)	-			4,107,050	4,907,000	4,266,000		
	Acquisitions								
	CONTROL CONTRO								
4		-							
1		1			0	0	0	4,545,000	5,545,0
6	TOTAL CAPITAL EXPENDITURES (1 plus 6) (2002)	+			4,672,950	5,271,000	4,630,000		

TAW_R_COCDR1#017Attachment Page 16 of 19

\$ in millions	2003	2004	2008	2906	2007
Source of supply - Water		0	0	o	0
Pumping - Water	l 6	0	0	0	0
Treatment - Water		0	0	0	0
Storage - Water	6	1,726,000	740,000	300,000	1,000,000
Distribution - Water	5.147,950	3,545,000	4,015,000	4,245,000	4,545,000
Other Water Plent	0	0	0	0	0
Pumping - Sewer		D	0	0	0
Treatment - Sewer	0	0	0	0	0
Collection - Sewer	0	0	0	0	0
Other Sewer Plant	0	0	0	0	o
Total (Line 1)	E,147,960	8,271,000	4,755,000	4,645,000	8,845,000
Infrastructure Improvements	4,501,000	5,271,000	4,755,000	4,545,000	5,545,000
Regulatory Mandates	0	0	0	0	0
Revenue Supported Growth	648,950	0	0	0	0
Total (Line 7)	6,147,980	5,271,000	4,768,000	4,848,000	8,548,000

President

Approved by Board of Directors for the Year 2002

ANNUAL CAPITAL BUSINESS PLAN

Tennessee-American Water Company 2002 INVESTMENT PLAN

					Author	zed Expenditi	res		19							
	nvestment item	t Brief Description of Proposed Expenditures				2002	2003	2004								
	Α	Mains, Hydrants, Valves, Meters - Deposit/Contribution				400,000										
	B C D E F G H	Mains, Hydrants, Valves - Company Expense Services Meters Office Fumiture & Equipment Transportation General Equipment Miscellaneous				980,000 510,000 460,000 50,000 120,000 100,000 25,000		- 10 - 10 - 10 - 10 - 10 - 10 - 10 - 10								
		TOTAL ITEM A THROUGH H				2,645,000										
			CPS	Estimated	Prior	2002	2003	2004	2001		1999		Original S	SBP Year	Current SBP Cost	Year
1.0		Current Investment Projects	No.	Cost	Prior	2002	2003	2004	2001	2000	1999	1990	Cost	real	000.	100
1	96-12	Enterprise Customer Information System		1,879,200	1,409,200	470,000			X	Х	X	Х	271,000	1997	1,879,200	2001
-	01-02	Tank Painting		650,000	15,000	635,000			X	X	X	X	456,000	1995	456,000	2001
-		New Investment Projects														
Ė	02-01	Fire Protection for Municipal Governments		400,000		400.000			X	х	X	х	490,000	1995	490,000	2001
1	02-01	Chattanooga Fire Flow Improvements		200,000		200,000			X	X			600,000	2000	600,000	2001
	02-03	Southside Chattanooga Improvements		200,000		200,000			X				200,000	2001	200,000	2001
- 1	02-04	Suck Creek Utility District Acquisition		850,000		850,000										
	02-05	TDOT Relocations - I75, Signal Mt. Rd, Hickory Valley Rd		1,550,000		1,550,000			-							
						1005 000										
		INVESTMENT PROJECT TOTAL				4,305,000										
Line 1		TOTAL ITEM A THROUGH IP's				6,950,000		T	1							
Line 2		Item A and IP Contributions				400,000										
Line 3		COMPANY FUNDED EXPENDITURES (1 minus 2)				6,550,000										
		Acquisitions						_								
		(1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-						-								
F									1-	Preside	ent			Date	25	
Line 4		TOTAL ACQUISITIONS				0			1	2.						
Line 5		TOTAL-CAPITAL EXPENDITURES (1 plus 4)				6,950,000			Approve	ed by Bo	pard of C	irectors f	or the Year 2	302		

						Autho	rized Expendit	ures				Page	18 of	19
	irivestment item	Brief Description of Proposed Expenditures		1							1			
3	nem.	Torica recompilian of Proposed Experioratives		1	,	2001	2002	2003	2004	2005				
	A	Mains, Hydrants, Valves, Meters - Deposit/Contribution				400,000								
	В	Mains, Hydrants Valves - Company Expense		¥ = 1	=== ===	980,000								
	С	Services				510,000								
	D	Meters				460,000					1			
	E F	Office Furniture & Equipment				100,000								
	G	Transportation				90,000					1			
	H	General Equipment Miscellaneous				120,000					1			
		1911000110000				50,000								
		TOTAL ITEM A THROUGH H			2.0	2,710,000								
			CPS	Estimated	2.00	2,710,000	00				Stratony	Business P	Olan I	Original SBP
	4.40	A A A A A A A A A	No	Cost	Prior	2001	2002	2003	2004	2005	2000 200		2003	Cost Yea
	i	Current Investment Projects			The state of the s			-10.0	-		25.5		2000	0000
	96-12	Enterprise Customer Information System		1 153 600	eso cool	000 700	61 0		4	v.	1 5		. W	
	97-07	Comprehensive Planning Study		1,153,600 276,000	859 900 276 000	293 700				1	Î Î X	X	K	271 000 1
	98-04	Replace Lookout Mtn. Supply Mains		700,000	700,000	3 Tana (10) (m)	1		OCH -	-	X X	×.	X	175,000 1 700,000 1
	98-05	0 75 MG Tank and Main in Tiftonia	B-4	1,700,000	1,700,000					1	X X X X X X X X X X	x	x	775 000
	98-07	Distribution Telemetry Replacement		1,190,000	1,190,000					1	XXX	Î	^	1 190,000 1
	99-05 99-06	Replace Rossville Pumps Tennessee River Crossing		200,000	200 000		1			1	X X	X		200,000 1
	99-07	Pump Station and Main for Suck Creek Utility District	10.00	2,450,000		1,308,000	4 442 000			1	XX	X		900,000
	00-01	Fire Protection for Municipal Governments		483,000	483,000	1,300,000	1,142,000		1	-	I X X			2,450,000
	00-02	Tenk Palnting		335,000	335,000			-	100		$\frac{\bar{x}}{\bar{x}} - \frac{\bar{x}}{\bar{x}}$	X	- X	358,000 1 584,000 1
	00-03	1 0 MG Tank and Main in East Ridge	8-6	1,995,000	245,000		1,750,000			E 8.86		X	X	584,000 1 1,150,000 1
	00-04	Chattanooga Fire Flow Improvements		600,000	600,000				1		- X		2000	600,000 2
	00-05	Install Main in Beverly Hills	40	150,000	150,000						X			150,000 2
	00-07	Install Mein in Bonny Oaks Drive & Lee Hwy Relocate Mains in Highway 153		335,000	335,000	necome					X			335,000 2
	01-01	Fire Protection for Municipal Governments		250,000	250,000	490,000	-	5			X			250,000 2
	01-02	Tank Painting				456,000				-	$\frac{x}{x}$ $\frac{x}{x}$	X	X .	490,000 1
	01-03	Chattanooga Fire Flow Improvements				600,000	-		1,500		Q	- A	<u> X</u>	456,000 1: 600,000 2:
								15	0.250.000	2 222				600,000
		797			75.72222								-	
		Proposed Investment Projects							-					1
				** * * * * * * * * * * * * * * * * * * *					1					
	10.100.00	TO THE PERSON NAMED IN COLUMN 25	- 1			-		***						
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								10000				-		***************************************
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										95		5 60 = 500		
		INVESTMENT PROJECT TOTAL		10 10 XV-00		3,147,700	¥3)		1000	200		in the latest and the	- 1	- 2
i.							***							
Line 1		TOTAL ITEM A THROUGH IP's Item A and IP Contributions				5,857,700			8 187					
Line 3		COMPANY FUNDED EXPENDITURES (1 minus 2)	0.000			400,000 5,457,700								
		and it miles st				5,457,700					//			
		Acquisitions									/	71	1	
			0.4%			VESSE		10-01		1	15	11.1		
		1/11										141	7	lida
										4	>	V	d	[13 01 Date
											Pesi	dent		Date
Line 4		TOTAL ACQUISITIONS				0					0			
Line 5		TOTAL-CAPITAL EXPENDITURES (1 plus 4)				5,857,700					Approved by	Board of Dir	ectors for	the Year 2001
										eroner const	- Abiosed Di		-20012 101	, Ca. 200 I

FORM 993

TENNESSEE-AMERICAN WATER COMPANY 2000 INVESTMENT PLAN

Authorized Expenditures

Operating Center	nvestmen Item	Brief Description of Proposed Expenditures				2000			4							
Center	A	Mains, Hydrants, Valves, Meters - Deposit/Contribution				400,000										
	В	Mains, Hydrants, Valves - Company Expense				980,000		-	= = !=		7 7 7					200 1000 0
	С	Services				510,000					1					
	D	Meters		1		463,000					1					
	E	Office Furniture & Equipment		1		172,000										
1	F	Transportation Equipment		l .		0										
- 1	G	General Equipment		1		120,000										
	н	Miscellaneous				25,000										
		TOTAL ITEM A THROUGH H				2,670,000		. (1000)								
			CPS	Estimated							*	trategic Bu			Original	
			No	Cost	Prior	2000	2001	2002	2003	2004	1999	1998	1997	1996	Cost	Year
		Current Investment Projects									l	.,	u		774 600	1007
Chattanooga	96-12	Enterprise Customer Information System		1,153,600	642,400	217,500	293,700				X	X	Х		271,000	1997
hattanooga	98-04	Replace Lookout Mountain Supply Lines		700,000	40,000	660,000					X					
Chattanooga	98-05	0.75 Tank and Main in Tiftonia		1,750,000	995,250	754,750					X	X	Х	x	775,000	
Chattanooga	99-05	Replace Rossville Pumps		200,000	30,000	170,000	0				X	X		- 1	200,000	
Chattanooga	99-06	Tenneessee River Crossing		1,050,000	50,000	1,000,000					X	Х			900,000	1998
Chattanooga	99-07	Pump Station and Main for Suck Creek Utility District		2,450,000	50,000	1,200,000	1,200,000									
		New Investment Projects													250 000	1005
Chattanooga	00-01	Fire Protection for Munic, Gov'ts		483,000	0	483,000					X	Х	X	X	358,000	
Chattanooga	00-02	Tank Painting		335,000	0	335,000					X	X	X	X	584,000	
Chattanooga	00-03	1.0 MG Tank and Main In East Ridge		245,000	0	245,000					X	Х	×	x	1,150,000	1995
hattanooga	00-04	Chattanooga Fire Flow Improvements		600,000	0	600,000								- 9		
Chattanooga	00-05	Install Main in Bevery Hills		150,000	0	150,000								- 1		
Chattanooga	00-06	Install Main in Borrry Oaks Dr. & Lee Hwy		335,000	0	335,000					1					
Chattanooga	00-07	Relocate Mains in Highway 153		250,000	0	250,000										
		INVESTMENT PROJECT TOTAL		9,701,600	1,807,650	6,400,250	1,493,700					112				
∐ne 1		TOTAL ITEM A THROUGH IP's (1999)				9,070,250										
Line 2		Item A				400,000					+					
Line 3		COMPANY FUNDED EXPENDITURES (1 minus 2)		h	1	8,670,250					1					
		Acquisitions			_		===1									
Line 4		TOTAL ACQUISITIONS		/	1	/ 01	VV-				1					
LINE 7		TOTAL-CAPITAL EXPENDITURES (1 PLUS 4) (1999)		1	/ /	1. 1. 1			/ /		1					

W F L'Ecuyer Fresident Ternessee-American Water Compan

Approved by Board of Directors: 12/14/99

Revised -

For the Year - 2000

Responsible Witness: Linda C. Bridwell

Other Participating Employees: Kate Nartey-Quaye, Lance Williams

Question:

18. Please *Identify* all *Plant Additions or Improvements* with a total cost greater than \$10,000 that were not fully included in *TAWC*'s rate base as of June 1, 2012, but which are planned or projected to be included in *TAWC*'s rate base prior to the end of the *Attrition Year*, listing for each the following information:

Description of Plant Addition or Improvement	Date Projected to be Initiated	Date Projected to be In Service	Projected Total Cost	Equipment Cost	Material Cost	Labor Cost	Overhead Cost

Response:

Description of Plant Addition or Improvement	Date Projecte d to be initiated	Date Projected to be in Service	Project ed total cost	Equi pme nt Cost	Contractor Services	Material Cost	Compan y Labor Cost	Overhea d Cost
Park Dr	8/1/2012	12/15/2012	\$87,897	\$0	\$61,528	\$13,185	\$4,395	\$8,790
Bliss St.	8/1/2012	12/15/2012	\$45,371	\$0	\$31,760	\$6,806	\$2,269	\$4,537
Walnut St. (Rossville)	8/1/2012	12/15/2012	\$40,561	\$0	\$28,393	\$6,084	\$2,028	\$4,056
Eiminate Deadend @ Suckcreek	2/1/2013	9/12/2013	\$85,933	\$0	\$60,153	\$12,890	\$4,297	\$8,593
LOVELL AVE	3/1/2012	8/12/2012	\$35,000	\$0	\$24,500	\$5,250	\$1,750	\$3,500
JOYCE AVE	3/1/2012	8/12/2012	\$135,000	\$0	\$94,500	\$20,250	\$6,750	\$13,500
WEST ELMWOOD	3/1/2012	8/12/2012	\$66,000	\$0	\$46,200	\$9,900	\$3,300	\$6,600
EAST ELMWOOD	3/1/2012	8/12/2012	\$75,000	\$0	\$52,500	\$11,250	\$3,750	\$7,500
OLIVE ST	3/1/2012	8/12/2012	\$37,000	\$0	\$25,900	\$5,550	\$1,850	\$3,700
ORMAND DR	3/1/2012	8/12/2012	\$114,000	\$0	\$79,800	\$17,100	\$5,700	\$11,400
CROY LN	3/1/2012	8/12/2012	\$47,000	\$0	\$32,900	\$7,050	\$2,350	\$4,700

WILLOW ST. @ MILNE ST.	6/1/2012	12/12/2012	\$16,992	\$0	\$11,894	\$2,549	\$850	\$1,699
E. CIRCLE DRIVE	6/1/2012	12/12/2012	\$160,405	\$0	\$112,284	\$24,061	\$8,020	\$16,041
HANOVER ST. &							-	
WINTHROP ST.	6/1/2012	12/12/2012	\$69,197	\$0	\$48,438	\$10,380	\$3,460	\$6,920
E 46TH ST.	6/1/2012	12/12/2012	\$50,000	\$0	\$35,000	\$7,500	\$2,500	\$5,000
HADLEY DR	6/1/2012	9/12/2012	\$75,000	\$0	\$52,500	\$11,250	\$3,750	\$7,500
ELLER RD	6/1/2012	9/12/2012	\$75,000	\$0	\$52,500	\$11,250	\$3,750	\$7,500
HARLEY LN	6/1/2012	9/12/2012	\$58,000	\$0	\$40,600	\$8,700	\$2,900	\$5,800
100 Blk Ochs Hwy	6/1/2012	9/12/2012	\$62,000	\$0	\$43,400	\$9,300	\$3,100	\$6,200
1200 Blk of Kathy's Trail	6/1/2012	9/12/2012	\$62,000	\$0	\$43,400	\$9,300	\$3,100	\$6,200
Five Springs Rd	6/1/2012	9/12/2012	\$54,000	\$0	\$37,800	\$8,100	\$2,700	\$5,400
2500 Cummings	<u> </u>		4 0 1,000		401,000		Ψ=,: σσ	Ψο, του
Hwy	6/1/2012	9/12/2012	\$24,000	\$0	\$16,800	\$3,600	\$1,200	\$2,400
CENTER ST	6/1/2012	9/12/2012	\$145,000	\$0	\$101,500	\$21,750	\$7,250	\$14,500
Ridgewood Ave	2/1/2013	9/12/2013	\$66,000	\$0	\$46,200	\$9,900	\$3,300	\$6,600
10th Ave	2/1/2013	9/12/2013	\$70,000	\$0	\$49,000	\$10,500	\$3,500	\$7,000
E 17th street	2/1/2013	9/12/2013	\$137,000	\$0	\$95,900	\$20,550	\$6,850	\$13,700
Glenwood Parkway	2/1/2013	9/12/2013	\$55,802	\$0	\$39,061	\$8,370	\$2,790	\$5,580
Elder Mtn Rd	2/1/2013	9/12/2013	\$450,000	\$0	\$315,000	\$67,500	\$22,500	\$45,000
700 Blk Belvoir								
Ave.	2/1/2013	9/12/2013	\$60,000	\$0	\$42,000	\$9,000	\$3,000	\$6,000
Clearview Rd	2/1/2013	9/12/2013	\$38,500	\$0	\$26,950	\$5,775	\$1,925	\$3,850
4100 blk Mayfair Ave.	2/1/2013	9/12/2013	\$56,000	\$0	\$39,200	\$8,400	\$2,800	\$5,600
3300 Blk Standifer		0/12/2010	φοσ,σσσ	Ψΰ	400,200	φο, του	Ψ2,000	φο,σσσ
Dr.	2/1/2013	9/12/2013	\$117,150	\$0	\$82,005	\$17,573	\$5,858	\$11,715
1000 Blk Gleenwood								
Dr.(service							_	
transfers)	2/1/2013	9/12/2013	\$120,000	\$0	\$84,000	\$18,000	\$6,000	\$12,000
100 Blk Nawaka Ave.	2/1/2013	9/12/2013	\$159,600	\$0	\$111,720	\$23,940	\$7,980	\$15,960
1400 blk W. 54th	2/1/2010	0/12/2010	ψ100,000	ΨΟ	Ψ111,720	Ψ20,010	ψ1,000	Ψ10,000
St.	2/1/2013	9/12/2013	\$73,300	\$0	\$51,310	\$10,995	\$3,665	\$7,330
1700 blk E. 34th								
St. (service transfers)	2/1/2013	9/12/2013	\$125,000	\$0	\$87,500	\$18,750	\$6,250	\$12,500
1600 Blk Arlington	2/ 1/2010	0,12,2010	ψ.20,000	Ψΰ	ψοι ,σσσ	Ψ10,100	ψ0,200	Ψ12,000
Ave.	2/1/2013	9/12/2013	\$112,000	\$0	\$78,400	\$16,800	\$5,600	\$11,200
4200 Blk Cain Ave.	2/1/2013	9/12/2013	\$220,000	\$0	\$154,000	\$33,000	\$11,000	\$22,000
1500 Blk Vine St.	2/1/2013	9/12/2013	\$47,300	\$0	\$33,110	\$7,095	\$2,365	\$4,730
5500 Alabama	2, 1,2010	5/ 12/2010	ψ17,000	ΨΟ	ψου, 110	ψ1,000	Ψ2,000	ψ 1,1 00
Ave. (service						A = :	.	A 4 a = a .
transfers)	2/1/2013	9/12/2013	\$135,000	\$0	\$94,500	\$20,250	\$6,750	\$13,500
Michigan Ave.	2/1/2013	9/12/2013	\$126,000	\$0	\$88,200	\$18,900	\$6,300	\$12,600
Dower St	2/1/2013	9/12/2013	\$32,000	\$0	\$22,400	\$4,800	\$1,600	\$3,200

3600 & 2600 E-								
14th Street	2/1/2013	9/12/2013	\$196,000	\$0	\$137,200	\$29,400	\$9,800	\$19,600
Lilac Lane	2/1/2013	9/12/2013	\$220,000	\$0	\$154,000	\$33,000	\$11,000	\$22,000
Surry Cir	2/1/2013	9/12/2013	\$23,000	\$0	\$16,100	\$3,450	\$1,150	\$2,300
Mononow Dr	2/1/2013	9/12/2013	\$25,000	\$0	\$17,500	\$3,750	\$1,250	\$2,500
Bishkoko Ave	2/1/2013	9/12/2013	\$32,000	\$0	\$22,400	\$4,800	\$1,600	\$3,200
Fagan St.	2/1/2013	9/12/2013	\$126,000	\$0	\$88,200	\$18,900	\$6,300	\$12,600
Doris St.	2/1/2013	9/12/2013	\$36,000	\$0	\$25,200	\$5,400	\$1,800	\$3,600
Cresecent Dr. &	-/-/	- / - /		•	.	•		^
Park	2/1/2013	9/12/2013	\$26,235	\$0	\$18,365	\$3,935	\$1,312	\$2,624
Waheela dr	2/1/2013	9/12/2013	\$45,000	\$0	\$31,500	\$6,750	\$2,250	\$4,500
Beech St	2/1/2013	9/12/2013	\$77,000	\$0	\$53,900	\$11,550	\$3,850	\$7,700
Shannon St	2/1/2013	9/12/2013	\$23,000	\$0	\$16,100	\$3,450	\$1,150	\$2,300
Unknown								
Emergency Projects	1/1/2012	12/4/2012	\$100,000	\$0	\$0	\$25,000	\$65,000	\$10,000
Emergency Main	17 172012	12, 1,2012	ψ100,000	Ψΰ	Ψ	Ψ20,000	ψου,σου	ψ10,000
Projects	2/1/2013	9/12/2013	\$159,135	\$0	\$0	\$39,784	\$103,438	\$15,914
Shallowford Road								
from Gunbarrel to Jenkins	1/2/2012	9/4/2012	\$450,000	\$0	\$315,000	\$67,500	\$22,500	\$45,000
Jersey Pk offset	1/2/2012	0/4/2012	Ψ-100,000	ΨΟ	ψο το,σσσ	ψ01,000	Ψ22,000	φ+0,000
@ Oakwood Dr	3/2/2012	6/21/2012	\$40,000	\$0	\$28,000	\$6,000	\$2,000	\$4,000
SPEARS AVE								
RELOCATE 8" & 6" MAIN	1/2/2012	7/31/2012	\$450,000	\$0	\$315,000	\$67,500	\$22,500	\$45,000
	1/2/2012	770172012	Ψ-100,000	ΨΟ	ψο το,οοο	ψ01,000	Ψ22,000	Ψ-10,000
US-27 - Riverfront to Ogiati Bridge	2/1/2012	9/12/2013	\$991,000	\$0	\$693,700	\$148,650	\$49,550	\$99,100
New Fire Hydrants	1/2/2012	12/4/2012	\$25,000	\$0	\$0	\$6,250	\$16,250	\$2,500
New Valves	1/2/2012	12/4/2012	\$12,162	\$0	\$0	\$3,041	\$7,905	\$1,216
New Fire Hydrants	2/1/2013	9/12/2013	\$29,281	\$0	\$0	\$7,320	\$19,033	\$2,928
New Valves	2/1/2013	9/12/2013	\$10,000	\$0	\$0	\$2,500	\$6,500	\$1,000
HICKORY ST 24" VAL REPLACED	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
WOODWARD	1/2/2012	3/23/2012	Ψ+1,001	ΨΟ	ψ55,174	ψ1,103	Ψ2,510	ψ+,7 00
AVE 16" VAL REP	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
BUCKLEY ST 30"								
VAL REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
ORCHARD KNOB	1/2/2012	9/23/2012	ψ 4 1,331	ΨΟ	ψ55,174	Ψ1,109	Ψ2,370	Ψ4,139
16" VAL								
REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
13TH ST 16" VAL REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
E 27TH ST 24"	1/2/2012	312312012	ψ + 1,381	φυ	φου, 174	φι,109	φ2,310	φ 4 , <i>1</i> 33
VALVE								
REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
WHITE OAK 16" VAL								
REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
Z. CEMENT	., _, _ 0 1 _	5,25,2012	ψ 11,00 I	Ψυ	ψου, 11 -τ	ψι,100	Ψ2,010	Ψ1,100

MEMORIAL DR								
16" VAL REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
MEMORIAL DR	1/2/2012	9/23/2012	φ47,391	ΨΟ	ψ33,174	Ψ1,109	Ψ2,370	ψ4,739
E/O LYDON 16"								
REP	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
CENTRAL AVE			+ ,		+ ,	+ ,	+ /	+ ,
30"VAL								
REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
CENTAL AVE S/O								
HOOKER 20" VAL								
REP	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
E 38TH ST 24"								
VALVE			_					_
REPLACEMENT	1/2/2012	9/23/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
LAKE AVE 2-16"								
VALVE			^	•		.	.	^
REPLACEMENT	1/2/2012	9/23/2012	\$94,783	\$0	\$66,348	\$14,217	\$4,739	\$9,478
VINE ST N/O								
WIEHL 20" VAL	4/0/0040	40/45/0040	Ф.47.004	Φ0	000 474	Ф 7 400	#0.070	#4.700
REPLACE	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
VINE ST S/O								
WIEHL 16" VAL REPLACE	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	¢7 100	\$2,370	\$4,739
E 5TH ST E/O	1/2/2012	12/13/2012	Ф47,391	φU	φ33,174	\$7,109	φ2,370	Ф4,739
BALDWIN 24"								
VAL REPLAC	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
CENTRAL@PIER	1/2/2012	12/13/2012	Ψ47,331	ΨΟ	Ψ33,174	Ψ1,109	Ψ2,570	ψ4,739
CE 20" VAL								
REPLACEMENT	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
E5TH	., _, _ 0	12/10/2012	ψ ,σσ .	Ψ.	Ψοσ,	ψ.,.σσ	ΨΞ,σ. σ	ψ 1,1 σσ
ST@GEORGIA								
20" VAL								
REPLACE	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
E3RD ST W/O								
HIGH ST 16"								
VALVE REP	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
VINE ST @								
HOUSTON ST 16"			_					_
VAL REP	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
E5TH ST @								
HOUSTON 20"	4 /0 /00 4 0	40/45/0040	# 4 7 004	40	000 474	Φ 7 400	00.070	0.4.700
VAL REP	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
HOUSTON ST								
S/O 5TH 20"VAL	1/2/2012	10/15/0010	¢47.204	ΦΩ	¢22.474	¢7 100	¢2.270	¢4.720
REP	1/2/2012	12/15/2012	\$47,391	\$0	\$33,174	\$7,109	\$2,370	\$4,739
Emergency valve replacement as								
needed	1/3/2013	9/12/2013	\$40,000	\$0	\$0	\$10,000	\$26,000	\$4,000
Emergency fire	1/3/2013	3/12/2013	Ψ+0,000	ΨΟ	ΨΟ	ψ10,000	Ψ20,000	Ψ+,000
hydrant								
replacement as								
needed	1/3/2013	9/12/2013	\$53,000	\$0	\$0	\$13,250	\$34,450	\$5,300
	., 3, 23 13	5, 12,2010	430,000	Ψυ	ΨΟ	ψ.σ, 2 σσ	401,100	40,000

Installation of								
services as								_
needed	1/3/2012	12/12/2012	\$220,567	\$0	\$0	\$55,142	\$143,368	\$22,057
Installation of								
services as		- / - / - / - / -		•	•	.		
needed	1/3/2013	9/12/2013	\$624,000	\$0	\$0	\$156,000	\$405,600	\$62,400
Emergency								
replacement of								
services as	4 /0 /00 4 0	40/40/0040	#450.000	Φ0	Φ0	000 750	# 400.050	045.000
required	1/3/2012	12/12/2012	\$159,000	\$0	\$0	\$39,750	\$103,350	\$15,900
Emergency								
replacement of								
services as	1/2/2012	0/40/2042	¢222.000	ΦΩ	ΦΩ	¢ E9 000	¢450.000	#22.200
required Installation of	1/3/2013	9/12/2013	\$232,000	\$0	\$0	\$58,000	\$150,800	\$23,200
meter & setting								
requested by customer	1/3/2012	12/12/2012	\$240,000	\$0	\$0	\$60,000	\$156,000	\$24,000
Installation of	1/3/2012	12/12/2012	\$240,000	ΨΟ	ΨΟ	φου,σοσ	ψ130,000	Ψ24,000
meter & setting								
requested by								
customer	1/3/2013	9/12/2013	\$500,000	\$0	\$0	\$125,000	\$325,000	\$50,000
Periodic Meter	17072010	0/12/2010	φοσο,σσο	ΨΟ	ΨΟ	ψ120,000	Ψ020,000	ψου,σοσ
Replacement								
Program	1/3/2013	9/12/2013	\$514,974	\$0	\$0	\$128,743	\$334,733	\$51,497
Periodic Meter	1,0,20.0	<u> </u>	Ψοι :,σι :	Ψ.	Ψ.	ψ.=0,0	Ψσσ :,: σσ	ψο 1, 101
Replacement								
Program	1/3/2013	9/12/2013	\$621,000	\$0	\$0	\$155,250	\$403,650	\$62,100
Switches	1/2/2012	12/12/2012	\$36,000	\$0	\$30,600	\$0	\$1,800	\$3,600
Toughbooks	1/2/2012	12/12/2012	\$42,000	\$0	\$35,700	\$0	\$2,100	\$4,200
Routers	1/2/2012	12/12/2012	\$10,000	\$0	\$8,500	\$0	\$500	\$1,000
Computers	1/3/2013	9/12/2013	\$2,260.5	\$0	\$1,921	\$0	\$113	\$226
Printers	1/3/2013	9/12/2013	\$34,980	\$0	\$29,733	\$0	\$1,749	\$3,498
Switches	1/3/2013	9/12/2013	\$24,893	\$0	\$21,159	\$0	\$1,245	\$2,489
UPS	1/3/2013	9/12/2013	\$15,400	\$0	\$13,090	\$0	\$770	\$1,540
Toughbooks/Table	17072010	3/12/2010	\$30,277.	\$0	φ10,000	ΨΟ	Ψίτο	Ψ1,0-10
ts	1/3/2013	9/12/2013	5	ΨΟ	\$25,736	\$0	\$1,514	\$3,028
Bristol 33xx	1,0,00	<u> </u>		\$0	Ψ==,:==	7.	4 1,011	+-,
replacement with				* -				
Control Wave	1/13/2012	12/12/2012	\$65,000		\$55,250	\$0	\$3,250	\$6,500
SCADA HMI							-	
Hardware &								
Software Upgrade	1/3/2013	9/12/2013	\$34,000	\$0	\$28,900	\$0	\$1,700	\$3,400
Replace 4 Bristol								
33XX RTU's	1/3/2013	9/12/2013	\$36,000	\$0	\$30,600	\$0	\$1,800	\$3,600
2012 TN Citico			\$18,007.					
Door Repl	1/12/2012	6/11/2012	16	\$0	\$15,306	\$0	\$900	\$1,801
2012 TN Citico IP		101:5155	455 5 15	- م		.	.	^-
Security Conv	1/13/2012	12/12/2012	\$56,547	\$0	\$48,065	\$0	\$2,827	\$5,655
Whiel Street								
Security System	1/2/2012	0/40/0040	¢40,000	φ _Ω	¢24.000	φ _Ω	ድ ል ለሰር	¢4.000
Install	1/3/2013	9/12/2013	\$40,000	\$0	\$34,000	\$0	\$2,000	\$4,000

IP Video								
Conversion and	1/2/2012	0/10/2012	#22.000	ΦΩ.	¢10.700	0.0	¢1 100	¢2 200
Micro Conversion	1/3/2013	9/12/2013	\$22,000	\$0	\$18,700	\$0	\$1,100	\$2,200
Repave Distribution								
parking lot	1/3/2013	9/12/2013	\$123,047	\$0	\$79,981	\$28,301	\$2,461	\$12,305
Purchase full size	1/3/2013	9/12/2013	Ψ123,041	ΨΟ	Ψ19,901	Ψ20,301	Ψ2,401	Ψ12,303
4x4 pickup truck								
fully equpped -								
Prod	1/15/2012	12/12/2012	\$30,000	\$0	\$27,000	\$0	\$0	\$3,000
Purchase full size	1/13/2012	12/12/2012	\$30,000	φυ	\$27,000	φυ	φ0	\$3,000
standard pickup								
trucks - Meter								
Shop	1/15/2012	12/12/2012	\$90,000	\$0	\$81,000	\$0	\$0	\$9,000
Purchase meter	1/13/2012	12/12/2012	ψ90,000	ΨΟ	ΨΟ1,000	ΨΟ	ΨΟ	ψ9,000
maint. service								
truck 4x4 - Meter								
Shop	1/15/2012	12/12/2012	\$40,000	\$0	\$36,000	\$0	\$0	\$4,000
Purchase SUV -	1/13/2012	12/12/2012	Ψ40,000	ΨΟ	Ψ30,000	ΨΟ	ΨΟ	ψ4,000
Water Quality	1/15/2012	12/12/2012	\$25,000	\$0	\$22,500	\$0	\$0	\$2,500
Purchase utility	1/13/2012	12/12/2012	\$25,000	ΦΟ	\$22,500	φυ	φυ	\$2,500
service trucks -								
Distribution	1/15/2012	12/12/2012	\$100,000	\$0	\$90,000	\$0	\$0	\$10,000
Purchase mini	1/13/2012	12/12/2012	\$100,000	φυ	\$90,000	φυ	φυ	\$10,000
trackhoe -								
	1/15/2012	12/12/2012	\$50,000	\$0	\$45,000	\$0	\$0	¢5 000
Distribution Vehicle 1 -	1/15/2012	12/12/2012	\$50,000	ΦU	\$45,000	Φ0	Φυ	\$5,000
	1/3/2013	9/12/2013	\$136,000	\$0	\$122,400	\$0	\$0	\$13,600
Metershop Vehicle 2 -	1/3/2013	9/12/2013	\$130,000	ΦU	φ122,400	φU	ΦΟ	\$13,000
Distribution	1/3/2013	9/12/2013	\$120,000	\$0	\$108,000	\$0	\$0	\$12,000
Vehicle 3 -	1/3/2013	9/12/2013	\$120,000	φυ	\$100,000	φυ	φυ	\$12,000
Production	1/3/2013	9/12/2013	\$120,000	\$0	\$108,000	\$0	\$0	\$12,000
Hammerhead	1/3/2013	9/12/2013	\$120,000	φυ	\$100,000	φυ	φ0	\$12,000
Moles	1/15/2012	12/12/2012	\$10,000	\$0	\$9,000	\$0	\$0	\$1,000
Tool and Equip 1 -	1/13/2012	12/12/2012	\$10,000	ΦΟ	φ9,000	φυ	φυ	\$1,000
Distribution and								
Production	1/3/2013	9/12/2013	\$30,000	\$0	\$27,000	\$0	\$0	\$3,000
Rehab Filter	1/3/2013	9/12/2013	ψ30,000	ΨΟ	Ψ21,000	ΨΟ	ΨΟ	ψ3,000
Underdrain Aldrich								
1&2	1/15/2012	6/16/2012	\$367,265	\$0	\$330,539	\$0	\$0	\$36,727
Replace #2 Plant	1/13/2012	0/10/2012	Ψ301,203	ΨΟ	Ψ550,559	ΨΟ	ΨΟ	Ψ30,727
post chemical								
feed vault	1/15/2012	12/12/2012	\$80,000	\$0	\$72,000	\$0	\$0	\$8,000
Emergency	1/13/2012	12/12/2012	ψ00,000	ΨΟ	Ψ12,000	ΨΟ	ΨΟ	ψ0,000
Replacements	1/15/2012	12/12/2012	\$60,000	\$0	\$0	\$51,000	\$3,000	\$6,000
Replace Roof	1/13/2012	12/12/2012	Ψ00,000	ΨΟ	ΨΟ	ψ51,000	ψ5,000	ψ0,000
Restroom Bldg.,								
Citico Station	1/15/2012	12/12/2012	\$23,000	\$0	\$20,700	\$0	\$0	\$2,300
Replace 2 Check	1/10/2012	12/12/2012	Ψ20,000	ΨΟ	Ψ20,700	ΨΟ	ΨΟ	Ψ2,500
Valves Waldon								
Station	1/15/2012	12/12/2012	\$39,000	\$0	\$0	\$33,150	\$1,950	\$3,900
Replace Starter E.	1/13/2012	12/12/2012	Ψυσ,υυυ	υψ	ΨΟ	ψυυ, τυυ	ψ1,300	ψυ,συυ
Ridge #6	1/15/2012	12/12/2012	\$15,000	\$0	\$0	\$12,750	\$750	\$1,500
Replace Cone	1/13/2012	12/12/2012	Ψ13,000	ΨΟ	ΨΟ	Ψ12,130	Ψ130	ψ1,500
Valve HS # 18	1/15/2012	12/12/2012	\$39,000	\$0	\$0	\$33,150	\$1,950	\$3,900
vaive 110 # 10	1/13/2012	12/12/2012	ψ59,000	ψυ	φυ	ψυυ, 100	φ1,300	ψυ,συυ

Replace Cone Valve HS # 20	1/15/2012	12/12/2012	¢20,000	\$0	\$0	\$22.450	¢4.050	¢2,000
Replace Cone	1/13/2012	12/12/2012	\$39,000	ΦU	ΦΟ	\$33,150	\$1,950	\$3,900
Valve for High								
Service Pumps 17								
& 19	1/3/2013	9/12/2013	\$25,000	\$0	\$0	\$21,250	\$1,250	\$2,500
Replace Suction	1/3/2013	9/12/2013	Ψ23,000	ΨΟ	ΨΟ	ΨΖ 1,230	Ψ1,230	Ψ2,300
Valve on High								
Service Pump 16	1/3/2013	9/12/2013	\$12,000	\$0	\$0	\$10,200	\$600	\$1,200
Replace	1/3/2013	9/12/2013	\$12,000	ΨΟ	ΨΟ	\$10,200	ΨΟΟΟ	Ψ1,200
starter/pump at								
Cumberland Rd								
Booster with a								
VFD	1/3/2013	9/12/2013	\$10,000	\$0	\$0	\$8,500	\$500	\$1,000
Replace Windy	1,0,2010	0,12,2010	ψ.ο,σσσ	Ψ	ΨΟ	φο,σσσ	φοσσ	ψ1,000
Hill Booster								
Station	1/3/2013	9/12/2013	\$10,000	\$0	\$9,000	\$0	\$0	\$1,000
Replace generator		<u> </u>	4 10,000	**	+-,		7-	+ 1,000
transfer switch at								
ER/MR Station	1/3/2013	9/12/2013	\$25,000	\$0	\$0	\$21,250	\$1,250	\$2,500
Replace			,	•	·	•		• •
backwash valve								
on Aldrich Unit #1	1/3/2013	9/12/2013	\$40,000	\$0	\$0	\$34,000	\$2,000	\$4,000
Replace effluent								
actuators in 2-								
House filter								
building	1/3/2013	9/12/2013	\$100,000	\$0	\$0	\$85,000	\$5,000	\$10,000
Replace 2-Plant								
chemical injection		_ , _ , _ ,						
pit	1/3/2013	9/12/2013	\$100,000	\$0	\$90,000	\$0	\$0	\$10,000
Replace 30-inch								
High Service line,								
install by-pass to	4/0/0040	0/40/0040	ФЕБО 000	Φ0	¢405.000	ተ ለ	ФО.	ФЕЕ 000
insure delivery	1/3/2013	9/12/2013	\$550,000	\$0	\$495,000	\$0	\$0	\$55,000
Emergency Replacements	1/3/2013	9/12/2013	\$100,000	\$0	\$0	\$85,000	\$5,000	\$10,000
Clearwell No 2	1/3/2013	9/12/2013	\$100,000	φυ	φυ	φου,υυυ	\$5,000	\$10,000
Rehabilitation	3/2/2012	7/14/2012	\$770,000	\$0	\$693,000	\$0	\$0	\$77,000
Suck Creek Tank	3/2/2012	7/14/2012	ψ110,000	ΨΟ	ψ033,000	ΨΟ	ΨΟ	ψ11,000
Rehab	9/12/2012	12/15/2012	\$200,000	\$0	\$180,000	\$0	\$0	\$20,000
Rehabilitate and	0,12,2012	, ,		- 40	ψ.σσ,σσσ	Ψū	Ψ	Ψ=0,000
Repaint Aldrich			\$1,749,0					
Units 7 and 8	1/3/2013	9/12/2013	00	\$0	\$1,574,100	\$0	\$0	\$174,900
Rehabilitate and					, ,	·		
Repaint Southend								
Tank	1/3/2013	9/12/2013	\$818,664	\$0	\$736,798	\$0	\$0	\$81,866
Rehabilitate and								
Repaint Suck								
Creek Tank	1/3/2013	9/12/2013	\$246,400	\$0	\$221,760	\$0	\$0	\$24,640
Install 5933 If of								
20" Ringgold Rd.	4/0/0555	0/4=/0	\$2,075,0	<u> </u>	04 450 -55	0011 ===	M 400 ===	0007 555
at I-75	1/2/2008	9/15/2013	00	\$0	\$1,452,500	\$311,250	\$103,750	\$207,500
Meter Shop	4/0/0040	4/45/0040	Φ7E0 000	_ው ር	#675.000	ተ ለ	_ው ር	Φ7F 000
Building Additions	4/2/2012	4/15/2013	\$750,000	\$0	\$675,000	\$0	\$0	\$75,000

Wastewater Treatm't &								
Handling Impr	9/12/2012	9/15/2013	\$400,000	\$0	\$360,000	\$0	\$0	\$40,000
Convert ER								
Reservoir to Pump								
Storag	9/12/2012	9/15/2013	\$250,000	\$0	\$175,000	\$37,500	\$12,500	\$25,000

Responsible Witness: Kevin Rogers

Other Participating Employees: None

Question:

19. Please *Explain* changes in process or procedure that have been implemented by *TAWC* since January 1, 2010, to address valve location and operation problems.

Response:

We reviewed our process for field services maintenance and reallocated resources by investing in two new valve trucks. We also allocated two additional people whose primary role is the daily operation of these vehicles, increasing the number of valves we operate each year. We are in the process of implementing a new Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS) with the location and information of our valves that will allow for quick access linked to our maps of location details and maintenance. We have identified 23 large valves that need replacing and are in the process of replacing them.

Responsible Witness: Kevin Rogers

Other Participating Employees: Kate Nartey-Quaye

Question:

20. How many valves does *TAWC* have in its system?

Response:

TAWC has 12,417 valves and 5,099 hydrant valves, which totals 17,516 valves.

Responsible Witness: Kevin Rogers

Other Participating Employees: Kate Nartey-Quaye

Question:

21. How many valves has *TAWC* repaired or replaced since January 1, 2010.

Response:

52 valves have been repaired and 62 valves replaced by TAWC since January 1, 2010.

Responsible Witness: Kevin Rogers

Other Participating Employees: Deron Allen/Kate Nartey-Quaye

Question:

22. Provide copies of all Communications to and from Walden's Ridge Utility District since January 1, 2010, about *TAWC* water service and potential termination of the purchase water agreement between Walden's Ridge Utility District and *TAWC*.

Response:

Please refer to the response to Item 22 of the Tennessee Regulatory Authority's First Data Request in this proceeding.

Responsible Witness: Kevin Rogers

Other Participating Employees: Gina Tierney

Question:

23. Provide a copy of the most recent versions of all agreements between **TAWC** and Walden's Ridge Utility District that have been in effect since January 1, 2008.

Response:

Please refer to the response to Item 11 of the Consumer Advocate and Protection Division's First data request in this proceeding.

Responsible Witness: Linda Bridwell

Other Participating Employees: Kate Nartey-Quaye, Lance Williams

Question:

24. *Identify* all facilities, including, without limitation, all mains, pumps, storage facilities, and control or monitoring equipment, that *TAWC* utilizes or has utilized during the term of any agreement between *TAWC* and Walden's Ridge Utility District to provide water to Walden's Ridge Utility District.

Response:

Facilities that TAW utilizes specifically for providing water to Walden's Ridge Utility District are:

- 6,783 feet of 12 inch ductile iron pipe
- 7,388 feet of 16 inch ductile iron pipe
- 3,153 feet on 16 inch welded steel pipe
- One booster station consisting of
 - Two Flowserve submerged turbine pumps each powered by GE three phase vertical motors
 - SCADA equipment
- One meter vault with two 8 inch meters

Additionally, the distribution system is interconnected throughout the system to maintain pressure, and treatment and storage facilities provide reliability and service to all customers, not specifically for Walden's Ridge Utility District

Responsible Witness: Linda C. Bridwell

Other Participating Employees: Kate Nartey-Quaye, Lance Williams

Question:

25. **Identify** all **Plant Additions or Improvements** added to **TAWC**'s rate base since January 1, 2001 that **TAWC** utilizes or has utilized during the term of any agreement between **TAWC** and Walden's Ridge Utility District to provide water to Walden's Ridge Utility District.

Response:

work_order_number	description	in_service_date	completion_date	total_cost
449349	Check Valve repl at WaldenRidge bst	5/7/2009 0:00	5/7/2009 0:00	\$2,571.08
473595	Replace Walden Ridge #2 motor	11/19/2010 0:00	11/19/2010 0:00	\$34,931.91
50020861	ACQUIRE WALDENS RIDGE WATER			\$10,581.10
50043274	WALDEN'S RIDGE UTILITY DIST.	11/28/2005 0:00	11/28/2005 0:00	\$13,500.18
50071498	INS 2,110' 16"DI WALDENS RIDGE	11/16/2005 0:00	11/16/2005 0:00	\$214,751.41
50071499	INS 2,530' 12" WALDENS RIDGE	12/2/2003 0:00	12/2/2003 0:00	\$186,531.91
50071501	INS 5,505' 16" WALDENS RIDGE	12/2/2005 0:00	12/2/2005 0:00	\$492,940.59
50071502	INS 4,445' 12" WALDENS RIDGE	11/18/2005 0:00	11/18/2005 0:00	\$283,921.27
50072719	INS FIRE HYDT WALDENS RIDGE	12/2/2005 0:00	12/2/2005 0:00	\$296.20
50073560	CONSTR WALDENS RIDGE PUMP STA	12/2/2005 0:00	12/2/2005 0:00	\$1,407,166.42
50075835	INS 3 HYDRANTS WALDENS RIDGE	12/2/2003 0:00	12/2/2003 0:00	\$0.00
50075837	INS HYDT WALDEN (CHATTANOOGA)	12/2/2003 0:00	12/2/2003 0:00	\$0.00
50075848	INS 16" WALDEN UTILITY DIST	12/2/2005 0:00	12/2/2005 0:00	\$1,887,368.37
50093994	PURCHASE METER VAULT WALDEN RI	12/2/2003 0:00	12/2/2003 0:00	\$46,375.31
555021	Walden Rdg #2 Valves Replaced			\$85,793.26
560641	Upgrade Waldens Ridge Pump 1			\$28,941.26
				\$4,695,670.27

Responsible Witness: Deron E. Allen

Other Participating Employees: None

Question:

26. **Explain** why **TAWC** decided to remove all outside directors from its board.

Response:

The decision to reduce the number of external Board members has been a consideration for some time. External Board members are not required by Tennessee law and coordinating times for Board meeting was becoming increasingly difficult. The decision was made to make the Board process easier and less complicated for the full Board.

Responsible Witness: Deron E. Allen

Other Participating Employees: None

Question:

27. Provide all **Documents** that address the reason or justification for **TAWC**'s removal of all outside directors from its board.

Response:

There are none.

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. Verdouw

Other Participating Employees: Ed Rex

Question:

28. Provide all **Documents** constituting, adopting, approving, referring to, or relating to a "distribution system infrastructure charge" or similar tariff rider in any state other than Tennessee, as referred to by Mr. VerDouw in his direct testimony beginning on page 48.

Response:

Attached for those states that have adopted Tariff Riders for a DSIC (or its equivalent) and that are affiliates of TAWC are the original Regulatory Commission/Authority Orders authorizing the DSIC and also copies of current DSIC Tariffs. On May 1, 2012 the New Jersey Board of Public Utilities adopted DSIC regulations. It is anticipated New Jersey American Water Company, an affiliate of TAWC, will file its initial DSIC rate petition later this year. The response to COC-30 provides the applicable state statutes or regulations for all states that provide the DSIC (or its equivalent).

PENNSYLVANIA

PENNSYLVANIA PUBLIC UTILITY COMMISSION Harrisburg, PA 17105-3265

Public Meeting held August 22, 1996

Commissioners Present:

John M. Quain, Chairman Lisa Crutchfield, Vice Chairman John Hanger Robert K. Bloom

Petition of Pennsylvania-American Water Company for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge Docket No. P-00961031

OPINION AND ORDER

BY THE COMMISSION:

I. Background

On March 15, 1996, the Pennsylvania-American Water Company (PAWC or company) filed the above-referenced petition with this Commission requesting regulatory approval to file and implement an automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC or surcharge) pursuant to Section 1307(a) of the Public Utility Code. 66 Pa.C.S. §1307(a). Section 1307(a) provides statutory authority for a utility to establish, subject to Commission review and approval, a tariffed automatic adjustment clause mechanism designed to provide "a just and reasonable return on the rate base" of the public utility.

As proposed by PAWC, the DSIC would operate to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing infrastructure rehabilitation projects completed and placed in service between Section 1308 base rate cases. The company maintains that the property additions eligible for the DSIC will be limited to revenue neutral infrastructure projects, consisting principally of replacement investments in so-called "mass property" accounts. The DSIC is designed to provide the company with the resources it needs to accelerate its investment in new utility plant to replace aging water distribution infrastructure, facilitating compliance with evolving regulatory requirements imposed by the Safe Drinking Water Act (SDWA) and the implementation of solutions to regional water supply problems.

To illustrate its point, the company states that it has 5,600 miles of mains, that it is currently rehabilitating between 25 and 30 miles of main each year, and that, at that pace, it would require between 185 and 225 years to make all of the needed improvements to existing facilities. The company also states that water service, more than any other utility service, is critical to maintaining public health as water is "a necessity of life and vital for public fire protection services." Petition at 3.

The company alleges that the DSIC may enable it to reduce the frequency of its base rate cases and place the company in a better position to absorb increases in other categories of costs for a longer period, particularly during times of relatively low interest rates. Any reduction in rate case filing frequency would generate costs savings which would inure to the benefit of customers and the Commission. In its petition, the company proposes certain

accounts for recovery, time-frames and other procedures to be followed in implementing the DSIC. The details of those procedures will be discussed below.

To begin with, the company proposes that the DSIC become effective for service rendered on and after July 1, 1996. The company also proposes that the initial charge to be calculated would recover the fixed costs of eligible plant additions that have not previously been reflected in the company's rate base and will have been placed in service between January 1, 1996 and May 31, 1996. Thereafter, the company proposes to update the DSIC on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Petition at 3-4.

As to its geographic applicability, the company states that the DSIC will not apply initially to customers located within the authorized service territory formerly served by the Pennsylvania Gas and Water Company (PG&W) that was acquired as of February 16, 1996. Likewise, the company's investment in infrastructure improvements made within the service territory acquired from PG&W are not included in the initial calculation of the surcharge under the DSIC. Petition at 1-2.

The company also proposes that the DSIC be capped at 5% of the amount billed to customers under otherwise applicable rates and charges, exclusive of amounts recovered under the State Tax Adjustment Surcharge (STAS). If the cap is reached, the company would not seek any additional increases. Petition at 4.

As with any Section 1307 automatic adjustment clause, the DSIC will be subject to an annual reconciliation, whereby the revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between such revenues and costs will be recouped or refunded to customers, as appropriate, in accordance with Section 1307(e). Petition at 5.

Lastly, in terms of procedures, the company proposes that the DSIC will be reset to zero as of the effective date of new Section 1308 base rates that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Petition at 5. And to avoid over recovery of costs in the absence of a base rate case, the company also proposed that the DSIC will be reset to zero if, in any quarter, data filed with the Commission in the company's then most recent Annual or Quarterly Earnings Report shows that the company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC. Petition at 5.

In terms of the legal issues raised by its petition, the company also states that its proposed automatic adjustment clause and procedures are lawful for a number of reasons found in statutory and case law. With regard to statutory law, PAWC states that Section 1307(a) of the Public Utility Code, 66 Pa. C.S. §1307(a), provides that a company may establish a sliding scale of rates or such other method for the automatic adjustment of the rates to recover a variety of costs. Petition at 19. Moreover, the company has cited circumstances in which the Commission has authorized the use of Section 1307 (a) automatic adjustment clauses to recover a wide array of expenses, depreciation and capital costs. See

Pennsylvania Industrial Energy Coalition v. Pa. P.U.C., 653 A.2d 1336 (Pa. Cmwlth. 1995) (PIEC) (recovery of electric utilities' demand-side management costs); 52 Pa. Code §69.181 (recovery of gas utilities' take or pay liabilities to pipeline suppliers); 52 Pa. Code §69.341(b) (recovery of gas utilities' gas supply realignment costs and stranded costs resulting from Federal Energy Regulatory Commission Order 636); and 52 Pa. Code §69.353 (recovery of water utilities' principal and interest due on PennVEST obligations). Petition at 20-21.

Answers were filed by the Office of Trial Staff (OTS) (Answer filed April 4, 1996), the Office of Small Business Advocate (OSBA) (Answer filed May 3, 1996), the Pennsylvania-American Water Large Users Group (PAWLUG) (Answer filed May 6, 1996), and the Office of Consumer Advocate (OCA) (Comments and testimony filed May 6, 1996). Protests to the petition were also filed by individual customers.

In its answer, the OTS requests that the Commission deny the company's petition based on legal and technical grounds. With regard to the legal objections, the OTS argues that, since the facilities are "new" facilities, the company is attempting to circumvent a base rate review through the use of a surcharge, in violation of the Court's decision in <u>PIEC</u>.

The OSBA's answer did not submit legal arguments opposing the implementation of the DSIC. Rather, the OSBA has requested that the Commission conduct a thorough investigation regarding the reasonableness and lawfulness of the proposed tariff supplement as they affect the company's various customer classes.

In its comments, the OCA argues against the implementation of the DSIC alleging that the company does not need the DSIC mechanism and that implementation of a DSIC mechanism would provide in excess of a fair return to the company. With regard to legal arguments, OCA challenges the legality of the surcharge based upon the same arguments outlined in OTS' answer based on its interpretation of Section 1307(a) and the <u>PIEC</u> decision.

On April 16 and May 30, 1996, the company filed replies with the Commission addressing the comments raised in the answers filed by OTS, OSBA, PAWLUG and OCA. In PAWC's reply to the various parties concerning the legality of the DSIC, the company continued to support the legality of a surcharge under Section 1307(a) of the Public Utility Code and the Commonwealth Court decision in <u>PIEC</u>, and supplied rebuttal arguments in support of its need for the DSIC and the legality of its proposal.

II. Discussion

At the outset of this discussion regarding the PAWC petition, we believe it necessary to clarify the Commission's view of the scope of this proceeding and the nature of the PAWC proposal. Because the PAWC petition requests regulatory approval to file and implement a certain type of automatic adjustment clause, we will not address, in this order, the specific factual issues that may be raised by the proposed tariff supplement and sample DSIC rate calculations submitted as Exhibits A and B to the petition. The Commission views these exhibits as no more than an illustration of how the company's proposal would operate. Indeed, as explained below, the specific tariff supplement proposed by PAWC will not be approved by this order.

Therefore, to the extent that parties have objections and/or complaints to the rates to be charged by means of an automatic adjustment clause that provides for the recovery of a water company's infrastructure improvement costs, those objections and/or complaints would be appropriately addressed to an actual PAWC tariff filing that contains specific rates to be charged to consumers based on specific distribution system improvement expenditures. A Section 701 complaint would be the appropriate procedural vehicle to challenge such a tariff filing and, provided that factual issues are raised, the filing of such a complaint will entitle the complainant to a hearing before an administrative law judge and an adjudication of the complaint.

Thus, the key issues raised by the PAWC petition, and to be resolved in this order, are generic threshold issues regarding (1) the legality of the type of automatic adjustment clause proposed by the company and (2) the appropriate general structure of such an automatic adjustment clause that conforms to the requirement of the statute and Pennsylvania case law. In other words, this proceeding will address the legal issue concerning the adoption of the surcharge pursuant to Section 1307(a) of the Code. In addition, the Commission will outline the general parameters of a surcharge mechanism that meets the requirement of the statute, that is consistent with the case law, that has adequate safeguards to protect consumers' interests and, therefore, constitutes a surcharge that is likely to receive regulatory approval when filed.

To begin with, we applaud companies who present this Commission with innovative ideas to address recurring problems for their respective industries. In the water industry,

companies are faced with the dual tasks of improving the quality of the water delivered to customers due to the new mandates of the SDWA and other governmental requirements and, at the same time, maintaining an aging water utility infrastructure. We recognize that, in recent years, PAWC and other Pennsylvania water companies have been required to make significant investments in new utility plant for projects such as: the filtration of surface water supplies; the replacement of aging water distribution plant; and, the implementation of meter replacement programs. In addition, water companies face the daunting challenge of rehabilitating their existing distribution infrastructure before the property reaches the end of its service life to avoid serious public health and safety risks.

In the Commission's judgement, the establishment of a DSIC along the lines proposed by PAWC can substantially aid the water company in meeting these challenges on behalf of the water consuming public. We agree with the company that the establishment of a DSIC would enable the company to address, in an orderly and comprehensive manner, the problems presented by its aging water distribution system, and would have a direct and positive effect upon water quality, water pressure and service reliability. For these reasons, we endorse the concept of using an automatic adjustment clause to address this regulatory problem for the water industry in Pennsylvania and, in particular, the type of DSIC proposed by PAWC.

A. Legal Issues

In Pennsylvania, utility costs are recovered from customers through Section 1308 base rates and through Section 1307 automatic adjustment clauses. The purpose of a Section 1307

automatic adjustment clause is to provide an automatic mechanism enabling utilities to recover specific costs not covered by general rates. Alleghenv Ludlum Steel Corporation.

v. Pa. P.U.C., 501 Pa. 71, 75 n.3, 459 A.2d 1218, 1220 n.3 (1983). Moreover, Section 1307(e), 66 Pa. C.S. §1307(e), provides that the automatic adjustment clause procedures shall include an annual report detailing the revenues collected and the expenses incurred under the automatic adjustment clause, followed by a public hearing to reconcile the amounts and to determine any refunds owed to customers or additional recovery due from customers.

Until recently, an automatic adjustment clause has usually been applied only to gas and electric companies. However, the Commission has provided for the recovery of capital costs in at least one instance to date, i.e., for PECO Energy's costs to convert oil-fired units to units which burn natural gas. Philadelphia Electric Co. ECR No. 3, Docket No. M-00920312 (Order adopted April 1, 1993). The Commission has also adopted a policy statement which encourages water companies to seek Section 1307(a) cost recovery for their PENNVEST debt costs, 52 Pa. Code §69.361, and policy statements approving Section 1307 cost recovery for certain FERC Order 636 stranded costs, 52 Pa. Code §69.341(b)(4), and electric utility coal uprating costs, 52 Pa. Code §57.124(a). Moreover, since 1970, the Commission has authorized all utilities to use an automatic adjustment clause mechanism to recover certain incremental changes in state tax rates. 52 Pa. Code §69.44.

Pennsylvania case law regarding the permissible scope of Section 1307 cost recovery, while not extensive, supports a broad interpretation of that section. In National Fuel Gas Distribution Corp. v. Pa. P.U.C., 473 A.2d 1109, 1121 (Pa. Cmwlth. 1984), the

Commonwealth Court held that the purpose of Section 1307 of the Code is to permit reflection in customer charges of changes in one component of a utility's cost of providing public service without the necessity of the "broad, costly and time-consuming inquiry" required in a Section 1308 base rate case. Moreover, under the 1995 PIEC decision, the Commonwealth Court adopted the Commission's legal position that its use of Section 1307 was not limited to fuel and purchased power costs. At the same time, the Commonwealth Court cautioned that Section 1307 should have limited application and should not override the traditional ratemaking process. PIEC at 1349. In determining whether DSM costs could be recovered through the Section 1307 mechanism, the Court wrote:

Although we agree that Section 1307 should have limited application and the PUC should not use it to disassemble the traditional rate-making process, the General Assembly did not limit the allowance of automatic adjustment to only fuel costs and taxes which are generally beyond the control of the utility. Instead, the General Assembly specifically allowed the recovery of fuel costs and also allowed the PUC or the utilities to initiate the automatic adjustment of costs within specific procedures. In this case, Section 1319 of the Code specifically states that all prudent and reasonable costs should be recovered and sets forth requirements that the proposed programs be determined to be "prudent and cost-effective" by the PUC (or the Bureau of Conservation, Economics and Energy Planning as designated by the PUC), before any costs may be recovered through the surcharge mechanism.

<u>PIEC</u> at 1349 (emphasis added). The Court then concluded that the recovery of DSM costs under Section 1307 was lawful because the language of Section 1307 gives the Commission discretion to establish automatic adjustment clauses for the recovery of prudently incurred

costs, and because in Section 1319 the legislature specifically identified and provided for the recovery of prudent and reasonable costs for developing DSM programs.

Clearly, the Court in <u>PIEC</u> recognized the importance of the statute (Section 1319) in providing for the recovery of development costs of the DSM programs via Section 1307. However, the Court also recognized that the language of Section 1307 is not limited to a narrow set of costs (as advocated by the industrials), that whether the costs at issue should be recovered via an automatic adjustment clause is a matter of Commission discretion, and that the court "is not free to substitute its discretion for the discretion properly exercised by the PUC in establishing the surcharge method." <u>PIEC</u> at 1349.

Turning to the PAWC proposal to file and implement an automatic adjustment clause to recover its distribution system improvement costs, we find that the proposal is appropriately limited and narrowly tailored to recover a specific category of utility costs—the incremental fixed costs (depreciation and pre-tax return) associated with non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service between base rate cases. Recovery of this narrow set of costs is clearly permitted under Section 1307 (a) (which has no cost category limitation in its language) and Pennsylvania case law; and, in the Commission's judgment, this proposal is in no way a mechanism to "disassemble" the traditional ratemaking process for several reasons: first, the DSIC is designed to identify and recover the distribution system improvement costs incurred between rate cases; second, the costs to be recovered represent a narrow subset of the company's total cost of service; and third, the DSIC amount will be capped at a relatively

low level to prevent any long-term evasion of a base rate review of these plant costs. Indeed, the company's proposal recognizes that there will be a full review of these costs in a subsequent Section 1308 base rate proceeding. We also note that the DSIC is designed to reflect only the costs of the eligible plant additions that are actually placed in service during the 3-month periods ending one month prior to the effective date of each surcharge update; this key provision serves to avoid any potential violation of Section 1315 and this state's long-standing "used and useful" rule.

Additionally, we find that Sections 1307(d) and (e) provide broad auditing powers to the Commission and a formal reconciliation mechanism to carefully monitor the operation of such a surcharge. While admittedly Section 1307(d) is addressed to fuel cost adjustment audits, we do not view the Commission's auditing power over automatic adjustment clauses as limited to only fuel costs, given the broad auditing and investigative powers granted to the Commission via Sections 504, 505, 506, and 516 of the Public Utility Code. 66 Pa. C. S. §§504, 505, 506, 516. Nor would we be likely to approve a utility's request for approval of an automatic adjustment clause in the absence of its complete agreement that the Commission has such auditing powers. Moreover, Section 1307(e) provides for a mandatory annual reconciliation report regarding the revenues and expenses recovered via an automatic adjustment clause and a "public hearing on the substance of the report and any matters pertaining to the use by such public utility" of the automatic adjustment clause. As such, the costs to be recovered via the company's DSIC proposal will be subject to the Commission's auditing powers, an annual reconciliation report and public hearings.

B. General Tariff Parameters

The basic elements of a tariff supplement to implement a lawful DSIC mechanism include a statement of purpose and description of eligible property, a specification of its effective date and the dates of its subsequent quarterly updates, details regarding the computation methodology, and appropriate consumer safeguards. The proposed tariff supplement included with the PAWC petition, as Exhibit A, has no such details. Therefore, in order to provide guidance to PAWC and any other water utility that may need to implement a DSIC, the Commission has developed sample tariff language that, if used in a water utility's Section 1307 proposed tariff supplement, is likely to receive the Commission's approval. The sample tariff language is contained in Attachment A to this order.

A properly designed tariff supplement to establish a DSIC that meets the requirement of Section 1307 and contains adequate consumer safeguards should include the following features:

- specification of the eligible plant accounts by type and account number;
- elimination from eligibility of (a) the costs of extending facilities to serve new customers¹ and (b) the costs of projects funded by PENNVEST loans;

¹ For purposes of the DSIC surcharge, the existing customers of a newly-acquired water company are not "new customers" and, thus, the replacement of aging water distribution facilities by the acquiring water utility in order to maintain safe, reliable and adequate service to such customers would be eligible for DSIC recovery.

- and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern to existing customers;
- provision of a prospective January 1, 1997 effective date for the tariff supplement and the property eligible for the initial filing;
- if more than 2 years have elapsed since the utility's last base rate case, use of the equity return rate determined by staff and specified in the latest Quarterly Earnings Report released by the Commission;
- greater specification of the depreciation and pretax return elements in the formula to calculate the DSIC:
- added provision to provide interest to consumers for any over recoveries during operation of the DSIC; and
- provision for customer notice of any DSIC changes.

Thus, use of the sample tariff language will fully explain the DSIC computation, including a listing of DSIC eligible property and related account numbers, so that in future years the purpose and intent of the DSIC surcharge will be apparent from reading only the tariff supplement. Additionally, the inclusion of plant account numbers and descriptions of property eligible for DSIC cost recovery parallels the format used for other Section 1307 surcharges, such as the ECR for electric utilities, the GCR for gas distribution utilities and the SCR for steam heat companies.

With these key changes to PAWC's proposal, the eligible property, filing dates, calculation parameters, and consumer safeguards will be clearly specified. Moreover, we note here that the provisions (1) for resetting the DSIC to zero if the company's rate of return exceeds its allowable rate of return, and (2) for resetting the DSIC to zero as of the effective date of new Section 1308 base rates that provide for prospective recovery of the eligible plant costs both serve as effective and reliable rate mechanisms to insure that the DSIC automatic adjustment clause will not produce rates in excess of a fair return to the utility, as required by Section 1307(a). We also note that the provision of a 5% of billed revenues cap on the maximum amount of any DSIC insures that the surcharge mechanism will not evade the Section 1308 base rate process and its intensive top-to-bottom review of all company revenue, expense, rate base and return claims. See Attachment A, p.4. In other words, the 5% cap will insure that the surcharge will not allow the company to avoid a base rate review of the eligible property in perpetuity.

Accordingly, although we are denying the PAWC petition to the extent that it requests permission to file and implement a Section 1307(a) tariff supplement to implement a surcharge as set forth in its Exhibit A, we invite the company to file a new and more detailed tariff supplement consistent with the parameters outlined in the sample tariff language set forth in Attachment A to this order. The sample tariff language in Attachment A is identical to that recommended for the Philadelphia Suburban Water Company at Docket No. P-00961036 which has also requested permission to establish a DSIC surcharge.

As with other Section 1307 tariff filings, the new tariff supplement should provide for a notice period of no less than 60 days to allow sufficient time for staff review of the proposed tariff supplement and its initial rates for consistency with the sample tariff language and for accuracy of the plant account, depreciation, pre-tax return and other elements of the DSIC calculation. If recommended for approval by staff and formally approved by the Commission, the tariff supplement and initial rates to implement the DSIC will be permitted to go into effect, subject to the outcome of any timely filed complaints. Subsequent quarterly updates, however, may be filed on 10 days notice as originally proposed by the company.

THEREFORE,

IT IS ORDERED:

- 1. That the petition filed by the Pennsylvania American Water Company (PAWC) to file and implement a Section 1307(a) automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC) is hereby approved in part and denied in part consistent with this order.
- 2. That all protests, answers and other objections filed with respect to the PAWC petition are hereby granted in part and denied in part consistent with this order.
- 3. That any complaints regarding the rates to be charged pursuant to a DSIC tariff supplement may be filed if and when PAWC files a tariff supplement with specific rates in accordance with the tariff parameters outlined by this order.
- 4. That the parameters set forth in the Appendix A are hereby adopted to serve as sample tariff language to be implemented for tariff supplements to establish a DSIC.

TAW R COCDR1#028Attachment

That the normal auditing, reconciliation, reporting and public hearing 5. procedures applicable to all 1307(e) filings will likewise apply to all DSIC tariff

supplements.

6. That this order be published in the Pennsylvania Bulletin.

7. That this order be served upon the Pennsylvania American Water

. Company, the Office of Consumer Advocate, the Office of Small Business Advocate, the

Office of Trial Staff, the Pennsylvania-American Water Large Users Group, and the National

Association of Water Companies.

BY THE COMMISSION,

Johns afford

John G. Alford

Secretary

(SEAL)

ORDER ADOPTED: August 22, 1996

ORDER ENTERED: AUG 2 6 1996

Attachment A

Sample Tariff Language

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

I. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property.

Eligible Property: The DSIC-eligible property will consist of the following:

- services (account 323), meters (account 324) and hydrants (account 325) installed as in-kind replacements for customers;
- mains and valves (account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- main extensions (account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or the acquired Company;
- main cleaning and relining (account 322) projects; and
- unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

Effective Date: The DSIC will become effective for bills rendered on and after January 1,1997.

II. Computation of the DSIC

Calculation: The initial charge, effective January 1, 1997, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between September 1, 1996, and November 30,1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date

of Change
April 1

Date To Which DSIC-Eligible

Plant Addition Reflected

February 28

July 1 May 30

October 1 August 31

January 1 November 30

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully-litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission Staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

DISC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

Formula: The formula for calculation of the DISC surcharge is as follows:

DSIC =	(DSI x PTRR) + Dep + e PQR
Where:	
DSI =	the original cost of eligible distribution system improvement projects.
PTRR =	the pre-tax return rate applicable to eligible distribution system improvement projects.
Dep =	Depreciation expense related to eligible distribution system improvement projects.
e =	the amount calculated under the annual reconciliation feature as described below.
PQR =	Projected quarterly revenue including any revenue from acquired companies that are now being charged the rates of the acquiring company.

Quarterly updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

III. Safeguards

Cap: The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the 12 months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P. S. sec.101, et seq.) and will be refunded in the same manner as an overcollection.

New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC.

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section.

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

PENNSYLVANIA PUBLIC UTILITY COMMISSION HARRISBURG, PA 17105-3265

5% orginal order

Public Meeting held December 19, 1996

Commissioners Present:

John M. Quain, Chairman Lisa Crutchfield, Vice Chairman John Hanger David W. Rolka Robert K. Bloom

Pennsylvania American Water Company Distribution System Improvement Charge Tariff Supplements To Become Effective January 1, 1997. Docket No. R-00963792

ORDER

BY THE COMMISSION:

On March 15, 1996, Pennsylvania-American Water Company (PAWC) at P-00961031, submitted a petition for approval to file and implement an automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC) pursuant to Section 1307(a) of the Public Utility Code. Section 1307(a) provides statutory authority for a utility to establish, subject to Commission review and approval, an automatic adjustment clause mechanism designed to provide "a just and reasonable return on rate base" of the public utility.

The purpose of the DSIC is to provide the Company with the resources it needs to accelerate its investments in new utility plant to replace water distribution infrastructure, which will facilitate compliance with evolving regulatory requirements imposed by the Safe Drinking Water Act (SDWA). Additionally, the implementation of the DSIC will facilitate solutions to regional water supply problems. The DSIC may also enable the Company to reduce the frequency

of its base rate cases and place them in a better position to absorb increases in other categories of costs for a longer period of time.

On August 26, 1996, the Commission entered an order at P-00961031, approving in part and denying in part, the petition submitted by the Company. In order to provide guidance to PAWC and any other water utility that may desire to implement a DSIC, the Commission developed and issued sample tariff language as Attachment A to the order for the utilities to use in any proposed Section 1307 tariff supplement. In general, as approved, the DSIC tariff would permit a water utility to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing infrastructure rehabilitation projects completed and placed in service between Section 1308 base rate cases. The DSIC is to be applied as a percentage to the total amount billed to each customer under applicable rates and charges, excluding amounts billed for public fire protection and the State Tax Adjustment Surcharge.

The August order provides for a proposed tariff and initial DSIC, to become effective January 1, 1997. The tariffs are to be filed November 1, 1996, or at least 60 days prior to the effective date. Thereafter, the DSIC is to be updated quarterly with the filing to be made at least ten days prior to the effective date of the quarterly revision. The order provides for the DSIC to be reset to zero as of the effective date of new base rates as well as when, in any quarter, the company's most recent annual or Quarterly Earnings report shows that an excessive rate of return is being earned.

As a safeguard, the order provides that the DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges. Additional safeguards include a provision for audit and an annual reconciliation between DSIC revenues and DSIC eligible costs. The difference between revenue and costs will be recouped or refunded, in accordance with Section 1307(e) of the Public Utility Code, over a one year period commencing on April 1 of each year.

The order at P-00961031 also granted in part and denied in part the protests, answers and other objections filed with respect to the PAWC petition. The order provides that to the extent that parties have objections and/or complaints to the rates to be charged by means of an automatic adjustment clause that provides for the recovery of a water company's infrastructure improvement costs, those objections and/or complaints would be appropriately addressed to an actual PAWC tariff filing that contains specific rates to be charged to consumers based on specific distribution system improvement expenditures. A Section 701 complaint would be the appropriate procedural vehicle to challenge such a tariff filing and, provided that factual issues are raised, the filing of such a complaint will entitle the complainant to a hearing before an administrative law judge and an adjudication of the complaint.

Discussion

On October 24, 1996, PAWC submitted Supplement No. 22 to Tariff Water PA PUC No. 4 to initiate a DSIC to become effective January 1, 1997. With the exception that the Company used estimated capital expenditures for October and November 1996 and an account classification error in the September data, staff has found the proposed DSIC tariff and surcharge to be consistent with the parameters set forth in the order at P-00961031. The Company intends to submit a revised DSIC calculation on December 20, 1996, ten days prior to the January 1, 1997, effective date to reflect the actual capital investments, completed in October and November, as well as to correct the account classification error.

On November 7, 1996, the Office of Consumer Advocate (OCA) filed a complaint at R-00963792C001 against PAWC's proposed DSIC tariff and surcharge. In its complaint, the OCA alleges that the Company's rate increase request is unjust, unreasonable, and in violation of law; may allow the Company an opportunity to recover an excessive rate of return on its utility property investment, in violation of the Public Utility Code; may discriminate against certain customers; and otherwise is contrary to sound ratemaking principles and public policy. The OCA has requested, inter alia, that we suspend the effective date of the Company's proposed tariff and

surcharge pending the outcome of its Petition For Review in the Commonwealth Court of our order at P-00961031 and the adjudication of the instant complaint.

In our order at P-00961031, we went into great detail as to the reasons for our belief that the recovery of these costs is permitted under Section 1307(a) and Pennsylvania case law; and, in the Commission's judgement, the DSIC proposal is in no way a mechanism to "disassemble" the traditional ratemaking process. In addition, we note here that the General Assembly has recently passed Senate Bill 537, PN 2457, which provides explicit statutory authority for the recovery of distribution system improvement costs via Section 1307. Upon signing by the Governor, the new legislation will become effective in 60 days and, thereafter, remove any remaining doubt regarding the legality of the DSIC tariff and surcharge rate mechanism. Under these circumstances, there is no reason why PAWC's proposed tariff should not be permitted to become effective January 1, 1997, subject to the adjudicated outcome of any timely filed complaints. With respect to such complaints, we note here that although the General Assembly has decided, with finality, the fundamental legal issue of whether a distribution system improvement charge tariff is lawful under Section 1307 of the Public Utility Code, a complainant may nevertheless raise factual issues regarding the utility's tariff filing and supporting data, as well as factual issues regarding the reasonableness of the tariff's use, structure and operation for a given utility. Therefore,

IT IS ORDERED:

- 1. That Supplement No. 22 to Tariff Water PA PUC No. 4 for Pennsylvania American Water Company (PAWC) to implement a 1307(a) automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC) is hereby approved to become effective January 1, 1997, subject to the outcome of any timely filed complaints.
- 2. That PAWC is to submit a revised DSIC surcharge and supporting data to update its proposed DSIC of 0.37% to reflect actual capital improvements for October and November,

1996, and to correct September 1996's data by December 20, 1996, to become effective January 1, 1997.

- 3. That the normal auditing, reconciliation, reporting and public hearing procedures applicable to all 1307(e) filings will likewise apply to PAWC's DSIC tariff supplements.
- 4. That this order be served upon PAWC, the Office of Consumer Advocate, the Office of Small Business Advocate, the Office of Trial Staff, the Pennsylvania American Water Large Users Group, and the National Association of Water Companies.
- 5. That all timely filed complaints regarding this matter be referred to the Office of Administrative Law Judge for hearing and decision.

BY THE COMMISSION,

John G. Alford

Secretary

(SEAL)

Order Adopted:

December 19, 1996

Order Entered:

DEC 19 1996

CHANE NOCORTHODRALISCHMENT

Supplemerate No.14266 to Tariff Water-PA P.U.C. No. 4

70th Revised Page 12B

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling 69th Rev. Page 12B

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

EXCEPT PUBLIC FIRE PROTECTION

In addition to the net charges provided for in this Tariff, a charge of 0.83% will apply to all bills rendered with an ending read date equal to or greater than the effective date of the tariff supplement for all rate zones except Rate Zone 44 and Rate Zone 45. (I)

The above charges will be recomputed quarterly, using the elements prescribed by the Commission in its Order dated August 26, 1996 at Docket No. P-00961031.

Effective: July 1, 2012

Issued: June 20, 2012

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

1. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate case and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property.

Eligible Property: The DSIC-eligible property will consist of the following:

- services (account 333000), meters (account 334100) and hydrants (account 335000) installed as in-kind replacements for customers:
- mains and valves (account 331800) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- main extensions (account 331800) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting significant health and safety concern for customers currently receiving service from the Company or the acquired
- main cleaning and relining (account 331800) projects and;
- unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

Effective Date: The DSIC will become effective for bills rendered on and after January 1, 1997.

2. Computation of the DSIC

Calculation: The initial charge, effective January 1, 1997, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between September 1, 1996, and November 30, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant addition placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

> Effective Date of Change April 1 July 1 October 1 January 1

Date to which DSIC-Eligible Plant Additions Reflected February 28 May 31 August 31 November 30

Issued: March 19, 2003 Effective: April 1, 2003

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling 3rd and 2nd Rev Page 12B2

The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the threemonth period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission Staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission. However, pursuant to the Order of the Commission entered December 2, 1999 at Docket No. R-00994638 approving the Joint Petition for Settlement of Rate Investigation filed at that docket, for the duration of the base rate approved by such Order, an equity return rate of 10.2% will be used in lieu of the equity return rate set forth in the aforementioned Quarterly Report on the Earnings of Jurisdictional Utilities. (C)

DSIC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

Formula: The formula for calculation of the DSIC surcharge is as follows:

 $DSIC = \frac{(DSI X PTRR) + Dep + e}{POR}$

Where:

- DSI = the original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = the pre-tax return rate applicable to eligible distribution system improvement projects.
- Dep = Depreciation expense related to eligible distribution system improvement projects.
- e = the amount calculated under the annual reconciliation feature as described below.
- PQR = Projected quarterly revenues including any revenue from acquired companies that are now being charged the rates of the acquiring company.

Issued: November 29, 2007 Effective: November 30, 2007

Quarterly Updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

3. Safeguards

Cap: The DSIC will be capped at 7.50% of the amount billed to customers under otherwise applicable rates and charges.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307 (e), over a one year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. sec. 101, et seq.) and will be refunded in the same manner as an overcollection.

New Base Rates: The DSIC charge will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC. (C)

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section.

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

Issued: November 29, 2007 Effective: November 30, 2007

NEW YORK

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on February 13, 2008

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman Patricia L. Acampora Robert E. Curry, Jr. Cheryl A. Buley

CASE 07-W-0508 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Long Island Water Corporation for Water Service.

CASE 05-W-0339 - Proceeding on Motion of the Commission to Examine the Accounting Practices of Long Island Water Corporation With Respect to its Pension and Other Post-Employment Benefits Plans.

ORDER DETERMINING
REVENUE REQUIREMENT AND RATE DESIGN

(Issued and Effective March 5, 2008)

BY THE COMMISSION:

This order adopts terms set forth in a Joint Proposal submitted for our review by Long Island Water Corporation d/b/a Long Island American Water (LIAW, the company), Staff of the Department of Public Service (Staff), and the Association of Fire Districts of Nassau County (Fire Districts). We thereby establish a rate plan and other provisions governing the company's water services, to remain in effect for the three years starting April 1, 2008. Our adoption of the proposed terms also resolves all pending issues concerning the company's compliance with our policy statement on pensions and other post-employment benefits (OPEBs) through 2003.

Case 91-M-0890, Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other Than Pensions (issued September 7, 1993).

rate plan, but their rates would not be mitigated by RPT credits. Thus, they would experience only the three annual base rate increases of 11.0%, 2.1% and 2.2% (shown above) rather than the annual 5.7% increase projected for metered services.

- As noted, the company would continue to apply the DSIC mechanism, which calculates a surcharge per volume of usage to recover costs of distribution line repairs and replacements exceeding the amount included in rate base at the beginning of each rate year (subject to an overall cap of about \$6 million). Costs recoverable through the DSIC would be determined on the basis of a five-year plan, and detailed information regarding specific projects, submitted for Staff's review.
- LIAW would institute an SIC mechanism, which would impose a
 new volumetric usage surcharge to recover costs (capped at
 \$8.5 million) of two specific iron removal filtration units
 to be placed in service at the company's Plant No. 8 and
 Plant No. 15 in Years Two and Three of the rate plan.
 - The RPT refund and surcharge mechanisms would continue to provide an annual reconciliation of base revenues and the expense of chemicals, fuels, property taxes, and power purchased for production purposes. The Joint Proposal's terms would slightly revise the present revenue and expense forecast targets against which the reconciliations are calculated.
 - Most customers' billing schedules would change to monthly instead of quarterly, and the revenue calculation for purposes of the RPT reconciliation would include adjustments for the timing effects of this transition. The company would undertake an outreach and education program, subject to Staff's review, regarding monthly billing.

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

Case 07-W-0508: Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Long Island Water Corporation for Water Service.

JOINT PROPOSAL

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Dated: December 21, 2007 Albany, New York

VIII. SYSTEM IMPROVEMENT CHARGE

LIWC will be authorized to institute a System Improvement Charge ("SIC"). The SIC mechanism applies to specific reviewed and approved projects. The mechanism will allow recovery of return and depreciation on specific projects placed in service in Years Two and Three and beyond. The specific projects approved are (1) an iron removal filtration facility at Plant No. 8, for a maximum of \$4,000,000 and (2) an iron removal filtration facility at Plant No. 15, for a maximum of \$4,500,000 or such other projects as may be mutually agreed upon by the Staff and the Company. The Company must make a compliance filing after each facility is placed in service. The Company must also make semi-annual SIC updates if there are any applicable additions. The Company must also make annual "rate year" filings to reconcile authorized compared to actual collections.

- 1. The SIC surcharge will apply to costs associated with its proposed iron removal/filtration plant facility additions and improvements at Plant No. 8 and Plant No. 15.
- 2. After LIWC has incurred actual expenditures for these capital projects and the new facilities have been placed in service, then the amount of those expenditures (net of associated (i) retirements, (ii) accumulated deferred income taxes ("ADIT"), and (iii) accumulated depreciation reserve, *i.e.*, the net rate base ("NRB")) will constitute the incremental rate base investment subject to the SIC.
- 3. LIWC will be entitled to assess a SIC surcharge on customers' bills based on a pre-tax rate of return of 10.48% applied to the net rate base increase. The cost of annual depreciation expense is added to that amount, and the total is divided by annual water revenues as defined below.

4. The SIC surcharge will be a percentage, carried to two decimal places, and will be applied to the volumetric charges billed to each customer. The formula of the calculation is as follows:

SIC surcharge =
$$[(NRB \times Pre-tax \times ROR) + D] / AR$$

Where:

NRB = the cost of the specific iron removal or other

approved facilities, net of associated (1) retirement,

(2) ADIT and (3) accumulated depreciation reserve

Pre-tax ROR = 10.48%

D = the annual depreciation expense on the net additions

AR = LIWC's projected annual metered revenues

- 5. The SIC surcharge will be for the pre-approved applicable facilities placed in service during the Rate Plan and beyond. LIWC will provide Staff with detailed project information within 30 calendar days regarding the SIC (such as dates, actual paid expenditures, replacements and retirements). Staff will have 60 days to verify such data.
- 6. A reconciliation between authorized collections and actual collections related to the SIC surcharge will be conducted annually and filed with the Commission within 60 days of the end of each rate year. Any under-collections or over-collections will accrue interest at the customer deposit interest rate established by the Commission each year. Adjustments of under-collections and over-collections will be reflected in the next SIC surcharge filing.

The SIC surcharge will remain in place until the Commission issues a decision in the Company's next general rate case, at which time all costs previously collected through the SIC will be accounted for and included in base rates. Those new base rates will recover all costs that had been recouped previously through the SIC surcharge.

PSC NO: 1 WATER COMPANY: Long Island American Water **INITIAL EFFECTIVE DATE:**

STATEMENT TYPE: SIC STATEMENT NO: 1

GENERAL INFORMATION

SYSTEM IMPROVEMENT CHARGE (SIC)

The SIC surcharge will apply to costs associated with the construction specific reviewed and approved projects. The specific projects are an iron removal facility at plant No. 8, and an iron removal facility at plant No. 15, or such other source of supply, treatment of other major system projects as mutually agreed upon by the parties.

System Improvement Charge

When the Company has incurred actual expenditures for the plant No. 8 and plant No. 15 iron removal facilities, and they have been placed in service, then the amount of those expenditures (net of the associated (1) retirements, (2) accumulated deferred income taxes ("ADIT"), and (3) accumulated depreciation reserve, i.e., the net rate base ["NRB"]) will constitute the incremental rate base investment subject to the SIC.

The SIC filing will be made within 30 days after the project has been placed into service. The Company will provide Staff with detailed project information regarding the SIC (such as service dates, actual expenditures incurred and retirements). Staff will have the balance of the 60 days to verify such data.

The formula for the calculation of the SIC surcharge is as follows:

SIC surcharge = $((NRB \times Pre-tax \times ROR) + D) / AR$

Where:

NRB the cost of the applicable system improvement

facilities, net of associated (1) retirements, (2) ADIT and (3)

accumulated depreciation reserve

Issued By: William Varley, President, 733 Sunrise Highway, Lynbook, NY

STATEMENT TYPE: SIC PSC NO: 1 WATER

COMPANY: Long Island American Water

STATEMENT NO: 1

INITIAL EFFECTIVE DATE:

GENERAL INFORMATION

SYSTEM IMPROVEMENT CHARGE (SIC) - (Cont'd)

10.48% Pre-tax ROR =

D the annual depreciation expense on the net additions

AR projected annual metered revenues.

Effective with this statement, the SIC surcharge is x.xx%.

Safeguards

A reconciliation between authorized collections and actual collections related to the SIC surcharge will be conducted annually and filed with the Commission within 60 days of the anniversary date of the original surcharge effective date. Any under collections or over collections will accrue interest at the customer deposit interest rate established by the Commission each year. Adjustments of under collections and over collections will be reflected in the next SIC surcharge filing.

Issued By: William Varley, President, 733 Sunrise Highway, Lynbook, NY

INDIANA

ORIGINAL

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN)
WATER COMPANY, INC. FOR)
APPROVAL OF (A) A DISTRIBUTION)
SYSTEM IMPROVEMENT CHARGE)
("DSIC") PURSUANT TO IND. CODE)
CHAP. 8-1-31; (B) A NEW RATE)
SCHEDULE REFLECTING THE DSIC;)
AND (C) INCLUSION OF THE COST)
OF ELIGIBLE DISTRIBUTION)
SYSTEM IMPROVEMENTS IN ITS)
DSIC

CAUSE NO. 42351 DSIC-1

APPROVED: FEB 2 7 2003

BY THE COMMISSION:

Judith G. Ripley, Commissioner William G. Divine, Administrative Law Judge

On December 19, 2002, pursuant to Indiana Code 8-1-31, Indiana-American Water Company, Inc. ("Petitioner" or "Indiana-American") filed its Petition seeking approval of a Distribution System Improvement Charge ("DSIC") for various improvement projects that were placed in service between August 1, 2001 and November 30, 2002. Given the statutory deadline requiring the Commission to issue an Order not later than sixty (60) days after a petition is filed under Indiana Code 8-1-31, the Presiding Officers, in lieu of convening a Prehearing Conference, issued a Docket Entry on December 27, 2002 establishing a procedural schedule for this Cause and scheduling an Evidentiary Hearing date of January 29, 2003. Petitioner prefiled its direct case-in-chief on December 19, 2002. The Indiana Office of Utility Consumer Counselor ("Public") prefiled its case-in-chief on January 21, 2003. The Petitioner prefiled rebuttal testimony on January 24, 2003.

Accompanying its Petition, on December 19, 2002, Petitioner filed a Verified Motion for Establishment of Procedures to Protect Against Disclosure of Confidential Information ("Motion to Protect Confidential Information"). The Motion to Protect Confidential Information sought confidential treatment of evidence to be introduced at the Evidentiary Hearing concerning Petitioner's security improvements made in response to the terrorist attacks of September 11, 2001. In addition to the claim of trade secrets, Petitioner claimed that detailed disclosure of its security improvements could jeopardize the effectiveness of its security system. In a December 30, 2002 Docket Entry, the Presiding Officers established a procedure that, following the public portion of the evidentiary hearing, an in camera session would be conducted for the purpose of eliciting detailed information about Petitioner's security improvements for which it was requesting approval of a DSIC. Attendance at the in camera session was limited to the Presiding

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Officers, other Commissioners, and authorized Commission and Public employees. Based on a preliminary finding that the security improvements constituted trade secrets, the disclosure of which might also jeopardize a security system that is within the state's and national interest to protect, this Docket Entry provided that the record comprising the *in camera* session of the Evidentiary Hearing would be handled and maintained as confidential information, in accordance with Indiana Code 5-14-3.

Thereafter, and pursuant to notice published as required by law, an Evidentiary Hearing was convened on January 29, 2003 at 10:30 a.m. EST, in Room E-306 of the Indiana Government Center South, Indianapolis, Indiana. Petitioner and the Public attended and participated in the Evidentiary Hearing by presenting evidence into the record of this Cause. On January 29, 2003, at the conclusion of both the public and *in camera* sessions of the Evidentiary Hearing, this Cause was adjourned. On January 31, 2003, each party filed a Proposed Order that aligned with its testimonial position taken at the January 29, 2003 Evidentiary Hearing.

On January 30, 2003, Petitioner and the Public advised the Presiding Officers via telephone that they had reached a settlement agreement. The Presiding Officers agreed to consider a late-filed settlement agreement. On February 3, 2003, the parties filed their Stipulation and Settlement Agreement and a joint Proposed Order. Also filed on February 3, 2003, was Petitioner's Notice with Respect to 60-Day Deadline, which stated Petitioner recognized that the Commission's receipt and consideration of a settlement agreement at this point in the proceedings would require time beyond that allowed by Indiana Code 8-1-31-9(c) for the Commission to issue its Order and Petitioner would have no objection to an Order being issued beyond the 60-day deadline so long as an Order was issued by March 5, 2003. In order to receive the Stipulation and Settlement Agreement into the record of this proceeding, this Cause was public noticed according to law for an Evidentiary Hearing to be conducted on February 14, 2003. With Petitioner and the Public in attendance, this Cause was reopened on February 14, 2003, at 1:30 p.m. EST, in Room E306 of the Indiana Government Center South, Indianapolis, Indiana. The Stipulation and Settlement Agreement was admitted into the record at the Evidentiary Hearing and, with no members of the general public appearing or having expressed a desire to be heard, this Cause was adjourned.

- 1. Notice and Jurisdiction. The Commission published notice of the public Evidentiary Hearings held in this Cause as required by law. Petitioner is a "public utility" within the meaning of Indiana Code 8-1-2-1 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. This Commission has jurisdiction over Petitioner and the subject matter of this proceeding.
- 2. <u>Petitioner's Characteristics</u>. Petitioner is an Indiana corporation engaged in the business of providing water utility service to approximately 268,000 customers in twenty-one (21) counties in the State of Indiana. Petitioner's corporate office is located in the City of Greenwood, Indiana. Petitioner provides water utility service by means of water utility plant, property, equipment and related facilities owned,

leased, operated, managed and controlled by it, which are used and useful for the convenience of the public in the production, treatment, transmission, distribution and sale of water for residential, commercial, industrial, sale for resale, public authority and public and private fire protection purposes. In addition, Petitioner provides sewer utility service in the City of Somerset, Wabash County, Indiana and in or near the City of Muncie, Delaware County, Indiana.

- 3. <u>Indiana Code 8-1-31</u>. Effective July 1, 2000, the Indiana Legislature enacted Indiana Code 8-1-31 which provides for the Commission to approve distribution system improvement charges in order to allow water utilities to automatically adjust their basic rates and charges to recover a pre-tax return and depreciation expense on Eligible Distribution System Improvements. Eligible Distribution System Improvements are defined as new, used and useful water utility plant projects that:
 - (a) do not increase revenues by connecting the distribution system to new customers;
 - (b) are in service; and
 - (c) were not included in the public utility's rate base in its most recent general rate case. Indiana Code 8-1-31-5.

A petition under Indiana Code 8-1-31 may not be filed more than once every twelve (12) months or in the same calendar year in which the public utility has petitioned the Commission for a general increase in its basic rates and charges. Indiana Code 8-1-31-10. The rate of return allowed on Eligible Distribution System Improvements is equal to the public utility's weighted cost of capital. Unless the Commission finds that such determination is no longer representative of current conditions, the cost of common equity to be used in determining the weighted cost of capital shall be the most recent determination by the Commission in a general rate proceeding of the public utility. Indiana Code 8-1-31-12. The Commission may not approve a DSIC to the extent the proposed DSIC would produce total DSIC revenues exceeding 5% of the public utility's base revenue level approved by the Commission in the most recent general rate proceeding. Indiana Code 8-1-31-13. The DSIC is to be calculated based upon a reasonable estimate of sales in the period in which the charge will be in effect. At the end of each 12 month period with the charges in effect, the difference between the revenues produced through the DSIC ("DSIC revenues") and the depreciation expense and pre-tax return associated with the Eligible Distribution System Improvements ("DSIC costs") shall be reconciled and the difference refunded or recovered as the case may be through adjustment of the DSIC. Indiana Code 8-1-31-14. When a petition to establish a DSIC is filed, the Public may, within thirty (30) days of the petition being filed, confirm that the system improvements are eligible and that the charges were properly calculated, and submit a report to the Commission. The Commission is required to hold a hearing and issue its order not later than 60 days after the petition is filed. Indiana Code 8-1-31-9.

4. Relief Requested. Petitioner seeks approval of a DSIC pursuant to Indiana Code 8-1-31, a new rate schedule reflecting the DSIC, and inclusion of the cost

of the Eligible Distribution System Improvements in Petitioner's DSIC. Briefly stated, Petitioner seeks to recover its DSIC costs for Eligible Distribution System Improvements placed in service between August 1, 2001 and November 30, 2002 amounting to \$11,959,762. (The total cost of the projects for which Indiana-American claims the ability to recover through a DSIC is \$13,270,267, with \$11,959,762 representing the investor supplied additions and being the figure used to determine the requested DSIC revenue requirement due to reimbursement from the Indiana Department of Transportation ("INDOT") in the amount \$1,310,504.) The depreciation expense of such improvements is \$297,503 (calculated by using Petitioner's current Commissionapproved depreciation accrual rates), with a return on the improvements using a weighted after-tax cost of capital of 7.83% (10.81% on a pre-tax basis). The rate of return was calculated based on Petitioner's current capital structure and debt cost rate and the cost of common equity determined by the Commission in Petitioner's last rate order. Petitioner's proposed DSIC would produce additional annual revenues of approximately \$1,590,353, which would equate to an increase of approximately 1.29% above the rates currently in effect.

5. <u>Petitioner's Direct Evidence</u>. Petitioner's direct evidence was presented and supported by two (2) of its officers: Assistant Treasurer and Assistant Secretary James L. Cutshaw, who is a Senior Financial Analyst for Petitioner, and Alan J. DeBoy, Vice President of Engineering.

Mr. Cutshaw provided some general background information about DSICs, testifying that the purpose served by a DSIC is to provide an innovative ratemaking mechanism necessary to replace aging infrastructure, which is an issue of national concern. Mr. Cutshaw testified that DSIC revenues to be derived from approval of the Petition would amount to \$1,590,353, which is 1.29% of its current base revenue level of \$123,449,194. Mr. Cutshaw provided evidence concerning the calculation of the proposed DSIC and sponsored, as Petitioner's Exhibit JLC-1, Petitioner's proposed rate schedules reflecting the DSIC. He explained that the rate of return used in the DSIC revenue requirement calculation is Petitioner's weighted average cost of capital derived from Petitioner's capital structure as of November 30, 2002. The long-term debt cost rate used in the calculation is the average embedded long-term debt cost rate as of that date. A common equity cost rate of 10.5% was used because that rate was determined by the Commission in Petitioner's most recent general rate case in Cause No. 42029. The result is a weighted average cost of capital of 7.83% on an after-tax basis. This rate was converted to a pre-tax rate of 10.81% to include revenues for state and federal income taxes.

Depreciation expense was calculated by applying the applicable Commission-approved depreciation accrual rates to the Eligible Distribution System Improvements, net of related retirements. The proposed DSIC volumetric rate was calculated by dividing the DSIC revenue requirement by Petitioner's projected 2003 water sales. Mr. Cutshaw testified that the DSIC revenues that would be produced by the proposed DSIC will be less than 5% of Petitioner's base revenue level as approved in Petitioner's last base rate order.

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Petitioner's witness Alan J. DeBoy sponsored Petitioner's Exhibit AJD-1 that gave a brief description of each improvement project, the cost of each project, the date each project was placed in service, the account number assigned to each project based on accounting standards found in the Uniform System of Accounts, and Petitioner's operation area where each project exists. Mr. DeBoy generally described the projects as being replacement infrastructure, reinforcement infrastructure, or security improvements. Mr. DeBoy defined replacement infrastructure as consisting of mains, valves, hydrants, customer services, a water storage tank, process unit components like filter media, coating systems, and sludge collector drive units. Mr. DeBoy stated that a significant portion of main replacements are associated with right-of-way improvement projects where the location of Petitioner's mains conflicts with municipal improvement projects. Reinforcement projects, according to Mr. DeBoy, are projects that improve service to large areas of the existing distribution system by increasing flow capacity, and consist of new mains, a water storage tank in Hobart, Indiana, and a pump station located in Petitioner's Northwest operation referred to as the Taft Street Pump Station. Mr. DeBoy stated that security improvements provide enhancements that deter, delay and detect unauthorized entry to water utility property.

Mr. DeBoy also provided testimony that each improvement listed on Petitioner's Exhibit AJD-1 was an "Eligible Distribution System Improvement" as defined in Indiana Code 8-1-31-5. As to the eligibility requirement that a project not increase revenues by connecting the distribution system to new customers, Mr. DeBoy testified that he had an understanding and familiarity with all of the projects listed on Petitioner's Exhibit AJD-1, and none on them increased revenues by connecting the distribution system to new customers. Regarding the second statutory eligibility requirement that all projects are in service, Mr. DeBoy stated that he has personal knowledge of the projects listed on Petitioner's Exhibit AJD-1. Mr. DeBoy further testified as to his understanding that before an in service date can be designated on Petitioner's accounting system the person responsible for oversight of the project must conduct a physical inspection to confirm that the project is in service. Mr. DeBoy also reiterated Mr. Cutshaw's testimony that none of the improvements were included in Petitioner's rate base in its most recent general rate case. Mr. DeBoy testified that the rate base cutoff date used in Petitioner's last general rate case was July 31, 2001, and that all projects listed on Petitioner's Exhibit AJD-1 reflect in service dates subsequent to July 31, 2001.

6. <u>Public's Case-In-Chief.</u> The Public's case-in-chief was presented through three (3) of its employees: Edward R. Kaufman, Lead Financial Analyst in the Rates/Water/Sewer Division; Judith I. Gemmecke, Utility Analyst; and Scott A. Bell, Assistant Director of the Sewer/Water Division.

Mr. Kaufman asserted that Petitioner should not be allowed to recover through a DSIC proceeding those improvements to components of its utility that comprise source of supply, water treatment plant, general plant or security. After removing improvements to those utility components that should be disallowed, Mr. Kaufman proposed that completed plant amounting to \$7,723,795 could be included in Petitioner's DSIC.

In his testimony, Public's witness Mr. Kaufman discussed the theory behind DSICs. Mr. Kaufman asserted that the DSIC was created as a special tool to provide utilities with additional resources to accelerate the replacement of aged distribution assets. Mr. Kaufman supported his analysis by quoting several sources including a January 18, 2000 memo from Eric W. Thornburg, former Vice President of Indiana-American, to the Members of the Indiana Senate Committee on Commerce and Consumer Affairs. This memo was included as Attachment No. 1 to Public's Exhibit No. 1. In that memo Mr. Thornburg stated as follows:

This new technique will allow for the replacement of aged infrastructure, primarily pipelines, without the necessity of filing for a rate increase with the added cost to customers and delay of such undertakings. It does not include new main extensions that would produce additional revenues for the utility.

Mr. Kaufman then discussed the factors that differentiated distribution mains and other distribution assets from other investments made by utilities between rate cases. In *Public's Exhibit No. 1, pgs.* 7 & 8, Mr. Kaufman asserted as follows:

There are several factors which in combination give weight to the need for a DSIC to specifically promote the replacement of old distribution system assets:

- 1) The scope of replacing these assets is very large.
- 2) The replacement of distribution system assets is ongoing or continuous in nature.
- 3) The replacement of distribution assets is a series of many small projects. Thus, a utility is unable to time a rate case around their replacement as it could for a single large project.

Mr. Kaufman added that if one accepts the supposition that the factors described above are so severe that traditional ratemaking is unlikely to adequately facilitate necessary infrastructure improvements on a large scale, then the same rationale needs to be used to determine what plant should be approved in a DSIC case. Mr. Kaufman contended that the purpose of a DSIC is to accelerate the repair and replacement of aging infrastructure that has not or would not occur under traditional ratemaking. He added that the DSIC was created as a special tool to promote the adequate replacement of old and/or dilapidated distribution assets. The DSIC should not be applied to typical investments made by water utilities on a regular basis and investments that can be handled through traditional ratemaking should be handled in that manner.

Mr. Kaufman also noted that Petitioner's proposed DSIC seeks to earn a return on and return of assets that did not rehabilitate its distribution system and that Petitioner was

using the DSIC as a catch-all for virtually all of its rate base additions (other than those that increase revenues by hooking up new customers to the distribution system). Mr. Kaufman then referred to several of Petitioner's responses to data request questions that highlighted Petitioner's assertion that the DSIC was designed to include treatment plant, general plant and source of supply assets as well as distribution assets. Mr. Kaufman added that Indiana-American's response to data request question 36 indicated that Indiana-American has not accelerated the replacement of its mains as a result of the opportunity to collect DSIC revenues.

Mr. Kaufman also asserted that the limited time frame of a DSIC procedure limited the Public's ability to conduct meaningful fact finding and that a DSIC procedure should not include additions that are controversial and/or require a lengthy review. Additionally, Mr. Kaufman stated that the DSICs used in Pennsylvania and Illinois had significant differences than the DSIC proposed by Petitioner. The key differences were that both Illinois' and Pennsylvania's DSICs limited recovery to very specific account categories, included an earnings test and required consumer notification. Finally, Mr. Kaufman proposed that any future DSIC should include a 10-year projection of plans to repair and rehabilitate its distribution. Mr. Kaufman argued that since the rationale of the DSIC is to promote the replacement of aging infrastructure it seems logical that utilities should have a plan on how and when they intends to replace aging infrastructure. Such a plan will help to address the concerns expressed by the parties that led to creation of the DSIC.

Also testifying on behalf of the Public was accountant, Judith I. Gemmecke. Ms. Gemmecke echoed Mr. Kaufman's beliefs about what should be included in a DSIC and discussed specific calculations of the DSIC given certain parameters shown below. In considering Ms. Gemmecke's testimony it is important to note that Petitioner presented its calculation for the DSIC which included a return of 10.81% (before tax) on additions made which Petitioner asserts are subject to the surcharge, less the amounts contributed by INDOT. To that result, Petitioner added depreciation, which it calculated by subtracting retirements from the total additions of assets. Ms. Gemmecke noted that by making no adjustment for those contributed funds, this calculation allows depreciation on Contributions in Aid of Construction ("CIAC").

Ms. Gemmecke, presented her calculation of the DSIC, which also included the 10.81% before tax return, but only on the additions the Public recommends should be allowed in the DSIC as discussed earlier. Her calculation decreases the allowable additions by the amount of related retirements at original cost. To that result, Ms. Gemmecke also added depreciation expense, which she calculated by subtracting retirements from the total additions of allowable assets. By making no adjustment for funds contributed by INDOT, this calculation also allows for depreciation to be collected on CIAC. Ms. Gemmecke points out in her testimony that Indiana is one of a handful of states that allows water utilities to collect depreciation on CIAC. Allowing depreciation on contributed plant accomplishes many of the same goals the DSIC was intended to accomplish -- namely, providing additional funds to replace aging distribution systems.

On page 6 of Public's Exhibit No. 2, Ms. Gemmecke included the following accounts in her calculation of the DSIC:

Account	Description	
331001 –	TD (Transmission/Distribution) Mains Not Classified 1 Size (formerly Mains Conversions)	by
333000 - 334200 -	Services Meter Installations	•
335000	Hydrants	

The Public encouraged the Commission to use these same accounts in determining eligibility for a DSIC, especially in light of the time limitations for conducting discovery, conducting an evidentiary hearing, and issuing a final order.

The Public's engineering witness, Mr. Scott A. Bell, Assistant Director of the Public's Rates/Water/Sewer Division, testified that Petitioner's investments in Source of Supply, Water Treatment Plant and General Plant should not be included in the calculation of the DSIC. He also stated that there are some items Petitioner listed as Transmission and Distribution Plant that should also not be included in the calculation of Mr. Bell pointed out that Petitioner made investments in "Tank Security Improvements" in a number of its operational areas that total approximately \$1,977,417. He stated that Petitioner has categorized those investments as "Transmission and Distribution Plant" and assigned to Account No. 330000. While having no independent knowledge of the exact nature of the security improvements other than what was represented by Petitioner in its pre-filed testimony, Mr. Bell testified that these "Tank Security Improvements" should not be considered eligible for inclusion in the calculation of the DSIC because these improvements are not repairs or replacements of aging transmission and distribution infrastructure, but rather are investments in the new security systems as a result of the increased security risks after September 11, 2001. concluded that while it is important that a utility make prudent investments in security, such improvements should not be considered eligible for inclusion in the calculation of the DSIC. Mr. Bell recommended that Petitioner should recover its security related investments in a more appropriate proceeding.

Mr. Bell also testified about Petitioner's inclusion of the 1.5 MG water storage tank in Hobart, Indiana, which represents an investment of approximately \$1,644,841. He testified that the water storage tank and associated facilities should not be eligible for inclusion in the calculation of the DSIC because the investment Petitioner made in the Hobart water storage tank was not only to replace an aging water storage facility, but also to provide additional storage capacity to adequately serve increasing water demands or to meet fire-flow requirements. He stated that, in effect, the Hobart water storage tank would increase Indiana-American's revenue by making it possible to connect the distribution system to new users. He concluded that the investment in the 1.5 MG storage facility should not be considered DSIC eligible.

7. Petitioner's Rebuttal. Mr. Cutshaw responded to the Public's testimony to exclude improvements that have been recorded as Source of Supply, Water Treatment Plant, General Plant, Distribution Reservoirs and security improvements. Mr. Cutshaw testified that Indiana-American reviewed the language of the statute, as written, to determine what improvements are and are not eligible. Mr. Cutshaw suggests that the Public is attempting to add factors not provided in the statute and is relying on variations of the DSIC implemented in the States of Pennsylvania and Illinois to support its position. Mr. Cutshaw testified that these additional factors are not found in Indiana Code 8-1-31 and stated that Indiana-American's proposed DSIC is calculated pursuant to the definition the Legislature used.

Mr. Cutshaw stated that it is significant that some of the improvements Indiana-American included as "Eligible Distribution System Improvements" could not be included in a similar rate adjustment in either Illinois or Pennsylvania because it reveals the differences in the Indiana legislation as compared to Pennsylvania and Illinois. He explained that the Pennsylvania variety of the DSIC was first employed before there was a statute specifically authorizing it. The Pennsylvania Public Utility Commission established its DSIC in the order that is included with Mr. Kaufman's testimony as Attachment No. 4. The only statutory authority for the request was the generic authority to approve automatic tracker mechanisms. The Pennsylvania Commission approved of the concept of a DSIC, and in the process, established all of the procedures and requirements for a DSIC without any guidance from the legislature. In doing so, the Commission defined what is and is not eligible. After the Pennsylvania DSIC was first approved in this fashion, the Pennsylvania legislature confirmed what the Commission had done, and left all decisions regarding the eligibility and implementation to the Pennsylvania Commission. 66 Pa. Cons. Stat. § 1307(g).

Mr. Cutshaw further testified that the Illinois variety of the DSIC is likewise very general. The Illinois legislature left the decision whether to approve a DSIC entirely up to the Commission, indicating that the Commission "may authorize" the mechanism. 220 Ill. Code § 5/9-220.2. Mr. Cutshaw states these differences are significant for purposes of Indiana's DSIC legislation because this alternative approach was available to the General Assembly when Indiana Code 8-1-31 was enacted. The Legislature could have left to the Commission the decisions whether a DSIC should be approved, what would be eligible and what procedures would govern, as has been done in both Illinois and Pennsylvania. He speculated that the Legislature chose not to do so and instead specifically chose to define what is authorized as a DSIC.

Mr. Cutshaw responds to Mr. Kaufman's concerns that Indiana-American has not increased its investment in the replacement of mains by noting that Indiana-American makes its investment decisions based upon what will be needed, when it will be needed, and whether and to what extent there is capital available. Indiana-American believes the DSIC should help with its ability to access capital by mitigating some of the effects of regulatory lag. The DSIC should therefore help Petitioner in its ability to make all types of rehabilitations, replacements, and improvements throughout its utility systems. Mr. Cutshaw did not consider it appropriate to eliminate the Hobart storage tank from the

DSIC asserting it was not included in rate base in Cause No. 42029, and that it does not increase revenues by connecting new customers. He also stated that, while not a requirement under Indiana Code 8-1-31, the Hobart storage tank is a replacement of existing tanks as explained by Mr. DeBoy.

In defending the inclusion of security costs, Mr. Cutshaw testified that the security improvements are improvements to existing infrastructure. Mr. Cutshaw suggests that if a 100-foot section of a main is replaced, the overall main will have been improved. In the same manner, if an investment is made to secure one of its facilities against a terrorist attack, the facility will have been improved. He does not believe an improvement to existing infrastructure should be treated any differently from the replacement of existing infrastructure. Mr. Cutshaw further testified that he believed adequate access to information had been provided to the Public related to the security improvements and he finds it significant that a Non-Disclosure Agreement was executed with the Utility Consumer Counselor and the Public's Water and Sewer/Rates Director. Mr. Cutshaw also disagreed that Indiana-American has provided no more information on the security-related improvements than it provided on security expense in Cause No. 42029. He stated that at issue in Cause No. 42029 were security-related Operation and Maintenance expenses as opposed to the capital items at issue here. He explained that Indiana-American has provided in this proceeding every security task order number, the total amount for each, and the operation for each in Petitioner's Exhibit AJD-1. Indiana-American also provided information on security capital expenditures through the presentation of its case-in-chief during the in camera portion of the hearing. Finally, Indiana-American's witnesses have been available to respond to any questions about the security program or task orders that are included in Petitioner's Exhibit AJD-1.

As to Mr. Kaufman's concern that the type of review that would be done in a rate case cannot be completed during the abbreviated process for a DSIC, Mr. Cutshaw stated that the DSIC was not intended to be and will not result in a final determination that the DSIC assets are in rate base for purposes of a general rate case. The Public will have the opportunity to conduct a full rate base review in its next general rate case.

Mr. Cutshaw stated that he did not believe limitations on accounts that are eligible for DSIC and an earnings test would be consistent with Indiana Code 8-1-31. However, Mr. Cutshaw believed a requirement for customer notice and a requirement that a utility file a forecast that could be updated in future DSIC proceedings could be consistent with the DSIC statute and could be adopted if the Commission finds appropriate. Mr. Cutshaw stated Indiana-American would be willing to comply with these requirements in future DSIC proceedings if the Commission requests, but suggested a five-year forecast instead of ten years.

Mr. Cutshaw does not agree with the Public's assertion that retirements should be deducted from additions subject to DSIC in determining the net investor supplied DSIC additions to which the pre-tax return is applied. Mr. Cutshaw explained that under mass asset accounting rules, retirements are treated as fully depreciated with the original cost

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being deducted from both utility plant and accumulated depreciation. Such a retirement results in no change to the net book value of the Company's assets.

Mr. Cutshaw also disagreed with the depreciation rates used by the Pubic because different depreciation rates apply to Petitioner's Northwest, Mooresville, Warsaw, West Lafayette, and Winchester operations. Mr. Cutshaw provided a table that was later corrected at the hearing which reflects the appropriate depreciation rates. Next, Mr. Cutshaw disagreed with the Public's conversion from MGAL to CCF. Indiana-American determined the conversion to CCF (hundred cubic feet) by dividing the MGAL (thousand gallons) by 0.75. He explained that this is the same relationship that has existed in the Company's tariff sheets for many years.

Finally, Mr. Cutshaw disagreed with the Public's suggestion to separate Water Groups 1,2,3 into Water Group 1, Water Group 2, and Water Group 3. Mr. Cutshaw explained that this is inappropriate because the company's rate design has moved toward Single Tariff Pricing ("STP"). Rate base and operating income findings have been proposed and approved for the combined Groups, not for each separate Group mainly because there are different groupings for General Water Service, Sales for Resale, Private Fire Protection, and Public Fire Protection. The Groups shown on Schedule No. 1 of Public's Exhibit No. 2 are the Sales for Resale groupings. For General Water Service there are only two Groups, with Johnson County and Southern Indiana in Group 2. Mr. Cutshaw stated it is consistent with the movement towards STP to continue to make one finding for Water Groups 1,2,3 as a whole as proposed on Petitioner's Exhibit JLC-2.

During Indiana-American's rebuttal case, Mr. DeBoy testified that he did not agree with Mr. Bell's opinion that the Hobart water storage tank should not be included in this case. He asserted that the Hobart tank satisfied the conditions for eligible distribution system improvements put forth in Mr. Cutshaw's testimony. Mr. DeBoy testified that he believed that Mr. Bell proposed to exclude the tank because it is new as opposed to replacement infrastructure. Mr. DeBoy noted that there is nothing in the statute that states only replacement infrastructure is eligible. He went on to explain that, in fact, the Hobart water storage tank actually replaced three elevated water storage tanks that were beyond economical repair.

8. <u>Commission Findings and Analysis</u>. We note, first, that the Petitioner and Public have filed a *Stipulation and Settlement Agreement*. The Commission has a clear standard for its review and consideration of settlement agreements. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. IPL Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

As will be explained more fully below, we find that the public interest will not be served by approving the parties' settlement.

A determination of whether the Petition filed herein complies with Indiana Code 8-1-31 hinges on the phrase "distribution system." This phrase is not defined in Indiana Code 8-1-31 or elsewhere in Title 8 of the Indiana Code. In addition, the testimony of the Parties agrees neither on the meaning nor significance of this phrase. Petitioner contends that any improvement to a water utility qualifies for a DSIC so long as the improvement meets the eligibility criteria of (1) not increasing revenues by connecting the distribution system to new customers, (2) being in service, and (3) not being included in the public utility's rate base in the most recent general rate case. Indiana Code 8-1-31-5. Petitioner encourages the Commission to look to the plain language of the statute and find that any improvement to any component of a water utility qualifies for a DSIC, limited only by the above three (3) eligibility criteria. The Public, on the other hand, supports a more limited meaning of "distribution system," relying on legislative intent, DSIC legislation in other states, as well as an interpretation of the language of Indiana's DSIC statute that may tend to argue against the broad view advocated by Petitioner.

A. Meaning of "Distribution System." Use of the phrase "distribution system" as applied to different types of utilities, and of the phrase "water distribution system" as applied specifically to water utilities, is not foreign or uncommon to the Commission or to those whom it regulates. This Commission has used the phrases "distribution system" or "water distribution system" to identify one component of a water utility that is distinguishable from other water utility components. By way of example, on September 18, 2002, in Cause No. 42226, the Commission issued an Order in a proceeding brought by the same Petitioner in this proceeding, Indiana-American Water Company, Inc., seeking approval to acquire the water distribution system properties of the Town of Dune Acres. The Commission's Order in that acquisition proceeding restated Indiana-American's testimony as to the relief it was seeking: "He (Indiana-American witness, Randal D. Edgemon) testified that Indiana-American proposes to acquire only the distribution system assets consisting of the distribution mains, valves, hydrants and other appurtenances necessary to provide water service. This also includes the service lines, meters, and meter installation. Mr. Edgemon testified that Indiana-American is not purchasing the source of supply, storage or booster pumps related to source and treatment from Dune Acres. The remaining facilities not purchased will not be needed to provide service after the system is interconnected to Indiana-American's Northwest Operation." Cause No. 42226, September 18, 2002, pg.3.

Other Commission Orders have also distinguished the distribution system from other functional components of a water utility. See, for example, Cause No. 41684, August 4, 2000, pgs. 3 & 4: "The directors of North Dearborn Water Corporation authorized Robert E. Curry & Associates to perform an engineering study of the utility's source of water supplies, water treatment, water distribution system and elevated water storage for the purpose of determining the adequacy of the existing water works facilities to accommodate present and future water demands to the utility." In Cause No. 41879, July 3, 2001, pg. 2, it states: "Petitioner's facilities consist of a water distribution system serving the customers and a water treatment plant rated at 350,000 gal/day that was built

in 1952. Petitioner's facilities also include 2 wells with a pumping capacity of 350 GPM each and a water tower with a capacity of 150,000 gallons." From these examples, the commonly recognized components of a water utility are its source of supply (underground wells or surface water), treatment (water treatment plants), storage (elevated water storage tanks), and distribution (mains/pipes, valves, hydrants and meters needed to deliver water to customers). In short, this Commission and regulated water utilities commonly differentiate among their various utility components, including the segregation of activity into the "distribution system."

This differentiation was established in this proceeding in a response to a discovery request from the Public asking Petitioner to identify the categories of all relevant capital improvements. The discovery response, submitted by the Public into evidence (Public's Exhibit No. 1, Attachment No. 3, pg. 20), is a table containing information that Petitioner prepared using the same accounting format as other water utilities when submitting their Annual Reports to the Commission. More specifically, this table is an account matrix that corresponds to accounting practices originally promulgated by the National Association of Regulatory Utility Commissioners ("NARUC") and then adopted by most state public utility commissions, including Indiana's Commission. Indiana's adoption, by reference, of NARUC's rules governing the classification of accounts for water utilities is A summary of Petitioner's account matrix, categorizing all of found at 170 IAC 6-2-2. its proposed DSIC eligible projects, is illustrated below. The "Subsidiary Accounts" and their corresponding numbers shown on the vertical axis are further segregated by the matrix into classifications by function as shown on the horizontal axis (EG: "Source of Supply," "Water Treatment," and "Transmission and Distribution").

Subsidiary Account	Description	Amount	Source of Supply/ Pumping Plant Plant (SS)(PU)	Water Treatment Plant (WT)	Transmission & Distribution Plant (TD)	General Plant
303200	Land SS	143,998.81	143,998.81			•
304100	Structures SS	74,673.16	74,673.16			
304200	Structures PU	545,787.04	545,787.04			
304300	Structures WT	111,572.31	-	111,572.31	· · · · · · · · · · · · · · · · · · ·	·
304302	Tank Ptg WT	49,498.00		49,498.00		
304800	Structures Misc	51,299.61				51,299.61
307000	Wells & Springs	31,632.50	31,632.50			
311200	Pump Eq Elec	320,973.09	320,973.09			
311300	Pump Eq Diesel	62,477.00	62,477.00			
320100	WT Equip	340,250.55		340,250.55		
320190	Wt Equip Clear	60,529.00		60,529.00		
320191	WT Equip Plant	27,903.00		27,903.00		
330000	Dist Reserv	3,622,258.29			3,622,258.29	
331001	Mains	5,020,306.63			5,020,306.63	
333000	Services	1,279,349.58	•	•	1,279,349.58	
334200	Mtr Installs	1,074,128.33			1,074,128.33	
335000	Hydrants	350,010.33			350,010.33	
343000	Tools/Shop	4,339.00				4,339.00
346100	Comm Equip	30,085.00		•		30,085.00
346190	Remote Instrum	10,608.00			•	10,608.00
347000	Misc Equip	58,588.08				58,588.08
. *			•			
Grand Total		13,270,267.31	1,179,541.60	589,752.86	11,346,053.16	154,919.69

The Public's evidence supports, for DSIC purposes, those project amounts identified in Subsidiary Account Nos. 331001 (Mains), 333000 (Services), 334200 (Meter Installations), and 335000 (Hydrants), totaling \$7,723,795, all of which are further categorized functionally on the matrix within "Transmission & Distribution Plant." The only other Subsidiary Account Petitioner lists within "Transmission and Distribution Plant," and for which the Public's evidence supports exclusion from DSIC, is No. 330000 (Distribution Reservoir), amounting to \$3,622,258.29, which the evidence shows accounts for all "Tank Security Improvements," and the installation of a 1.5 million gallon water storage tank in Hobart, Indiana.

This breakdown of a water utility into its various functional components is also used by the American Water Works Association ("AWWA"). In response to a bench question as to his definition of "distribution system," the Public's engineering witness, Scott A. Bell, answered by referring to the AWWA's Manual: *Principles of Water Rates, Fees, and Charges*. Mr. Bell specifically referred to Table 7-1 in the section of the manual regarding "Allocating Costs of Service to Cost Components," and described how that table separates a water utility's components into Intangible Plant, Source of Supply Plant, Water Treatment Plant, Transmission and Distribution Plant and General Plant.

We believe that the AWWA manual and NARUC's accounting system are consistent with the general understanding in the industry of what can and cannot properly be described as distribution system improvements in the context of water utility plant projects. Items that fall within the other functional categories (EG: Source of Supply/Pumping Plant, Water Treatment Plant, and General Plant) should not be considered distribution system for purposes of a DSIC.

We also note, as referenced in the B. DSIC Laws in Other States. Public's testimony, the comparison of Indiana's DSIC statute with the DSIC statutes enacted in other states, specifically Pennsylvania and Illinois. The DSIC statutes in these states contain many obvious similarities to Indiana's statute. In its Exhibit No. 1, Attachment No. 4, the Public produced in evidence an Order from the Pennsylvania Public Utility Commission ("PPUC") that discusses that state's DSIC statute. One issue before the PPUC in that proceeding, and an issue presented by the Public in this proceeding, was a concern that the DSIC statute would be in conflict with the traditional ratemaking process. In Public's Exhibit No. 1, Attachment No. 4, pgs. 11 & 12 the PPUC states: "Recovery of this narrow set of (DSIC) costs is clearly permitted under Section 1307 (a)...and Pennsylvania case law; and, in the Commission's judgment, this proposal ("to file and implement an automatic adjustment clause to recover its distribution system improvement costs") is in no way a mechanism to "disassemble" the traditional ratemaking process for several reasons: first, the DSIC is designed to identify and recover the distribution system improvements costs incurred between rate cases; second, the costs to be recovered represent a narrow subset of the company's total cost of service; and third, the DSIC will be capped at a relatively low level to prevent any long-term evasion of a base rate review of these plant costs."

In this same Pennsylvania proceeding, the PPUC spoke generally about the purpose of a DSIC: "We agree with the company that the establishment of a DSIC would enable the company to address, in an orderly and comprehensive manner, the problems presented by its aging water distribution system, and would have a direct and positive effect upon water quality, water pressure and service reliability." Public's Exhibit No. 1, Attachment 4, pg. 8. This Commission agrees with and endorses such a purpose for a DSIC.

The evidence shows that in Illinois the only projects eligible for DSIC consideration are those that fall within the account numbers noted above: 331 (Transmission and Distribution Mains), 333 (services), 334 (Meters and Meter Installations) and 335 (Hydrants). Public's Exhibit No. 1, Attachment 5, page 4. These are the same accounts to which the Public proposes to limit DISC eligibility and, as shown in the above matrix, accounts to which Petitioner has assigned some of the projects for which it seeks approval of a DSIC. While not using the exact same account numbers, it appears from the evidence that Pennsylvania likewise generally limits DSIC-eligible property to services, meters, hydrants and mains. Public's Exhibit No. 1, Attachment 4, page 18.

C. A DSIC Proceeding is an Expedited Proceeding. In contrast to traditional rate case proceedings, Indiana Code 8-1-31 obviously intends for a

determination on a DSIC automatic rate adjustment to be made in an abbreviated and accelerated fashion. First, public notice that a DSIC petition has been filed is not required. Indiana Code 8-1-31-8(c). In addition, the Public is under a statutory deadline to issue a report to the Commission, if it chooses to do so, no later than thirty (30) days after the petition is filed. And the Commission is required to conduct a public evidentiary hearing and issue an order within sixty (60) days of the DSIC petition being filed. Indiana Code 8-1-31-9. These short time frames are not indicative of a proceeding that would require any extensive discovery on the part of the Public or review on the part of the Commission of complex projects that are often, and appropriately, the subject of traditional rate case proceedings.

These short time frames are, however, consistent with purposes set forth in Eric W. Thornburg's memo to the Indiana Senate, urging passage of the DSIC legislation. As noted above, Eric Thornburg was Vice President of Indiana-American. Mr. Thornburg stated as follows:

Regardless of their size and complexity, a common challenge is the age of underground infrastructure, the water mains that convey the product to the customer's tap. The principal focus of regulatory and financial resources has been on improving the quality of our drinking water primarily through promulgating water treatment standards. However, once the water leaves our plants, it travels through piping systems that can be 125 years old.

With so much of the capital available going towards improving water treatment systems, little has been available for <u>replacing pipelines</u>. Compounding the situation is the cost differential. New water lines vary in cost depending on their size, but typical installations average \$20 - 100 per foot. We are often retiring pipe that cost less than \$1 per foot when it was installed and rate shock can result.

This new technique will allow for the replacement of aged infrastructure, primarily pipelines, without the necessity of filing for increases with the added cost to customers and delay of such undertakings. It does not include new main extensions that would produce additional revenue for the utility.

Petitioner's Exhibit No. 1, Attachment No. 1. (Emphasis added.)

If Indiana-American's request in this proceeding were consistent with its former Vice President's description of the DSIC legislation, it would not have included improvements to utility components such as water treatment or source of supply, or security improvements, but would have concentrated primarily on the replacement of pipelines, meters and hydrants within the distribution system. In this proceeding, however, Petitioner contends that the lack of qualifying language in Indiana Code 8-1-31-5 to specifically limit "water utility plant projects" to projects within the "distribution system" results in DSIC eligibility for any utility plant project that is in service, was not included in the utility's last rate case, and was not a project to hook-up new customers.

D. Legislative Intent. To the extent Petitioner's reading of this statute has merit we rely on what the courts have said regarding the discernment of legislative intent. "The intention of the legislature, as ascertained from a consideration of the act as a whole, will prevail over the literal meaning of any of the terms used therein." Brown v. Grzeskowiak, 230 Ind. 110, 101 N.E. 2d 639 (1951). In City of Indianapolis v. Evans, 216 Ind. 555, 24 N.E.2d 776, (1940), the court said: "The legislative intent, however, is to be ascertained by an examination of the whole, as well as the separate parts of the act, and when so ascertained, the intention will control the strict letter of the statute or the literal import of particular terms of phrases, where to adhere to the strict letter or literal import of terms would lead to injustice, absurdity, or contradict the evident intention of the legislature." And in Rexing v. Princeton Window Glass Co., 51 Ind. App. 124, 94 N.E. 1031 (1912), we look to the language: "The purpose and scope of an act of the legislature must be determined from its title," and then to the title of Indiana Code 8-1-31, which is: "Distribution System Improvement Charges." When read as a whole, particularly with the intended and repeated reference to "distribution system," we find the most reasonable intent of Indiana Code 8-1-31 is to limit water utility plant projects to projects that are within the utility's distribution system.

E. The Language of Indiana Code 8-1-31. In addition, we also find the actual language of Indiana Code 8-1-31 to be consistent with our finding as to legislative intent. We, therefore, do not accept Petitioner's assertion that a plain language examination of Indiana Code 8-1-31 necessarily results in the conclusion that eligible improvements under this statute include any utility improvements that do not increase revenue by connecting the distribution system to new customers; are in service; and were not included in the utility's last general rate case. Indiana Code 8-1-31-5 states:

As used in this chapter, "eligible distribution system improvements" means new used and useful water utility plant projects that:

- (1) do not increase revenues by connecting the distribution system to new customers;
- (2) are in service; and
- (3) were not included in the public utility's rate base in its most recent general rate case.

This statute specifically disallows DSIC eligibility for "water utility plant projects" that would increase revenues by connecting the "distribution system" to new customers. This is one place in the statute where the phrase "water utility plant projects" is juxtaposed against the phrase "distribution system," thereby imparting a meaning to "distribution system" that is narrower than that of "water utility plant projects." If the broad meaning of "water utility plant projects" was intended to carry through all of Section 5, why qualify Section 5(1) with the phrase "distribution system?" We find it a reasonable interpretation that the statute as written is stating what was obviously intended, which is that the type of water utility plant projects contemplated are necessarily within the water utility's distribution system.

In addition, this juxtaposition of the phrase "water utility plant projects" with the phrase "distribution system" results only in a limitation that excludes from DSIC eligibility a particular category of utility plant project within the distribution system (connecting to new customers). Connecting to new customers describes a classic type of distribution system activity within the common meaning of "distribution system" as discussed above. We do not find it logical that this "Distribution System Improvement Charge" statute, with this single, exclusionary reference to a specific type of "distribution system" project, intended thereby to open the door of DSIC eligibility to any other "water utility plant project." Rather, we find that this one exclusion of a type of project within the distribution system is meant to thereby imply the inclusion, or DSIC eligibility, of all other types of distribution system improvements. We find the language and intent of this statute to include the requirement that a water utility plant project, in order to be eligible for DSIC consideration, must be a project within the "distribution system," limited, as to type of project, only by the ineligibility of projects that connect to new customers.

Accordingly we find, as applied to water utilities, that a common and consistent meaning of the phrase "distribution system" is found: in our previous Orders, in other states' DSIC laws, and in the water utility industry in general. We find that meaning identifies one component of a water utility that is distinguishable in plant and function from other components such as source of supply, water treatment and, in some instances, water storage. We also find that the evident legislative intent of Indiana Code 8-1-31, as well as the express language of that statute, conveys that same meaning. We cannot conclude that the Indiana General Assembly chose to adopt and repeatedly refer to "distribution system" in Indiana Code 8-1-31 as a way to generally identify, as Petitioner contends, the whole of a water utility. As to what water utility projects fall within the distribution system for DSIC eligibility, we find it within the purpose and meaning of Indiana Code 8-1-31 to look to the categories or accounts that the water utility industry uses, and specifically NARUC's system of accounts, to identify projects that are within a utility's distribution system.

F. Projects and Amounts to Be Included and Excluded as Distribution System Improvement Charges. Of the \$13,270,267 Petitioner has requested for DSIC eligibility, the Public sought to allow \$7,723,795. All of this \$7,723,795 is categorized on Petitioner's matrix within the following Subsidiary Accounts: "Mains (331001), Services (333000), Meter Installations (334200), and Hydrants (335000). And all of these Subsidiary Accounts are contained within the functional category: "Transmission and Distribution." Based on our discussion above, since these improvements are categorized as being within Petitioner's distribution systems, we find that they should be approved for DSIC recovery.

The Public sought to disallow \$5,546,472, which includes \$2,402,473 for security improvements and \$3,143,999 for non-security improvements that the Public claims are either not distribution system improvements or are otherwise not eligible. Of the total amount the Public seeks to disallow, \$1,499,158 relates to costs for non-security projects, and \$425,057 is for security-related projects, that Petitioner has categorized on its matrix within the functional categories of "Source of Supply/Pumping," "Water Treatment," and

"General Plant." Petitioner has categorized the remaining \$3,622,258 within the matrix category of "Transmission and Distribution." Of that Transmission and Distribution amount, \$1,644,841 accounts for the cost of a project to erect a tank in Hobart, Indiana, and \$1,977,417 relates to various projects to improve tank security.

Based on our analysis above of the DSIC statute, we find that all non-security projects that fall outside of improvements to the utility's distribution system; that consist of improvements to Source of Supply/Pumping, Water Treatment and General Plant, should be excluded from recovery of a DSIC charge. In this proceeding, therefore, \$1,499,158 should be excluded.

We turn our attention next to the \$1,644,841 attributed to placing a new water tower in service in Hobart, Indiana. We agree that the Hobart Water Tower was properly categorized by Petitioner on the account matrix discussed above as being functionally within "Transmission and Distribution Plant", in Subsidiary Account No. 330000 ("Distribution Reservoir"). Based on our discussion above, that fact argues for inclusion of the water tower as a DSIC. However, we also note that both Pennsylvania and Illinois do not include "Distribution Reservoir" in their definition of DSIC eligible, distribution system projects. That fact suggests, as we believe, that water storage may go beyond the distribution system improvements contemplated by this statute. We are not convinced that the replacement of three (3) water towers with one tower that is three (3) times the capacity of the three (3) replaced towers combined, at a cost of \$1.5M dollars, could be adequately reviewed by the Public and determined by this Commission within the time prescribed for the issuance of a DSIC Order.

The construction of new or replacement water storage tanks is accomplished at a considerable expense for water utilities. That expense is ultimately borne by water utility customers, who are the ratepayers. In this proceeding, the Hobart Water Tower is the most expensive single project that Petitioner has presented to this Commission for DSIC approval. As already noted, the DSIC statute does not require public notice that a DSIC petition has been filed. It is difficult to reconcile the inclusion of projects of this magnitude with the procedural constraints imposed by the DSIC statute. Consideration of the water tank in this proceeding is complicated even more by the fact that this tank project has resulted in an infrastructure very different from the infrastructure it has replaced. All of these considerations serve to emphasize the limitations built into the DSIC statute that are not found in a traditional rate case, such as a longer review period and more public notice, all of which are very important for projects of this size and scope. Referring to a Pennsylvania court decision, the PPUC stated: "...the purpose of (Pennsylvania's automatic rate adjustment law) is to permit reflection in customer charges of changes in one component of a utility's cost of providing public service without the necessity of the broad, costly and time-consuming inquiry required in a...base rate case." Public's Exhibit No. 1, Attachment 4, pg. 10.

It is also arguable that the costs of the Hobart Water Tower project are subject to allocation, with some costs being DSIC eligible and some not being DSIC eligible. But there is not sufficient evidence in this proceeding to support a cost allocation. Even if

such evidence did exist, timely review would be hindered by the complexity of allocation techniques and by the statutory deadlines inherent to DSIC proceedings that have already been discussed.

Mr. DeBoy testified that the Hobart Water Tower project was in the planning stage prior to Petitioner's acquisition of the Northwest Indiana Water Company, though not placed in service until after its last rate case was filed on June 29, 2001 in Cause No. 42029. This Commission approved Indiana American's acquisition of the Northwest Indiana Water Company on December 15, 1999. We note, however, our rate Order in Cause No. 42029 gave consideration to certain of Petitioner's projects (Tunnel Project, Newburgh Project, and Wabash Valley Project) that included estimated costs and estimated in-service dates for completion. Thus, the Commission has allowed for projects that are not yet in service and outside the test year to be included in rates during traditional rate case proceedings. Petitioner could have effectively included the Hobart Water Tower in this most recent traditional rate case, which allowed for a two-step increase to be phased in upon completion of the Tunnel Project.

We also note that the Hobart Water Tower was constructed, at least in part, with additional customer revenue in mind. Mr. DeBoy testified that it would have been shortsighted for Petitioner not to consider future needs in determining the capacity of the Hobart Water Tower and that additional customers were, in fact, a consideration in determining the size tank to build. Notwithstanding, therefore, the argument that the Hobart Water Tower can be described as a distribution system improvement, there is also evidence that a substantial portion of the much larger water tower will increase revenues by permitting connection of the distribution system to new customers, thereby making it ineligible for DSIC recovery. Of course we realize, first, that no water utility customer is directly connected to a water storage tank and, second, that some aging distribution system infrastructure, such as mains, could, for example, be replaced with larger diameter mains in response to or anticipation of new customers, yet still be DSIC eligible. A new or replacement water tower, however, can play a significant role in connecting new It is clearly the intent of the DSIC statute to exclude distribution system projects that connect to new customers, and we find this water tower, with its ability to generate new revenue, fits within the purpose of that exclusion.

This Cause is the first DSIC proceeding brought before this Commission, and our findings and conclusions will impact future DSIC petitions. It is a primary charge of this Commission to ensure just and reasonable utility rates. The traditional ratemaking process contains the safeguards needed for comprehensive review, particularly of complex and expensive projects, by the Public, the Commission, and the public in general. We find the DSIC statute is similar in purpose to other "tracker" statutes that allow utilities expedited adjustment to rates in matters that fall outside the need for the comprehensive review allowed in a traditional rate case.

We are, however, not prepared to find in this proceeding, as has been determined in Pennsylvania and Illinois, that any project categorized within "Distribution Reservoir" is not DSIC eligible. Distribution Reservoir projects presented to the Commission for

DSIC recovery will be considered on a case-by-case basis. We find only, for all of the above reasons specific to this particular project, that the Hobart Water Tower project is not DSIC eligible.

Finally, we address the \$2,402,473 in security costs that Petitioner has proposed for DSIC recovery. An amount of \$425,057 for security improvements is DSIC excludable for the same reason as the non-security improvements above that did not take place within the distribution system. And even though Petitioner has categorized a portion (\$1,977,417) of its security costs as being projects within the distribution system, we find that those security costs should also be excluded from DSIC recovery. We agree with the Public's testimony that the purpose of a DSIC proceeding is to encourage, through an expedited and automatic rate increase, repair or replacement of a distribution system's aging and failing infrastructure. Security improvements, while providing overall improvement to a utility, are not the type of infrastructure improvements contemplated by DSIC statutes.

In addition, given the highly sensitive nature of all security system information, more time than the DSIC statute allows is needed to permit the Public as well as the Commission to fulfill its statutory duties. Indiana Code 8-1-31-9(b) states that the Public may issue a report on a DSIC request within thirty (30) days of the petition being filed. The Public testified, through Mr. Kaufman, that any discovery about improvements that are claimed to be sensitive is difficult and arguments about the recovery of those improvements are awkward, thereby suggesting a lengthier process to ensure adequate review. Given the time needed for the Public and Petitioner to enter into a standard confidentiality agreement, plus the time needed for possible discovery on these sensitive issues, would almost certainly require more than thirty (30) days for the Public to conduct a meaningful review. In addition, given the sixty (60) day time limit for the Commission to issue an order, the meaningfulness of our review is hampered by additional procedures that must be considered and invoked in order to ensure proper confidential handling of sensitive information. Again, the point simply being that the additional complexities of considering security improvements are better suited for a traditional rate case proceeding.

In response to Mr. Kaufman's concern that the review performed in a traditional rate case cannot be completed during the abbreviated process for a DSIC, Mr. Cutshaw stated that the DSIC process was not intended to and will not result in a final determination that the DSIC assets are in rate base for purposes of a general rate case and that the Public will have the opportunity to conduct a full rate base review in the utility's next general rate case. We note, however, that Petitioner's assertion that an imprudent investment can be subsequently removed from rate base does not justify its inclusion in a DSIC. If an investment is, in fact, subsequently excluded from rate base in a future rate case, then ratepayers will have paid both a return on and of an asset that was determined to be ineligible. It is unfair for ratepayers to have incurred such a cost. Moreover, if an asset does not belong in rate base then ratepayers should not have to pay a return on and of that asset. Given the limited time frame, DSIC eligible assets should only include assets that require a minimal review and whose inclusion in rate base is assumed to be reasonable.

For the foregoing reasons and without need to refer to specific categories or describe even in general terms Petitioner's security improvements and without need to make any determination as to the relative prudence of those improvements, we deny recovery of the security improvements in this DSIC proceeding. We find that, without regard to what component of a system they are designed to make secure, security improvements do not properly fall within the descriptor "distribution system improvement" and were not intended to be recovered in a DSIC proceeding regardless of their desirability. In so concluding, we also agree with the Public's testimony that a utility's undertaking of prudent security measures should not be dissuaded. With a heightened concern about terrorist attacks, we encourage utilities to take prudent measures to ensure that their facilities and employees are protected, and to ensure that a safe product can be delivered to consumers. Given, however, the need expressed by Petitioner to be sensitive to the need to maintain secrecy where appropriate, a DSIC case simply does not allow sufficient time to afford due process to the parties and adequate time for the Commission to balance the need for secrecy with the expedited review required by statute. Petitioner may seek to recover these expenditures in a subsequent general rate case.

In addition to the foregoing reasons to exclude security improvements as well as the other excluded items we believe our position here is reasonable given our practice of allowing utilities to recover depreciation of contributed property. In Cause No. 39595, the Commission stated on page 23, "The Commission's current policy of allowing the recovery of depreciation on the contributed property provides to the Company additional internally generated funds to cover at least part of the replacement cost." Indeed, Petitioner's last rate case, Cause No. 42029, had \$60 million in CIAC on which depreciation was calculated and included in rates.

Also, We agree with the Public's recommendation that future DSIC proceedings should include a projection of plans to repair and rehabilitate the distribution system, but find Petitioner's suggestion that such a projection be limited to a 5-year forecast, as opposed to 10 years, to be more reasonable.

G. Calculation of Distribution System Improvement Charges. As to calculation of a DSIC, both Petitioner and the Public agree the before tax rate of return should be 10.81% on certain additions less the amounts contributed by INDOT. The Public further reduces the amount on which the return applies by the original cost of those assets that are now no longer in service as they have been replaced by the assets eligible for the DSIC. Petitioner has acknowledged Indiana allows a return on the Fair Value of assets. Petitioner also acknowledges that if such asset values were not eliminated in the DSIC calculation, Petitioner would earn a return on assets no longer in service as well as earning a return on the replacement of those assets. On cross-examination by the Public, Petitioner's witness Mr. Cutshaw indicated, under Petitioner's method of calculation, it will be earning a return on the fair value of the assets which have been retired as well as earning a return on these new assets, some of which were replacements for those assets retired. In its proposed order, the Public notes that Mr.

Cutshaw asserted in his rebuttal testimony that retirements should not be deducted from rate base additions in a DSIC because, under mass accounting rules, when a utility retires an asset it has no impact on the utilities net book value. We observe that such a rationale may be technically correct, but it is also irrelevant since such a factor would only apply in original cost ratemaking. Petitioner's rate base is based on the fair value of its assets. When any asset with a positive fair value is retired that will reduce the utility's fair value rate base. Thus, if retirements are ignored and a utility is allowed to earn a return on new plant through a DSIC, they will collect a return on both the new plant through its DSIC and on the retired asset through its return on the fair value rate base determination from the utility's last rate case. (We asked Mr. DeBoy if it could be determined when individual assets that have been retired were purchased. He indicated that it would be possible by pulling fixed asset records. We note that this information appears to be found in the response to data request question 33 included in *Attachment No. 3* to Mr. Kaufman's testimony.)

Petitioner did not provide the fair value determination from their last rate case for the items retired. We agree with the Public as to the net amount eligible to receive a return on. We therefore find Petitioner may receive a 10.81% before tax return on \$5,859,778 of net additional plant.

In Cause No. 42029, the Commission determined that the fair value of Indiana American's rate base was \$562,680,669. The Commission also determined that Indiana American's original cost rate base was \$403,085,800. Mass accounting rules do not apply to the Commission's determination of a utility's fair value and any retirement of plant will impact the fair value rate base. In Cause No. 42029, Mr. Deboy used a replacement cost new less depreciation study to estimate Indiana American's fair value. His methodologies for the study are described on page 26 of our final order in that Cause. While aged plant that is retired may have a negligible original cost, the <u>fair value</u> of such retired assets may not be negligible and not so easily determined.

Both Petitioner and Public agree on the method of calculating depreciation. Each took what they considered DSIC eligible assets, deducted retirements, and applied the appropriate depreciation rates. The disagreement is in what constitutes DSIC eligible assets. Applying our previous decision as to what assets are DSIC eligible, we therefore find Petitioner may earn depreciation in the amount of \$163,849.

As to Petitioner's objection to Ms. Gemmecke's unbundling of the Water Groups, the Commission notes that Ms. Gemmecke provided not only each water group on its own, but also as a total of all water groups. The Commission does not have a blanket stance on single-tariff pricing, but considers each case on it own merits. Ms. Gemmecke's schedules were helpful in determining if we should take the same stance in this case as we took in Cause 42029 regarding the movement toward single-tariff pricing for Indiana-American. This abbreviated proceeding does not allow us to re-visit that issue; therefore we have determined to apply the increase to the Groups as an average. We therefore find the calculations of eligible DSIC assets should be calculated and applied according to the schedule below:

DSIC Calculation and Rate Schedule

•	Total	Total Water Groups	Wabash	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
		1, 2, 3						
Additions subject to DSIC	\$7,723,795	\$5,942,722	\$169,439	\$969,547	\$78,349	\$73,118	\$144,716	\$345,905
Less Reimbursement by INDOT	1,310,504	1,310,504	0	0	0	0	0	0
Less Retirements	553,513	406,378	23,638	83,146	6,974	3,566	16,027	13,784
Net Investor supplied DSIC Additions	5,859,778	4,225,840	145,801	886,401	71,375	69,552	128,689	332,121
Pre-tax Rate of Return	10.81%	10.81%	10.81%	10.81%	10.81%	10.81%	10.81%	10.81%
Pre-Tax Return on Net DSIC Additions	633,442	456,813	15,761	95,820	7,716	7,519	13,911	35,902
Depreciation on DSIC Additions	163,849	132,872	3,660	14,073	2,354	1,520	3,859	5,511
Total DSIC Revenues	797,291	589,685	19,421	109,893	10,070	9,039	17,770	41,413
DSIC Rate per MGAL	\$0.0219	\$0.0267	\$0.0256	\$0.0101	\$0.0288	\$0.0110	\$0.0142	\$0.2027
DSIC Rate per CCF	\$0.0164	\$0.0200	\$0.0192	\$0.0076	\$0.0216	\$0.0083	\$0.0107	\$0.1521

H. Confidential Information. The December 30, 2002 Docket Entry issued in this Cause made a preliminary determination that security-related evidence received during the *in camera* portion of the Evidentiary Hearing would be handled and maintained as confidential pursuant to Indiana Code 5-14-3. This preliminary determination was based on the trade secret exception to disclosure found in Indiana Code 5-14-3-4, as well as the need to protect security-related information that, if disclosed to the public, would jeopardize a security system that is within the state's and national interest to protect. The Commission hereby makes a permanent determination that the record of the *in camera* portion of the Evidentiary Hearing conducted in this Cause on January 29, 2003, shall be handled and maintained as confidential in accordance with Indiana Code 5-14-3.

I. Settlement Agreement. The parties' Stipulation and Settlement Agreement filed in this proceeding proposes several significant findings that differ from the findings we have made herein. First, the Stipulation and Settlement Agreement proposes a finding that the Hobart Water Tower is an eligible DSIC project. Second, the Settlement Agreement proposes to include as DSIC eligible a pump station project ("Taft Street Pump Station") that is excluded from eligibility herein because it was not categorized by Petitioner as being within the distribution system, except for an individual pump station project that was categorized on Petitioner's matrix as being a "Main" project within "Transmission and Distribution." The remainder of the Taft Street Pump

Station projects were categorized as being within "Source of Supply/Pumping," and, therefore, excluded. Mr. DeBoy testified that the Taft Street Pump Station improves service to the distribution system. The Public, in its testimonial Proposed Order, states that the Taft Street Pump Station should be considered as being within the distribution system, though still DSIC ineligible because of testimony that it would increase the ability to connect to new customers. We are not convinced, however, that the best evidence shows anything other than a majority of the Taft Street Pump Station projects were correctly categorized as being outside of the distribution system. The third difference between the *Stipulation and Settlement Agreement* and our findings herein is the proposal that all security improvements, including tank security improvements, be excluded from DSIC recovery, but that the portion attributable to "tank security improvements" (\$1,977,417) be allowed to accrue "post-in-service" allowance for funds used during construction ("AFUDC") and deferred depreciation.

AFUDC is a recognized accounting mechanism that allows a utility to accrue the cost of debt related to major construction projects during the construction period. Once an in-service project is approved in a general rate proceeding for inclusion in rate base, the utility can begin earning a return on the value of the project. However, economic erosion to the utility can occur if there is a significant lag between the time the project is placed in service and the time of the utility's next general rate proceeding. This is because once the project is placed in service, but before it is approved for inclusion in rate base as an asset of the utility, not only does AFUDC cease as an available accounting tool, but also depreciation commences which is ultimately subtracted from the net original cost of the project to determine its value in rate base. In order to avoid the economic erosion that would otherwise result to the utility, the Commission can authorize, during this lag period, the continued, or "post in-service," accrual of AFUDC as well as deferring depreciation.

Most cases brought before this Commission seeking post in-service AFUDC and deferred depreciation ("AFUDC Remedy") contemplate that remedy from the outset. The AFUDC Remedy in this proceeding, however, was apparently not contemplated, and obviously not sought, until the submission of the late-filed settlement agreement. In determining the appropriateness of the AFUDC Remedy, we have previously said: "The precedents are clear that the requested treatment (the AFUDC Remedy) is appropriate in the case of major projects being placed in service and when the denial of the requested relief would have severe financial ramifications." Cause No. 39150, June 19, 1991. Evidence of these criteria was not produced in this proceeding. While evidence of the value of the security improvements was produced, we do not have evidence to support whether or not these security improvements are "major" in the context of the AFUDC Remedy, or whether our denial of the AFUDC Remedy would have severe financial ramifications on Petitioner. The AFUDC Remedy is a different form of relief from the DSIC remedy sought in this proceeding.

The Parties' joint settlement agreement asserts that Petitioner's recovery under the settlement agreement will be less than what it sought under the DSIC remedy and, therefore, falls within Petitioner's original request as lesser included relief. As stated

above, and regardless of the amount to be recovered by Petitioner under either remedy, we consider the AFUDC Remedy to be distinct from the DSIC remedy, each requiring proof of different elements. Therefore, given our finding that the evidence does not support approval of either a DSIC or AFUDC for security improvements, we conclude that neither remedy is appropriate in this proceeding.

We do not find it in the public interest that an automatic rate increase be imposed on ratepayers for improvements that we do not find, based on the evidence, to be within the utility's distribution system, or that Petitioner be allowed to continue to accrue AFUDC and defer depreciation when eligibility for those remedies has been neither sought nor proven. Accordingly, we reject the Stipulation and Settlement Agreement.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION, that:

- 1. Indiana-American Water Company, Inc. is approved a Distribution System Improvement Charge that generates \$797,291 in additional annual revenue.
- 2. We find that for purposes of determining the DSIC revenue, a before tax return of 10.81% should be applied to the net investor supplied DSIC eligible assets of \$5,859,778. Such a figure includes distribution assets added since Petitioner's last rate case less reimbursements by Indiana Department of Transportation for line relocations, less the distribution assets retired and replaced since the last rate case.
- 3. Recovery of DSIC revenues through an adjustment of rates shall be in accordance with the DSIC Calculation and Rate Schedule found herein in Finding Paragraph No. 8G. Petitioner shall file with the Gas/Water/Sewer Division of the Commission, prior to placing into effect the DSIC rates herein approved, separate amendments to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.
- 4. In accordance with Indiana Code 8-1-31-15, Petitioner shall file a revised rate schedule resetting the DSIC when the Commission issues an Order authorizing a general increase in rates and charges that includes the eligible distribution system in the utility's rate base.
- 5. In its next DSIC case, Indiana-American should file a five-year forecast of its distribution system replacement program.
 - 6. This Order shall become effective upon and after the date of its approval.

MCCARTY, LANDIS, RIPLEY AND ZIEGNER CONCUR; HADLEY ABSENT: APPROVED:

FEB 2 7 2003

I hereby certify that the above is a true and correct copy of the Order as approved.

Nancy E. Manle

Secretary to the Commission

TAW_R_GOLDHAM Page 68 01 141

I.U.R.C. No. W-19-A Cancelling All Previously Approved Tariffs (W-18-A) Original Appendix A

Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) Percentage set forth on this schedule is applicable where clearly denoted on other rate schedules, and this percentage shall be added to all charges billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

All Water Groups

DSIC Percentage Rate

0.00%

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Issued by: Alan J. DeBoy, President 555 E. County Line Road Greenwood, Indiana 46143 EFFECTIVE

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INDIANA UTILITY
REGULATORY COMMISSION

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Indiana Utility Regulatory Commission					

ISSUED PURSUANT TO

ILLINOIS

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois-American Water Company

Application for Approval of its Proposed Qualifying Infrastructure Plant Surcharge Rider pursuant to 83 III. Adm. Code 656.

04-0336

ORDER

By the Commission:

I. Introduction

On April 14, 2004, Illinois-American Water Company ("IAWC" or the "Company") filed with the Illinois Commerce Commission ("Commission") an Application for Approval of a Proposed Qualifying Infrastructure Plant Surcharge Rider. Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, hearings were held by a duly authorized Administrative Law Judge at the Commission offices in Chicago, Illinois, on May 12, July 15, and September 20, 2004. Appearances were entered by counsel for the Company and the Staff of the Illinois Commerce Commission ("Staff"). At the conclusion of the hearing on September 20, 2004, the record was marked "Heard and Taken." No contested issues remained on that date.

The Company's Application is governed by Section 9-220.2 of the Public Utilities Act (the "Act"), which states:

- a. The Commission may authorize a water or sewer utility to file a surcharge which adjusts rates and charges to provide for recovery of (i) the cost of purchased water, (ii) the cost of purchased sewage treatment service, (iii) other costs which fluctuate for reasons beyond the utility's control or are difficult to predict, or (iv) costs associated with an investment in qualifying infrastructure plant, independent of any other matters related to the utility's revenue requirement. A surcharge approved under this Section can operate on an historical or a prospective basis.
- b. For purposes of this Section, "costs associated with an investment in qualifying infrastructure plant" include a return on the investment in and depreciation expense related to plant items or facilities (including, but not limited to, replacement mains, meters, services, and hydrants) which (i) are not reflected in the rate base used to establish the utility's base rates and (ii) are non-revenue producing. For purposes of this Section, a "non-

revenue producing facility" is one that is not constructed or installed for the purpose of serving a new customer.

c. On a periodic basis, the Commission shall initiate hearings to reconcile amounts collected under each surcharge authorized pursuant to this Section with the actual prudently incurred costs recoverable for each annual period during which the surcharge was in effect.

220 ILCS 5/9-220.2. The Commission adopted 83 III. Adm. Code 656, "Qualifying Infrastructure Plant Surcharge" ("Part 656") to implement Section 9-220.2 of the Act.

The Company is a corporation organized under the laws of the State of Illinois with its principal office in the City of Belleville, Illinois, and is engaged in the business of furnishing water and waste water service to the public in several communities affected by the Company's proposal herein, including: City of Alton; Village of Brighton; Village of Elsah; Mllage of Godfrey; City of Cairo; City of Belleville; City of Columbia; City of East St. Louis; City of Fairview Heights; City of Granite City; City of Madison; City of O'Fallon; City of Venice; City of Waterloo; Village of Alorton; Village of Brooklyn; Village of Cahokia; Village of Caseyville; Village of Centreville; Village of Fairmont City; Village of Millstadt; Village of Mitchell; Village of Pontoon Beach; Village of Sauget; Village of Shiloh; Village of Swansea; Village of Washington Park; City of Peoria; City of West Peoria; Village of Bartonville; Village of Bellevue; Village of Dunlap; Village of Hanna City; City of Streator; Village of Kangley; and City of Pontiac, Illinois. The Company is a public utility within the meaning of Section 3-105 of the Act. The Company provided notice of the filing of its Application herein in accordance with 83 Ill. Adm. Code 255.20(a), (f)(i) and 656.30 (c)(2)(3).

The Rider proposed by the Company is intended to recover only costs related to qualifying infrastructure plant ("QIP"), as described in Section 9-220.2 of the Act and 83 III. Adm. Code 656.40. All calculations under the Rider are in accordance with 83 III. Adm. Code 656.50 and 656.60. As a part of its Application, the Company filed the following proposed Tariff Sheets as IAWC Exhibits 1.1 and 1.2: III. C.C. No. 22, 2nd Revised Sheet No. 22, canceling First Revised Sheet No. 22; III. C.C. 22, Original Sheet Nos. 22.1 through 22.5; III. C.C. No. 5, Original Sheet Nos. 24: and III. C.C. 5, Original Sheet Nos. 24.1 through 24.5.

Pursuant to the above Riders, the Company is proposing to implement a QIP Surcharge Rider for its Single Tariff Pricing Rate Zone ("STP" or "STP Rate Zone"), which includes its Alton, Cairo, Interurban, Peoria, Streator, and Pontiac Districts. The Company states that its most recent rate case reflected a combination of those Districts for the calculation of the revenue requirement, and continued movement to uniform pricing for each of those Districts. (See Order (Aug. 12, 2003), 02-0690, at 3, 119.) The Company states that it may file a QIP Surcharge Rider for its other service territories at a future time.

II. Discussion

The QIP Surcharge Riders proposed by the Company would provide for implementation of a charge to cover a return on the capital costs related to replacement or rehabilitation of qualified non-revenue producing plant infrastructure. Such investment would include replacement mains, meters, meter installations, services and hydrants. The QIP Surcharge would apply only to qualified non-revenue producing investment, which has not yet been included in rate base in a rate case. The Surcharge is capped at 5% of base rates billed to customers, consistent with Code Section 656.30(a), and shall be subject to an annual reconciliation pursuant to Section 656.80 to ensure that revenues collected under the QIP Surcharge are equal to the actual costs prudently incurred. The Company asserts that its proposed QIP Surcharge Riders are consistent with the rules codified in Part 656.

The Company provided notice of this proceeding in compliance with 83 III. Adm. Code 656.30, and is maintaining copies of the QIP Surcharge Rider for public inspection and posting public notices in each utility office within the STP Rate Zone. The Company also provided notice by newspaper publication and by mailing a notice of the filing to each customer in the STP Rate Zone.

Company witness Stafford explained that a portion of the Company's infrastructure is nearing the end of its life expectancy and must be replaced. Since the Company must provide adequate, safe, reliable, and low cost service, it seeks to meet this requirement through use of the QIP Surcharge Riders. The Company asserts that implementation of the Riders will reduce the level of rate case costs that otherwise would be associated with infrastructure replacement. IAWC also anticipates that QIP projects will constitute an increasing part of its construction requirements over the next several years, and the related capital and depreciation costs would require a significant level of rate relief in the absence of the Surcharge.

Mr. Stafford further testified that water utilities are not able to postpone the construction of QIP projects so as to reduce the frequency of necessary rate relief. Customer needs require that replacement mains, meters, meter installations, services, hydrants and other non-revenue producing items be installed continuously, with the result that the in-service date of the constructed plant cannot be delayed to reduce rate case frequency. He also explained that such facilities must be placed in service when they are needed by customers or required by law or regulation, irrespective of rate timing. In addition, Mr. Stafford averred that the placement in service of new plant additions is one of the major factors driving the need for water utilities to seek increases in revenues. With the approval of the QIP Surcharge, he concludes, IAWC would be in a better position to absorb increases in non-QIP costs for a bnger period. Customers therefore would benefit from the reduction in rate case frequency and expense. In addition, the QIP Surcharge would provide for more gradual rate increases.

Mr. Stafford opined that the QIP Surcharge will result in fair, just, and reasonable rates, and will operate only to provide a return on the investment in QIP not included in the Company's rate base. He also noted that none of the projects identified as QIP

were reflected in the test year of the Company's last rate case. In the Company's last rate case, Docket 02-0690, the Company used a future test year of calendar year 2003. None of the QIP projects were placed in service until after 2003 and, therefore, none were included in test year cost of service.

The cost of capital under the QIP Surcharge would be the approved overall rate of return in the prior rate order. The QIP Surcharge calls for use of the depreciation rates last approved by the Commission for the respective plant accounts in which the specific items of QIP are recorded. The Company acknowledges that, upon approval of a future rate increase, the QIP Surcharge will be reset as of the effective date of new base rates. The new rates will include in rate base the plant for which costs were formerly recovered through the QIP Surcharge. Only new qualifying plant additions—those not included in the rate base figure—would be eligible to be reflected in the QIP Surcharge subsequent to the effective date of new rates.

The QIP Surcharge will be expressed as a percentage applied to the total amount billed to each customer under the otherwise applicable rates and charges for customer charges, metered usage charges, and private and public fire charges. The QIP Surcharge revenue component would be reflected as a line item on the bill of each customer. The Company prepared an estimate of the percentage based upon a projection of QIP investment for the 2005 – 2009 period, which it filed as Exhibit 1.3 to its Application.

Mr. Stafford explained that the amount of QIP Surcharge revenue collected could vary from the actual amount of revenue needed to cover a return on the Company's investment in QIP plus taxes. As required by 83 III. Adm. Code 656.80, the QIP Surcharge will be subject to an annual reconciliation. Any difference between such revenues will be recouped from, or refunded to, customers. Mr. Stafford testified that the QIP Surcharge also includes a safeguard in the event that earnings in a given period exceed the authorized rate of return. For any calendar year in which the QIP Surcharge has been in effect and the realized rate of return exceeds the authorized rate of return, QIP Surcharge revenues collected during the year would be reflected as a credit in the QIP Surcharge adjustment factor effective on the first day of April of the following year, to the extent that such revenue contributed to realization of a rate of return above the authorized level during the prior calendar year.

Company witness Simpson provided the history of the Company's qualifying plant in the areas of Water Main Replacements & Relocations, Hydrant Replacements, Service Replacements, Meter Replacements and Meter Setting Replacements for the five-year period 1999-2003 for the STP Rate Zone. According to Ms. Simpson, the average number of breaks per mile for the STP Rate Zone has declined from an average of 0.67 breaks per mile in 1999 to 0.59 breaks per mile in 2003.

The Company proposed QIP replacements for the period 2005-2009. For 2005, the Company plans to replace 50,000 feet of water mains of various sizes within the STP Rate Zone. This represents a 4,327 feet per year, or 9.5%, increase above the

current 5-year average of 45,673 feet per year. IAWC also plans to replace 120 hydrants, which is an increase of 11 hydrants per year, or 10%, over the five-year average of 109 hydrants per year. The Company asserts that the increase is directly related to the increase in its small diameter water main replacement program. It additionally plans to replace 500 services, which is approximately double the average rate of replacement of services over the last five years. The increase is related to both the increase in water main replacement and the need to accelerate high priority service replacements. Furthermore, the majority of meters are on a 12-year replacement schedule. Based on this program, the Company will replace 13,243 meters in 2005, as well as 275 meter settings. In subsequent years, 2006-2009, the Company intends to maintain these rates of replacement, but projects that costs will increase 3% for inflation.

Finally, Ms. Simpson noted that Investment Projects (IPs) are those individual water main replacement or relocation projects that have a cost of \$100,000 or greater, or are longer than 1,500 feet in length, or have a diameter greater than 12 inches. Relocation projects are the result of other infrastructure replacement activities by local, state and federal entities. The Company states that it does not have accurate information for these outside infrastructure eplacement activities beyond a two-year time frame. For 2005, however, IP water main and water main relocation projects total \$454,000. The Company states that the amount of replacement and relocation is less than recent years due to the elimination of the Illinois First program in 2003, and the large amount of investment by the Company in the Interstate-74 Relocation project in Peoria in 2001-2003.

Staff witness Smith does not oppose adoption of the QIP Surcharge Rider. Mr. Smith stated that a QIP Surcharge Rider provides rate relief and funding for the replacement of old and deteriorating distribution systems and reduces regulatory lag. In Staff's view, the Company has adequate resources to plan and construct infrastructure and to maintain proper financial records of QIP projects. Staff, however, was concerned that the Company's proposed riders would provide the Company too much discretion by allowing an option to use either an annual prospective operation or a quarterly historical operation for its QIP Surcharge. The Company replied that conversion to or from prospective or historical operation is contemplated by Code Section 656.60, but limits the selection of prospective operation only to circumstances where utilities use the future test year in their most recent rate case. Mr. Stafford recommended that language be added to the Company's proposed tariffs to clarify that prospective operation only will be used if the Company's preceding rate case utilized the future test year, and historic operation only will be used if the Company's preceding rate case utilized an historical test year. Staff concurred with this recommendation.

The projects supporting the cost identified on IWAC Exhibit 2.1 generally are of the type allowable for surcharge recovery under Section 656.40 of 83 III. Adm. Code. Mr. Smith also identified certain projects that did not qualify, including hydrants replaced due to vehicular collisions, and services replaced as a result of customer requests. Staff also asserts, and the Company agreed that, while touch pad and wiring costs

connected to the meter are includable in QIP, the equipment used to read the meter is not allowable as QIP. Therefore, the Neptune ProRead remote touch pad, while properly includable in rate base, is not QIP.

IAWC identified eight large customers who receive service under competitive contracts. The QIP Surcharge generally applies to customer charges for meter, volume and fire protection. Competitive customers are not exempt from the regulations found in Section 656 of 83 III. Adm. Code or any tariffs that are developed from this rule. The QIP Surcharge Rider does not impact competitive customers in the same way that it impacts a customer served under traditional cost-of-service regulated rates, however, Competitive contracts are based on market considerations rather than the cost to the Company to serve the competitive customer. Nevertheless, the meter, private fire, and public fire charges paid by the competitive contract customers are the same as those provided for cost-based customers. It therefore is reasonable to view these charges to reflect utility costs, including that of current infrastructure. Competitive service customers should pay the portion of the QIP Surcharge related to meter and fire protection charges, since they benefit from the infrastructure paid for by the Surcharge. Conversely, the volume charges of competitive contract customers are based on negotiation, rather than the cost of operating the system, so it is reasonable that these customers not pay QIP charges on the volume rates.

Mr. Smith also recommended that clarifying language be added to the tariff sheets to address that matter. In particular, Mr. Smith recommended that the following paragraph be added after III. C.C. No. 22, Second Revised Sheet No. 22, paragraph (B) and also after III. C.C. No. 5, Original Sheet No. 24, paragraph (B):

(C) The QIP surcharge percentage shall not be applied to volume charges of competitive contract customers when those charges are established by contract, or to municipal or fire district charges where those charges are established by agreement.

Finally, Mr. Smith recommended that the Company's proposed QIP Surcharge Rider meet the requirements of Section 9-220.2 of the Act and that the revised tariffs conform to Section 656 of 83 III. Adm. Code. To that end, the Company, within 30 working days of the date of the Order in this proceeding and no later than the 20th day of the month preceding the effective date, should file a QIP tariff, as a compliance filing, with an effective date no earlier than the first day of the month following the issuance of the Order in this Docket. The Company also should file its QIP percentage on an Information Sheet with supporting data no later than the 20th day of the month preceding the effective date of the QIP Surcharge percentage. The Company concurred with this recommendation.

III. Commission Conclusion

The Company seeks approval of proposed QIP Surcharge Riders for its STP Rate Zone. The Riders would allow for the recovery of certain costs related to

qualifying infrastructure plant, and are proposed pursuant to Section 9-220.2 of the Public Utilities Act and 83 III. Adm. Code 656.

Section 9-220.2 of the Act provides in part that the Commission "may authorize a water or sewer utility to file a surcharge which adjusts rates and charges to provide for recovery of ...(iv) costs associated with an investment in qualifying infrastructure plant, independent of any other matters related to the utility's revenue requirement." Section 9-220.2 of the Act also requires proceedings to reconcile the amounts collected with the actual costs prudently incurred for each year the surcharge is in effect.

The Riders should be revised, consistent with the agreement between the Company and Staff, to clarify that prospective operation of the Surcharge will only be used if the Company's immediately preceding rate case utilized a future test year and historical operation will only be used if an historical test year was used in the immediately preceding rate case. Also, the tariffs should clearly indicate the applicable portions of the QIP Surcharge with respect to contract, municipal, and fire district customers. Staff and the Company concur that, with those modifications, the proposed Riders meet the requirements of Section 9-220.2 of the Act and conform to proposed Part 656. The Commission therefore finds that the proposal of the Company to implement QIP Surcharge Riders for its STP Rate Zone, as revised, meets the requirements of Section 9-220.2 of the Act and Part 656 of the Commission's rules applicable to the implementation of QIP surcharge tariffs.

Within 30 business days from the date of this Order, and no later than the 20th day of the month preceding the effective date, the Company should file the Rider tariffs as a compliance filing, with an effective date of the first day of the following month. The Company should file the QIP Surcharge percentage on an Information Sheet no later than the 20th day of the month preceding the effective date of the QIP Surcharge Percentage.

IV. Findings and Ordering Paragraphs

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- Illinois-American Water Company provides water service to the public in certain areas in the State of Illinois, and is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over the Company and the subject matter of this proceeding;
- (3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the proposed tariffs should be modified to clarify that prospective operation will only be used if the Company used a future test year in its

immediately preceding rate case, and historic operation will only be used if the Company used a historic test year in its immediately preceding rate case;

- (5) the proposed tariffs should also be modified to clarify the language regarding certain charges to contract, municipal, and fire district customers, as discussed herein;
- (6) the proposal of the Company to implement QIP Surcharge Riders for its STP Rate Zone, submitted as IAWC Exhibits 1.1 and 1.2 and revised in accordance with the conditions and determinations set forth herein, should be approved;
- (7) within 30 business days from the date of this Order, and no later than the 20th day of the month preceding the effective date, the Company should file, as a compliance filing, tariffs substantially in the form of the QIP Surcharge Riders marked as IAWC Exhibits 1.1 and 1.2, as modified pursuant to Findings 4 and 5 above; such tariffs should be marked with an effective date of January 1, 2005, or the first day of any subsequent month;
- (8) the Company should file the QIP Surcharge Percentage on an Information Sheet with supporting data no later than the 20th day of the month preceding the effective date of the QIP Surcharge Percentage; and
- (9) the relief granted in this Order creates no presumptions with respect to whether the specific projects or types of projects described in the Company's filing in this proceeding meet the criteria for qualifying infrastructure plant set forth in Section 9-202.2 of the Act and Part 656 of the Commission's rules.

IT IS THEREFORE ORDERED that, subject to the conditions and determinations set forth herein, the proposal of the Company to implement QIP Surcharge Riders for its STP Rate Zone, substantially in the form of IAWC Exhibits 1.1 and 1.2, as modified by Findings 4 and 5 above, is hereby approved; accordingly, the Company is hereby authorized to file such tariffs;

IT IS FURTHER ORDERED that, within 30 business days from the date of this Order and no later than the 20th day of the month preceding the effective date, the Company should file, as a compliance filing, tariffs substantially in the form of the QIP Surcharge Riders marked as IAWC Exhibits 1.1 and 1.2, as modified by Findings 4 and 5 above; such tariffs to be marked with an effective date of January 1, 2005, or the first day of any subsequent month.

IT IS FURTHER ORDERED that, the Company should file the QIP Surcharge Percentage on an Information Sheet with supporting data no later than the 20th day of the month preceding the effective date of the QIP Surcharge Percentage.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 III. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 15th day of December, 2004.

(SIGNED) EDWARD C. HURLEY

Chairman

ILLINOIS-AMERICAN WATER COMPANY Central Division Water Service TAW_R_COCDR1#028Attachment
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ILL.C.C. No. 24 Section No. 1 Original Sheet No. 18

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE QUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER

Determination of the Qualifying Infrastructure Plant Surcharge Percentage

- (A) Terms not otherwise defined in this Rider shall have the meaning given to them in 83 Ill. Adm. Code 656.20.
- (B) The Qualifying Infrastructure Plant ("QIP") Surcharge percentage shall be expressed as a percentage carried to two (2) decimal places. The QIP Surcharge percentage shall be applied to the total amount billed to each Customer located in the same rate zone based on the Company's otherwise applicable rates and charges. The QIP Surcharge percentage shall be capped at 5% of the QIP base rate revenues billed to Customers and shall not be applied to any add-on taxes, to any revenues attributable to the Purchased Water and Sewage Treatment Surcharges developed pursuant to 83 Ill. Adm. Code 655, or to any other revenues not recorded in a QIP base rate revenues account.
- (C) The QIP Surcharge percentage shall not be applied to Usage Charges of competitive contract Customers when those charges are established by contract or to municipal or fire protection district charges where those charges are established by agreement.
- (D) In calculating the QIP Surcharge percentage, the Company will use annual prospective operation only if the Company's immediately preceding rate case utilized a future test year as defined in 83 Ill. Adm. Code 287. The Company will use quarterly historical operation based on QIP investment data for a prior three (3) month period only if the Company's immediately preceding rate case utilized something other than a future test year. The development of the QIP Surcharge percentage, whether prospective operation or historic operation, shall be otherwise governed by the requirements of 83 Ill. Adm. Code 656.

1) Annual Prospective Operation

If the Company's QIP Surcharge is based on annual prospective operation, the Company shall determine the QIP Surcharge percentage for the operation year using the following formula:

$$S\% = \frac{\text{(NetQIP x PTR)} + \text{NetDep} + (\text{R x 1.33}) + ((\text{O} + \text{INT}) \times \text{Om})}{\text{PAR}} \times 100\%$$

Where:

S% = QIP Surcharge percentage

Issued: March 8, 2010 Effective: March 18, 2010

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE QUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER (CONTINUED)

- NetQIP = The average forecasted cost of the investment in QIP for the rate zone for the operation year less forecasted accumulated depreciation in QIP for the rate zone for the operation year. The average forecasted cost of QIP, net of depreciation, shall be computed by using an average of thirteen (13) end-of-month balances of QIP and accumulated depreciation for the period from December 31 of the year proceeding the operation year through December 31 of the operation year.
- PTR = Pre-tax return as described in 83 Ill. Adm. Code 656.50(a)(1).
- NetDep = Net depreciation expense related to the average investment in QIP for the rate zone for the operation year. Depreciation expense shall be calculated by multiplying the average forecasted cost of the investment in QIP by plant account, net of retirements, by the approved depreciation rates for the respective accounts in which the specific items included in the average QIP investment are recorded. The average forecasted cost of the investment in QIP by plant account, net of retirements, shall be computed by using an average of thirteen (13) end-of-month balances of QIP by plant account and retirements for the period from December 31 of the year proceeding the operation year through December 31 of the operation year.
- R = Company-determined reconciliation component (R component) calculated for the reconciliation year under the reconciliation feature as described in 83 Ill. Adm. Code 656.80(d). The reconciliation component shall be collected over nine (9) months from April through December.
- O = The Commission-ordered adjustment component (O component).
- INT = The calculated interest attributable to the O component. This interest shall be calculated as described in 83 Ill. Adm. Code 656.80(i).

Issued: March 8, 2010 Effective: March 18, 2010

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE QUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER (CONTINUED)

Om = The Commission-ordered O component multiplier. Om is a timing factor applied to the O component and the INT to allow for the collection of the O component and the INT over the remainder of the operation year. For example, if the O component and the INT were included in the QIP Surcharge percentage on January 1, the Om would be 1.00. Similarly, if the O component and the INT were included in the QIP Surcharge percentage on April 1, the Om would be 1.33.

PAR = The projection of total water or sewer QIP base rate revenues, as applicable, for the rate zone for the period from January 1 through December 31. The projected revenue shall not include any add-on taxes, any revenues attributable to the Purchased Water and Sewage Treatment Surcharges developed pursuant to 83 Ill. Adm. Code 655, or any other revenues not recorded in a QIP base rate revenues account.

2) Quarterly Historical Operation

If the Company's QIP Surcharge is based on quarterly historical operation, the Company shall determine the QIP Surcharge percentage for the quarter using the following formula:

 $S\% = \underbrace{(NetQIP \times PTR \times .25) + NetQDep + (R \times .33) + ((O+INT) \times Om)}_{PQR} \times 100\%$

Where:

S% = QIP Surcharge percentage.

NetQIP = Original cost of QIP less accumulated depreciation for the rate zone. NetQIP shall be the level of investment in QIP existing at the end of the calendar month proceeding the month in which an Information Sheet is filed.

PTR = Pre-tax return as described in 83 Ill. Adm. Code 656.50(a)(1).

NetQDep = Net quarterly depreciation expense applicable to NetQIP less the quarterly depreciation applicable to plant being retired.

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Issued by: Karla Olson Teasley, President 300 North Water Works Drive Belleville, Illinois 62223

SCHEDULE OF RATES AND CHARGES

<u>CLASSIFICATION OF SERVICE</u> <u>QUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER</u> (CONTINUED)

- R = Company-determined reconciliation component calculated for the reconciliation year under the reconciliation feature as described in 83 Ill. Adm. Code 656.80(d). The reconciliation component shall be collected over nine (9) months from April through December. No reconciliation component amount shall be included for the January through March quarter.
- O = Commission-ordered adjustment component.
- INT = The calculated interest attributable to the O component. This interest shall be calculated as described in 83 Ill. Adm. Code 656.80(i).
- Om = The Commission-ordered O component multiplier. Om is a timing factor applied to the O component and the INT to allow for the collection of the O component and the INT over the remainder of the operation year. For example, if the O component and the INT were included in the QIP Surcharge percentage on January 1, the Om would be 0.25. Similarly, if the O component and the INT were included in the QIP Surcharge percentage on April 1, the Om would be 0.33.
- PQR = Projected quarterly water or sewer QIP base rate revenues, as applicable, for the rate zone during the calendar quarter when the QIP Surcharge percentage shall be in effect. The projected quarterly revenue shall not include any add-on taxes, any revenues attributable to the Purchased Water and Sewage Treatment Surcharges developed pursuant to 83 Ill. Adm. Code 655, or any other revenues not recorded in a QIP base rate revenues account.

3) Annual Reconciliation

a) On or before March 15 of each year, if the Company had a QIP Surcharge in effect for all or part of the immediately preceding calendar year, it shall submit to the Commission an annual reconciliation regarding the results for the previous reconciliation year. The annual reconciliation shall be verified by an officer of the Company. As required by this Section, the annual reconciliation shall include a calculation of the R component necessary to adjust revenue collected under the QIP Surcharge Rider in effect for the rate zone during

Issued: March 8, 2010 Effective: March 18, 2010

Issued by: Karla Olson Teasley, President 300 North Water Works Drive Belleville, Illinois 62223

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE QUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER (CONTINUED)

the reconciliation year to an amount equivalent to the actual level of prudently-incurred QIP cost for the reconciliation year. In the event that the earnings report filed under this Section for the rate zone shows that the Company's actual rate of return has exceeded the level authorized in the Company's last water or sewer general rate proceeding, as applicable, then the R component shall include the credit required by subsections (c) and (d). Any adjustment made through the R component shall be in effect for nine (9) months commencing on the April 1 immediately following submittal of the annual reconciliation.

- b) With the annual reconciliation, the Company shall file a petition seeking initiation of the annual reconciliation hearings required by Section 9-220.2 of the Public Utilities Act. After the hearing, the Commission shall determine the amount of the adjustment, if any, that should be made (through the O component) to the level of revenue collected by operation of the QIP Surcharge Rider during the reconciliation year, so that the amount of such revenue is equal to the actual level of prudently-incurred QIP cost for the reconciliation year (to the extent that such adjustment has not already been reflected through an adjustment made by the Company to the R component of the QIP Surcharge percentage).
- c) In the annual reconciliation, the Company shall include, for each rate zone in which a QIP Surcharge has been in effect, data showing operating income and rate base for the reconciliation year, such data being developed in accordance with 83 Ill. Adm. Code 656.80(f)(4). If, for any such rate zone, the actual rate of return on rate base for the reconciliation year exceeds the overall rate of return allowed in the Company's last water or sewer general rate proceeding, revenues collected under the QIP Surcharge Rider shall be reflected as a credit through the R component of the QIP Surcharge to the extent that such revenues contributed to the realization of a rate of return above the last approved level. A credit value for the R component will result in a reduction of the QIP Surcharge percentage. To the extent, if any, that a required adjustment for a reconciliation year has not been already made by the Company (through the R component), the Commission shall require (through the O component) that such an adjustment be made after the annual reconciliation hearing.
- d) The Company shall calculate the R component using the following formula:

 $R = (ActNetQIP \times PTR) + ActNetDep - QIPRev + Rpy + Opy - EEA$

Issued: March 8, 2010

Effective: March 18, 2010

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE OUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER (CONTINUED)

Where:

 $\mathbf{R} =$

Company-determined reconciliation component.

ActNetQIP =

The average actual cost of the investment in QIP for the rate zone for the reconciliation year less actual accumulated depreciation of QIP for the rate zone for the reconciliation year. The average actual cost of QIP, net of depreciation, shall be computed by using an average of thirteen (13) end-of-month balances of QIP and accumulated depreciation for the period from December 31 of the year proceeding the reconciliation year through December 31 of the reconciliation year. (If the Company elects to base the QIP Surcharge on quarterly historical operation, the amount of the ActNetQIP shall be limited by the provisions of 83 Ill. Adm. Code 656.70(c).)

PTR =

Pre-tax return as described in 83 Ill. Adm. Code 656.50(a)(1).

ActNetDep =

Actual net depreciation expense related to the average investment in QIP for the rate zone for the reconciliation year. Depreciation expense shall be calculated by multiplying the actual investment in QIP by plant account, net of retirements, by the approved depreciation rates for the respective accounts in which the specific items included in the average QIP investment are recorded. (If the Company elects to base the QIP Surcharge on quarterly historical operation, the amount of the ActNetDep shall be limited by the provisions of 83 Ill. Adm. Code 656.70(c).)

QIPRev =

Actual QIP revenues collected during the reconciliation year through the QIP Surcharge.

Rpy =

The R component from the previous reconciliation year.

Opy =

The sum of the O component and the calculated interest attributable to the O component, or the sum of any O components and the calculated interest attributable to the O components, included in the calculation of the QIP Surcharge percentage during the reconciliation year.

Issued: March 8, 2010

Effective: March 18, 2010

SCHEDULE OF RATES AND CHARGES

CLASSIFICATION OF SERVICE OUALIFYING INFRASTRUCTURE PLANT SURCHARGE RIDER (CONTINUED)

- EEA = Excess earnings amount calculated in accordance with 83 Ill. Adm. Code 656.80, subsections (a), (c), and (f)(4). There will only be an EEA when the Company's actual rate of return for the reconciliation year exceeds the overall rate of return authorized by the Commission in the Company's last water or sewer rate proceeding.
- e) Any adjustment made by Order of the Commission under subsection (b) or (c) shall be included in the O component and be in effect for either twelve (12) months or nine (9) months, beginning on the next January 1 (if twelve (12) months) or April 1 (if nine (9) months) following the Order of the Commission, or such other period as the Commission may direct in the Order requiring that an adjustment be made.

Issued: March 8, 2010 Effective: March 18, 2010

Issued by: Karla Olson Teasley, President 300 North Water Works Drive Belleville, Illinois 62223



Schedule of Rates - Southern Division

Our Southern Division includes the **Alton, Cairo** and **Interurban Districts (Metro East)**. The Interurban District includes Belleville, East St. Louis, Granite City and many surrounding communities in the Metro-East.

In accordance with Illinois Commerce Commission regulations, the following rates for water service have been in effect since April 23, 2010.

General Water Service

The rate for metered water service consists of a facilities charge, varying with the size of meter, a use charge, a state recovery charge, and a fire protection service charge.

Facilities Charge

Meter Size	Monthly Rate
5/8 inch	\$ 14.50
3/4 inch	21.60
1 inch	31.50
1 1/2 inch	70.00
2 inch	108.00
3 inch	208.00
4 inch	347.00
6 inch	685.00
8 inch	1,093.00

Use Charge

Monthly Usage

Residential

Rate Per 100 Cubic Feet	Rate Per 1,000 Gallons
\$3.6036	\$4.8048

Non-Residential

Cubic Feet

Units*	Rate per 100 Cubic Feet
For first 30	\$3.6523
Next 570	2.6665
Next 12,400	2.2529
For all above 13,000	2 1059

Non-Residential Use Charge (continued)

*Usage is billed in units of 100 cubic feet.

NOTE: 100 cubic feet is equivalent to 748 gallons of water

Gallons

1,000 Gallons Per Month	Rate Per 1,000 Gallons		
First 23	\$4.8697		
Next 427	3.5553		
Next 9,300	3.0039		
For all over 9,750	2.8079		

State Tax Recovery Charge

A state recovery charge will be applied to all facilities charges, use charges and public fire protection service charges at the rate of 0.1%.

Other Service Charges

Customer activation	\$10.00
To renew service after disconnection (during regular business hours*)	\$32.00
Check returned for insufficient funds	\$15.00
Late payment fee on the unpaid balance per month	1 1/2%
* After regular business hours	\$138.00

Franchise Fees

	Monthly Rate			
	5/8"	3/4"	1"	1 1/2"
Customers within:	meter	meter	meter	& larger
City of Alton	\$ 0.14	\$ 0.23	\$ 0.36	\$ 0.71
City of Cairo	0.92	1.37	2.26	4.52
City of East St. Louis	0.12	0.19	0.32	0.61
Village of Fairmont City	0.12	0.19	0.32	0.61
City of Granite City	0.10	0.14	0.24	0.48
City of Venice	0.16	0.24	0.40	0.79
City of Madison	0.17	0.25	0.43	0.85
City of Belleville	0.01	0.01	0.03	0.07
Village of Swansea	0.31	0.44	0.74	1.50

Municipal Tax Additions

Customers within:	
City of Alton	5.15%
City of Cairo	5.15%
City of East St. Louis	5.15%
City of Centreville	5.15%
Village of Brooklyn	5.15%
Village of Fairmont City	5.15%
Village of Alorton	5.15%
Village of Cahokia	5.15%
Village of Washington Park	5.15%
City of Venice	5.15%
City of Belleville	5.15%
City of Madison	5.15%
Village of Shiloh	5.15%
Village of Swansea	5.15%

Public Fire Protection Service Charges

iblic i lie Frotection Service C	naryes	Monthi	y Rate	
	5/8"	3/4"	1"	1 1/2"
Customers within:	meter	meter	meter	<u>& larger</u>
City of Alton	\$ 2.90	\$ 4.33	\$ 7.23	\$ 14.46
Godfrey Fire District	2.33	3.50	5.83	11.64
Quarry Elsah Fire District	3.75	5.63	9.37	18.74
Fosterburg Fire District	2.25	3.38	5.63	11.24
City of Cairo	8.27	12.42	20.69	41.36
City of East St. Louis	3.42	5.13	8.55	17.10
Village of Brooklyn	3.95	5.92	9.86	19.73
French Village Fire District	6.76	10.14	16.91	33.79
Village of Sauget	0.17	0.26	0.43	0.86
Cahokia-Maplewood Fire Dist.	0.55	0.83	1.38	2.76
Village of Alorton	1.37	2.05	3.42	6.84
Midway Fire District	2.50	3.75	6.25	12.50
Village of Washington Park	1.88	2.83	4.71	9.41
Church Road Fire District	2.84	4.26	7.10	14.20
Village of Fairmont City	4.40	6.61	11.02	22.03
Canteen Township Fire District	0.88	1.32	2.21	4.40
City of Granite City	2.22	3.34	5.56	11.11
City of Venice	3.71	5.56	9.27	18.54
City of Madison	2.21	3.32	5.52	11.05
Eagle Park Improvement Asso	c. 1.47	2.21	3.68	7.37
Long Lake Fire District	1.73	2.60	4.33	8.68
Venice Township	1.90	2.86	4.78	9.53
Tri-City Regional Port District	5.29	7.93	13.22	26.43
Cloverleaf East Fire District	0.40	0.59	0.98	1.97
City of Belleville	1.63	2.44	4.07	8.15
Village of Swansea	2.91	4.37	7.28	14.53
Signal Hill Fire District	2.55	3.83	6.38	12.76
East Side Fire District	2.17	3.26	5.43	10.85
Villa Hills Fire District	2.37	3.55	5.92	11.84
Millstadt Rural Fire District	2.75	4.13	6.88	13.74
Northwest Fire District	2.43	3.66	6.09	12.17
Fairview-Caseyville Fire Dist.	1.86	2.78	4.64	9.28
Smithton Fire District	3.52	5.29	8.81	17.62
Mitchell Fire District	4.98	7.48	12.47	24.92
Columbia Rural Fire District	5.59	8.39	13.98	27.95
O'Fallon, Shiloh Valley				
& Caseyville Fire District	6.33	9.50	15.82	31.62
Mascoutah Rural Fire				
Protection District	1.81	2.73	4.54	9.08

Private Fire Protection Service Charges

Available for private fire protection service. The rates shall consist of a monthly charge based upon the size of each fire service connection as follows:

Size of Fire Service	Monthly Charge
2 ½" or smaller	\$ 7.30
3"	9.20
4"	16.50
6"	36.70
8"	71.60
10"	126.70
12"	200.10
16"	422.20

A monthly charge of \$36.70 per hydrant connection is payable for each privately owned fire hydrant on private property for fire protection and not served by a regular fire service connection.

Standby Demand

See

Additional \$276.94 per month

tariff

\$ 20.93 per ccf of contractual demand

\$ 0.208 per ccf for water used

\$41.86 per ccf for usage in excess of contractual demand

Large user water service – see tariff

QIP

Alton 2.99% ^ Cairo 2.99% ^ Interurban 2.99% ^

[^] Effective April 1, 2012

MISSOURI

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI



In the Matter of the Application of Missouri-American

Water Company for Approval to Establish an

Infrastructure System Replacement Surcharge (ISRS)

) Case No. WO-2004-0116

Tariff No. YW-2004-0274

REPORT AND ORDER

Issue Date: December 16, 2003

Effective Date: December 26, 2003

OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri-American)	
Water Company for Approval to Establish an)	Case No. WO-2004-0116
Infrastructure System Replacement Surcharge (ISRS))	Tariff No. YW-2004-0274

APPEARANCES

W.R. England, III, Attorney at Law, 312 East Capitol Avenue, Jefferson City, Missouri 65102, for Missouri-American Water Company.

<u>Diana M. Vuylsteke</u>, Attorney at Law, 211 North Broadway, Suite 3600, St. Louis, Missouri 63102, for Missouri Industrial Energy Consumers.

<u>Lisa C. Langeneckert</u>, Attorney at Law, 720 Olive Street, Suite 2400, St. Louis, Missouri 63101, for Missouri Energy Group

M. Ruth O'Neill, Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the Public.

Keith R. Krueger and Thomas R. Schwarz, Jr., Deputy General Counsel, P.O. Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REGULATORY LAW JUDGE: Morris L. Woodruff

REPORT AND ORDER

SUMMARY

After reviewing Missouri-American Water Company's application for establishment of an Infrastructure System Replacement Surcharge, the Commission concludes that Missouri-American correctly calculated the amount of accumulated depreciation used in the company's calculation of its ISRS revenue requirement. However, the Commission

concludes that Missouri-American should not have included net cost of removal of the non-ISRS property in those calculations. In addition, the Commission concludes that those calculations should not include property taxes for plant placed in service after January 1, 2003. Missouri-American's proposed tariff to institute an ISRS is rejected, but Missouri-American is advised to submit a revised tariff consistent with this report and order.

FINDINGS OF FACT

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact. The Commission in making this decision has considered the positions and arguments of all of the parties. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

Procedural History

On September 2, 2003, Missouri-American Water Company filed an Application and Petition for Establishment of an Infrastructure System Replacement Surcharge. For convenience the surcharge is referred to by the acronym ISRS. A proposed tariff implementing the ISRS – with an effective date of October 2 – accompanied Missouri-American's application.

On September 9, the Commission suspended Missouri-American's tariff until December 31, the maximum amount of time allowed by the controlling statute. Also on September 9, the Commission issued an Order Directing Notice and Setting Date for Submission of Intervention Requests. That order directed that notice of Missouri-

¹ Section 393.1006.1(3), RSMo

American's application be given to the county commission of St. Louis County, to the media serving St. Louis County, and to the members of the general assembly that represent St. Louis County. The Commission's order also established September 29 as the deadline for submission of applications to intervene.

A timely application to intervene was filed by the Missouri Energy Group (MEG),² an ad hoc group of not-for-profit hospital systems and a large industrial company that purchase substantial amounts of water from Missouri-American in St. Louis County. MEG's application to intervene was granted on September 30. On October 31, the Missouri Industrial Energy Consumers (MIEC),³ another ad hoc group of large customers in St. Louis County, filed an application to intervene out of time. MIEC's application was granted on November 3.

On September 29, the Office of the Public Counsel filed a motion asking the Commission to set a procedural schedule and to hold an evidentiary hearing regarding Missouri-American's application. To that end, a prehearing conference was held on October 8. Following that conference, on October 14, the parties submitted a proposed procedural schedule that was adopted by the Commission on October 16. The procedural schedule did not call for the pre-filing of testimony but instead required the parties to file reports and responses to those reports. It also called for an on-the-record presentation to be held on November 21, at which the Commission could question the parties about their reports. The parties indicated that this schedule would be appropriate because the issues

² The members of MEG are: Barnes-Jewish Hospital; Emerson Electric Company; SSM HealthCare; and St. John's Mercy Health Care.

³ The members of MIEC are: The Boeing Company; DaimlerChrysler; Ford Motor Company; Hussman Refrigeration; Monsanto Company; and Pfizer.

before the Commission were likely to be legal rather than factual and because of the tight time constraints imposed by statute.

Staff filed its report on October 31. Staff agreed that Missouri-American should be allowed to establish an ISRS but argued that the annual revenue requirement for calculation of the ISRS should be set at \$1,887,301. Staff's calculation of the appropriate annual revenue requirement was substantially smaller than the \$4,038,923 calculated by Missouri-American. Missouri-American filed a response to Staff's report on November 10, agreeing with some of Staff's modifications, but disagreeing with many of Staff's assumptions. Missouri-American now contends that the appropriate annual revenue requirement is \$3,813,222. Staff, MEG, and MIEC filed replies to Missouri-American's report on November 14. Public Counsel filed its reply on November 17. Public Counsel's reply was filed late and was accompanied by a motion asking the Commission to accept its late filing. That motion was not opposed by any party and will be granted.

At the direction of the Commission, Staff filed a list of issues on November 13. A prehearing conference was held on November 19. As a result of discussions among the parties at that conference, an amended list of issues was filed on November 20.

A hearing was held on November 21, at which time the parties presented evidence and testimony. Missouri-American, Staff, Public Counsel, and MEG submitted post-hearing briefs on December 4. In addition, the Missouri Energy Development Association⁴ filed an amicus brief, accompanied by a Petition for Leave to File Amicus Brief. That petition was not opposed by any party and will be granted. MIEC did not submit a brief.

⁴ The members of the association include: Aquila, Inc.; Atmos Energy Corporation; Empire District Electric Company; Kansas City Power & Light Company; Laclede Gas Company; Missouri-American Water Company; Missouri Gas Energy, a division of Southern Union Company; and Union Electric Company d/b/a AmerenUE.

What is an ISRS?

Missouri-American's ability to establish an ISRS was created by the Missouri legislature during its 2003 session. In House Bill 208, the applicable portions of which were codified at Sections 393.1000 through 393.1006, RSMo, the legislature permitted Missouri-American to petition the Commission to allow it to establish a special surcharge, the ISRS, to recover the cost of replacing eligible infrastructure system equipment and plant, which is defined as: replacement mains, and associated valves and hydrants; main cleaning and relining projects; and un-reimbursed facilities relocations mandated by governmental entities. Missouri-American would then recover the special surcharge from its customers for a limited time until the Commission establishes its new rates in a general rate case. In effect, the ISRS would allow Missouri-American to begin recovering the cost of infrastructure replacement without having to wait for the Commission to review and approve a general rate case.

Missouri-American currently has a general rate case pending before the Commission in Case Number WR-2003-0500. Missouri-American's tariff that would implement its revised rates is suspended until April 16, 2004. Because the ISRS would only remain in effect until it is replaced by the rates established in a general rate case, Missouri-American's proposed ISRS would be in effect from the effective date of this order until the effective date of the Commission's order establishing new general rates, approximately April 16, 2004.

What is the appropriate amount of the ISRS?

In appendix A to its verified application, 5 Missouri-American provides a detailed list of the facility relocations, and mains, hydrants and valve replacements made after its last rate case, for which it is seeking ISRS eligibility. Missouri-American indicated that it did not undertake any eligible main cleaning or relining projects during the applicable period. For each individual item of plant, Missouri-American lists the investment value, depreciation rate, date that the item was placed in service, accumulated depreciation and depreciation expense. Beginning with the actual investment it made in this eligible plant, Missouri-American identified the actual accumulated depreciation on those investments since they were placed into service, as well as the actual deferred taxes on those investments, and deducted those amounts - along with any contribution in aid of construction and reimbursement received for facility relocations – to arrive at a net original cost, or ISRS Rate Base. Missouri-American then applied the rate of return authorized in its last rate case to this ISRS Rate Base, and identified the annual expenses attributable to depreciation, property tax and state and federal income tax to arrive at a total annual ISRS revenue requirement of \$3,813,222. 6 Missouri-American would recover that amount, on an annual basis, from ratepayers through the proposed ISRS.

No party challenged Missouri-American's identification of the plant that is eligible for consideration under the ISRS statute and the Commission will accept those amounts as correct. Staff does, however, challenge three elements of Missouri-American's calculation of the ISRS revenue requirement: First, Staff argues that accumulated depreciation applied to facilities relocations and replacement mains and associated valves and hydrants should

⁵ The application was admitted into evidence as Exhibit 5.

total \$15,550,171 instead of \$792,177 as determined by Missouri-American; second, Staff excluded accumulated depreciation – net cost of removal of the retired plant being replaced from its calculations; and third, Staff excluded property taxes on ISRS plant placed in service in calendar year 2003. After making these modifications, Staff determined that the Missouri-American's ISRS revenue requirement is \$1,887,301.

MEG's expert witness, Billie LaConte, testified that MEG agreed with Missouri-American on the question of accumulated depreciation. However, she testified that accumulated depreciation – net cost of removal of the non-ISRS plant, as well as property taxes for ISRS plant added after January 1, 2003, should not be included in the ISRS revenue requirement.⁸ Using those assumptions MEG calculated that Missouri-American was entitled to an ISRS revenue requirement of \$3.628,576.⁹

CONCLUSIONS OF LAW

The Missouri Public Service Commission has reached the following conclusions of law.

Missouri-American is a public utility, and a water corporation, as those terms are defined in Section 386.020(42) and (58), RSMo 2000. As such, Missouri-American is subject to the Commission's jurisdiction pursuant to Chapters 386 and 393, RSMo.

Section 393.1003.1, RSMo provides as follows:

Notwithstanding any provisions of chapter 386, RSMo, and this chapter to the contrary, as of August 28, 2003, a water corporation providing

⁶ Missouri-American's calculations are shown on Exhibit 6.

⁷ Staff's calculations are shown as attachment B to its October 31, 2003 Memorandum, which was admitted into evidence as Exhibit 1.

⁸ Transcript, Pages 223-224, Lines 21-25, 1-2.

⁹ MEG's calculations may be found as a schedule to its Reply to Missouri-American Water Company's Response to Staff Report and Recommendations. That reply was filed on November 14, 2003.

water service in a county with a charter form of government and with more than one million inhabitants may file a petition and proposed rate schedules with the commission to establish or change ISRS rate schedules that will allow for the adjustment of the water corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements made in such county with a charter form of government and with more than one million inhabitants; provided that an ISRS, on an annualized basis, must produce ISRS revenues of at least one million dollars but not in excess of ten percent of the water corporation's base revenue level approved by the commission in the water corporation's most recent general rate proceeding. An ISRS and any future changes thereto shall be calculated and implemented in accordance with the provisions of sections 393.1000 to 393.1006. ISRS revenues shall be subject to refund upon a finding and order of the commission, to the extent provided in subsection 5 and 8 of 393.1006.

Missouri-American provides water service in St. Louis County, which has a charter form of government and more than one million inhabitants. Therefore, Missouri-American is eligible for an ISRS under this statute. Missouri-American's proposed ISRS would produce revenues of at least one million dollars but not in excess of ten percent of its base revenue level and that requirement of the statute is met.

Section 393.1003.3, RSMo, provides as follows:

In no event shall a water corporation collect an ISRS for a period exceeding three years unless the water corporation has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.

Missouri-American currently has a general rate case pending before the Commission. Therefore, the ISRS Missouri-American seeks in this case will remain in effect only until new rates are established, which will occur approximately April 16, 2004.

Section 393.1006.2, RSMo, provides as follows:

(1) When a petition, along with any associated proposed rate schedules, is filed pursuant to the provisions of sections 393.1000 to

393.1006, the commission shall conduct an examination of the proposed ISRS.

- (2) The staff of the commission may examine information of the water corporation to confirm that the underlying costs are in accordance with the provisions of sections 393.1000 to 393.1006, and to confirm proper calculation of the proposed charge, and may submit a report regarding its examination to the commission not later than sixty days after the petition is filed. No other revenue requirements or ratemaking issues shall be examined in consideration of the petition or associated rate schedules filed pursuant to the provisions of sections 393.1000 to 393.1006.
- (3) The commission may hold a hearing on the petition and any associated rate schedules and shall issue an order to become effective not later than one hundred twenty days after the petition is filed.
- (4) If the commission finds that a petition complies with the requirements of sections 393.1000 to 393.1006, the commission shall enter an order authorizing the water corporation to impose an ISRS that is sufficient to recover appropriate pretax revenues, as determined by the commission pursuant to the provisions of sections 393.1000 to 39.31006.

Section 393.1006.4 establishes the factors that the Commission may consider when establishing the appropriate pretax revenues that Missouri-American can recover through its ISRS. That section provides as follows:

In determining the appropriate pretax revenues, the commission shall consider only the following factors:

- (1) The current state, federal, and local income or excise tax rates;
- (2) The water corporation's actual regulatory capital structure as determined during the most recent general rate proceeding of the water corporation;
- (3) The actual cost rates for the water corporation's debt and preferred stock as determined during the most recent general rate proceeding of the water corporation;
- (4) The water corporation's cost of common equity as determined during the most recent general rate proceeding of the water corporation;
- (5) The current property tax rate or rates applicable to the eligible infrastructure system replacements;
- (6) The current depreciation rates applicable to the eligible infrastructure system replacements;
- (7) In the event information called for in subdivision (2), (3), and (4) is unavailable and the commission is not provided with such information on an agreed-upon basis, the commission shall refer to the testimony submitted during the most recent general rate proceeding of the water corporation and use, in lieu of any such unavailable information, the recommended capital structure, recommended cost rates for debt and preferred stock, and

recommended cost of common equity that would produce the average weighted cost of capital based upon the various recommendations contained in such testimony.

The Commission's determination of Missouri-American's appropriate pretax revenues is also restricted by Section 393.1000(1), which defines "appropriate pretax revenues" as:

The revenues necessary to produce net operating income equal to:

- (a) The water corporation's weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements which are included in a currently effective ISRS; and
- (b) Recover state, federal, and local income or excise taxes applicable to such income; and
 - (c) Recover all other ISRS costs;

ISRS costs, referred to in (c), are further defined by Section 393.1000(5) as "depreciation expenses, and property taxes that will be due within twelve months of the ISRS filing."

Not all infrastructure systems replacements are eligible for inclusion in the ISRS.

Section 393.1000(3) defines "Eligible infrastructure system replacements" as:

Water utility plant projects that:

- (a) Replace or extend the useful life of existing infrastructure;
- (b) Are in service and used and useful;
- (c) Do not increase revenues by directly connecting the infrastructure replacement to new customers; and
- (d) Were not included in the water corporation's rate base in its most recent general rate case;

"Water utility plant projects," as used in the previous definition, is further defined by Section 393.1000(8) as consisting only of the following:

- (a) Mains, and associated valves and hydrants, installed as replacements for existing facilities that have worn out or are in deteriorating condition:
 - (b) Main cleaning and relining projects; and
- (c) Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of

the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain provided that the costs related to such projects have not been reimbursed to the water corporation.

Section 137.075, RSMo 2000, provides that property taxes for a given year are assessed based on the property owned on January 1 of that year. Property taxes on property placed in service after January 1, 2003, will not be assessed until January 1, 2004. Such taxes need not be paid until December 31, 2004.

DECISION

After applying the facts as it has found them to its conclusions of law, the Commission has reached the following decisions regarding the issues identified by the parties.

Accumulated Depreciation

Missouri-American contends that the proper measure of accumulated depreciation is the actual accumulated depreciation recorded on the books of the company for each item of ISRS plant. In arriving at the measure of accumulated depreciation that it used in its calculations, Missouri-American simply totaled the accumulated depreciation on each item of ISRS plant.

No party disagrees with Missouri-American's calculation of the total accumulated depreciation on the ISRS plant. Staff's witness, in fact, agreed that Missouri-American had correctly calculated total accumulated depreciation on the replaced plant. Staff, however, contends that the amount calculated by Missouri-American should not be used in calculating the appropriate pretax revenue requirement for the ISRS. Instead, Staff compared the total amount of ISRS investment to the total change in invested plant since

the last rate case.¹¹ Staff calculated that Missouri-American's total invested plant increased by \$93,315,958 between its last rate case and July 2003.¹² Missouri-American's infrastructure replacement investment since its last rate case is \$20,723,376.¹³ Staff then determined the ratio of total invested plant to infrastructure replacement investment, approximately 22%, and applied that ratio to the increase in the company's depreciation reserve since its last rate case, \$53,573,609. \$53,573,609 multiplied by Staff's ratio equals \$11,897,494. It is this amount that Staff contends should be used as accumulated depreciation for mains, and associated valves and hydrants, in the calculation of Missouri-American's appropriate pretax revenues for purposes of its ISRS application. Staff performed the same calculations to arrive at \$3,652,677 as the amount of accumulated depreciation for facilities relocations for purposes of Missouri-American's ISRS application.¹⁴

Staff explains that it used this ratio approach rather than simply using the actual total depreciation because Missouri-American has accumulated \$53 million in depreciation since its last rate case and Staff argues that the company should be required to use a portion of that depreciation to offset the cost of constructing the ISRS plant.¹⁵

Staff also contends that its ratio approach should be used to offset what it claims to be the effect of regulatory lag that favors the company. Staff explains that the total value

¹⁰ Transcript, Pages 125, Lines 7-16 and 144-145, Lines 18-25, 1-5.

¹¹ Transcript, Page 112, Lines 21-24.

¹² These figures are taken from Exhibit 1, Appendix B, Attachment B, Page 2 of 4.

¹³ This is the amount of eligible investment in replacement mains, and associated valves and hydrants reported by Missouri-American in Exhibit 6, Line 3.

¹⁴ Transcript, Page 117, Lines 1-17.

¹⁵ Transcript, Page 116, Lines 16-25.

of a company's plant investment is used to establish a company's rates in a rate case. Those rates then remain unchanged until the company's next rate case when depreciation and new investment in plant are included in the company's rate base for consideration in rates. Staff points out that if all other factors remain equal – in other words, there were no new plant investment, no retirements, no change in revenue and expenses, etc. – then, because of depreciation, the company's rate base would decline and its revenue requirements would decrease. However, because rates do not change between rate cases, the company would be in a position to be earning more than its authorized return because of regulatory lag. Staff is concerned that unless its ratio approach to depreciation is adopted, Missouri- American could be imposing a surcharge on its customers while it is already over-earning.

Staff's argument must fail because it is contrary to the clear language of the statute. Section 393.1000(1)(a) requires that the company's ISRS revenue requirement is to be calculated by multiplying the company's weighted cost of capital by the "net original cost of eligible infrastructure system replacement, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements which are included in a currently effective ISRS." That definition clearly directs the Commission to consider "accumulated depreciation associated with eligible infrastructure system replacements." That is exactly what Missouri-American does in its calculation of its revenue requirement when it simply totals the depreciation that accumulated on the eligible infrastructure system replacements.

Staff, however, points to the last clause of the definition – "which are included in a currently effective ISRS" – to argue that since Missouri-American's initial ISRS application

has not yet been approved, there is no currently effective ISRS. Therefore, Staff would ignore the definition's admonition to consider "accumulated depreciation associated with eligible infrastructure system replacements." Instead, Staff would consider only the first part of the definition, "the weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacement." According to Staff, this truncated definition is telling the Commission to net the original cost of eligible infrastructure system replacement against something. Staff chooses to net it against the total change in the amount of the company's investment in plant-in-service since its last rate case, thus arriving at its ratio approach. Staff's interpretation of the statute's definition of appropriate pretax revenues is incorrect.

Staff's proposed method of determining the ISRS revenue requirement clearly and explicitly considers depreciation that is in no way associated with ISRS plant. In fact, Staff's witness explained that under Staff's method of calculation, the ISRS revenue requirement would go up or down depending upon the amount of non-ISRS investment made by the company, independent of the company's ISRS investments.¹⁷ That same witness conceded that there is nothing in the statute that authorizes the consideration of non-ISRS investments when calculating the appropriate ISRS revenue requirement.¹⁸

Furthermore, a reading of the entire ISRS statute makes it clear that the legislature was directing the Commission to conduct a narrow review of an application for an ISRS. Section 393.1006.2(2) specifically states that the Staff of the Commission may examine information of the water corporation to confirm that underlying costs are in accordance with

¹⁶ See. Staff's Brief at Page 8-9.

¹⁷ Transcript, Pages 183-185.

the provisions of the law and to confirm proper calculation of the proposed charge. The section then states, "no other revenue requirement or ratemaking issues shall be examined." The approach advocated by Staff violates this provision by seeking to examine underlying rate case issues as part of the ISRS.

Staff states that it is very concerned that Missouri-American may be over-earning and argues that it would not be appropriate to allow the company to impose an ISRS under those circumstances. But the controlling statute does not allow the Commission to consider other ratemaking issues in this proceeding. The legislature, by enacting a statute, has determined that Missouri-American is entitled to impose an ISRS on its customers to encourage the company to make needed infrastructure improvements. Missouri-American's method of calculating accumulated depreciation complies with that statute. Staff's method of calculating accumulated depreciation does not comply with that statute. The Commission concludes that Missouri-American's ISRS revenue requirement must be calculated using the accumulated depreciation calculated by Missouri-American for the ISRS plant.

<u>Accumulated Depreciation – Net Cost of Removal</u>

Missouri-American's calculation of accumulated depreciation to be offset against the original cost of the ISRS plant included a further adjustment to its total accumulated depreciation to recognize the cost of removing the old plant that was replaced with ISRS plant. If the replaced plant has any salvage value, the salvage value is deducted from the cost of removal. However, in most cases, the salvage value is less than the cost to remove

¹⁸ Transcript, Page 185, Lines 20-22.

the old plant, leaving a "net cost of removal." Missouri-American calculated its net cost of removal associated with ISRS plant as \$1,036,533.75.

MEG's expert witness stated that the net cost of removal of non-ISRS property should not be included in the ISRS calculations. Because the adjustment that Missouri-American would make to the accumulated depreciation account for net salvage is due to the removal of non-ISRS infrastructure, it should not be part of the calculation of an ISRS.¹⁹

The Commission agrees that net cost of removal of the non-ISRS plant should not be included in the ISRS calculations. The statute narrowly prescribes the factors that the Commission may consider when calculating the ISRS. The Commission is persuaded by the argument of MEG's expert witness. The net cost of removal that Missouri-American seeks to include in the ISRS calculations is associated with the depreciation accumulated on the old non-ISRS plant. Missouri-American should not be allowed to adjust the accumulated depreciation account for ISRS property due to the removal of non-ISRS infrastructure.

Property Taxes

Section 393.1000(5) defines "ISRS costs" as "depreciation expenses, and <u>property</u> taxes that will be due within twelve months of the ISRS filing" (emphasis added). In its calculation of its ISRS revenue requirement, Missouri-American included the cost of property taxes for all ISRS plant. In its calculations, Staff excluded property taxes on ISRS plant placed in service after January 1, 2003.

Staff reasoned that plant placed in service after January 1, 2003, will not be assessed until January 1, 2004. That means that property taxes on that plant will not be

¹⁹ Transcript, Page 225-226, Lines 2-25,1-6. See also Brief of Missouri Energy Group at page 3-4.

"due" until December 31, 2004. That is more than twelve months after Missouri-American filed its ISRS petition. Under the plain language of the statute, those property taxes are not due within twelve months of the ISRS filing and are, therefore, not ISRS costs.

Missouri-American countered that it accounted for taxes on plant added in 2003 on its books within twelve months of the filing of the ISRS petition. It contended that the statute should be read broadly to permit recovery of costs that the legislature intended to be recovered.

The Commission agrees with Staff's calculation of property taxes. A plain reading of the statute indicates that ISRS costs include property taxes that will be due within twelve months of the ISRS filing. Property taxes on plant added after January 1, 2003, are not due until more than twelve months after the ISRS filing. Therefore, they are not an ISRS expense and may not be included in the calculations of Missouri-American's ISRS revenue requirements.

Other Issues

In the course of their negotiations, the parties have reached agreement on several other adjustments to Missouri-American's original ISRS application. The Commission need not address those adjustments in this report and order. However, Missouri-American must adjust its ISRS calculations based on this report and order and those agreements. As a result, Missouri-American's tariff that implemented its ISRS, as originally calculated, is incorrect. That tariff will be rejected and Missouri-American will be allowed an opportunity to submit a revised tariff that conforms to the decisions made in this report and order and to the adjustments agreed to among the parties.

IT IS THEREFORE ORDERED:

1. That the tariff sheet filed by Missouri-American Water Company on September 2, 2003, and assigned tariff number YW-2004-0274, is rejected. The tariff sheet rejected is:

P.S.C. Mo. No. 6 Original Sheet No. RT 18.0

- 2. That Missouri-American Water Company is authorized to file a tariff to impose an Infrastructure System Replacement Surcharge that is sufficient to recover appropriate pre-tax revenues as determined by the Commission in this order.
- 3. That Public Counsel's Request to Accept Reply Filed One Business Day Late is granted.
- 4. That the Missouri Energy Development Association's Petition for Leave to File Amicus Brief is granted.
- 5. That any pending motions that the Commission has not specifically ruled upon are denied.

6. That this Report and Order shall become effective on December 26, 2003.

BY THE COMMISSION

Dale Hardy Roberts Secretary/Chief Regulatory Law Judge

(SEAL)

Murray and Forbis, CC., concur; Gaw, Ch., and Clayton, C., concur, with separate concurring opinion to follow; and certify compliance with the provisions of Section 536.080, RSMo 2000.

Dated at Jefferson City, Missouri, on this 16th day of December, 2003.

Missouri Public

RECD DEC 22 2003

Service Commission

FORM 13

P.S.C.MO.No. 6

Original

SHEET No. RT 18.0

MISSOURI-AMERICAN WATER COMPANY FOR ST. LOUIS COUNTY, MISSOURI

RATE I - Infrastructure System Replacement Surcharge (ISRS)*

<u>DESCRIPTION</u>: Rate I is designed to recover the costs associated with the Company's eligible main, valve and hydrant replacements, main relocations, and main cleaning and relining projects. This ISRS rate is calculated and implemented in accordance with the provisions of sections 393.1000 to 393.1006 RSMO. Any future changes to this rate will also be made in accordance with those provisions.

<u>APPLICABILITY:</u> This rate is applicable to any customer class who benefits from the subject utility plant projects eligible for ISRS recovery. The surcharge is calculated consistent with the customer class cost-of-service study recognized by the Missouri Commission in the Company's most recent applicable general rate proceeding.

RATE COMPONENTS:

In addition to the other charges provided for in the Company's tariffs, a separate charge for the ISRS will apply for service rendered on and after the effective date.

Surcharge Rate (1)

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.0675	\$.0900
Rate B Customers	\$.0087	\$.0116
Rate D Customers	\$.0080	\$.0107
Rate J Customers	\$.0080	\$.0107
Rate K Customers	\$.0675	\$.0900

<u>RULES AND REGULATIONS</u>: The General Rules and Regulations set forth in this tariff shall govern the supply of service under this rate.

- (1) Exclusive of every tax or payment imposed upon the Company by any political subdivision of the State of Missouri, for the right to do business in such political subdivision. See P.S.C. MO No. 6 Original Sheet No. RT 11.0
- * Indicates new rate or text
- + Indicates change

Missouri Public Service Commission WO-2004-0116 FLED DEC 31 2003

DATE OF ISSUE	December 22, 200	3DA1	re eff	ECTI	VE

21-2024

ISSUED BY: <u>David P. Abernathy, Vice President, General Counsel, and Secretary, 535 N. New Balla:</u>
Rd., St. Louis, MO 63141

DEC 3 1 2003

FORM NO. 13

P.S.C MO NO. 13

CUAMER COCDE #028 Attachment
Original Sheet No. 14T 10

Missouri-American Water Company	
Name of Issuing Corporation	

For

St Louis County Only
Community, Town or City

Rate I – Infrastructure System Replacement Surcharge (ISRS)

<u>DESCRIPTION</u>: Rate I is designed to recover the costs associated with the Company's eligible main, valve, and hydrant replacements, main relocations, and main cleaning and relining projects. This ISRS rate is calculated and implemented in accordance with the provisions of sections 393.1000 to 393.1006 RSMO. Any future changes to this rate will also be made in accordance with those provisions.

<u>APPLICABILITY:</u> This rate is applicable to any customer class who benefits from the subject utility plant projects eligible for ISRS recovery. The surcharge is calculated consistent with the customer class cost-of-service study recognized by the Missouri Commission in a Company's recent applicable general rate proceeding.

RATE COMPONENTS: In addition to the other charges provided for in the Company's tariffs, a separate charge for the ISRS will apply for service rendered on and after the effective date.

Surcharge Rate (1)

	Rate per CCF	Rate per 1,000 Gallons
Rate A Customers	\$.0000	\$.0000
Rate B Customers	\$.0000	\$.0000
Rate J Customers	\$.0000	\$.0000

RULES AND REGULATIONS: The General Rules and Regulations set forth in this tariff shall govern the supply of service under this rate.

(1) Exclusive of every tax or payment imposed upon the Company by any political subdivision of the State of Missouri, for the right to do business in such political subdivision.

* Indicates new rate or text

+ Indicates change

DATE OF ISSUE: March 15, 2012

DATE OF EFFECTIVE: April 1, 2012

ISSUED BY:

Frank Kartmann, President

727 Craig Road, St. Louis, MO 63141

FILED Missouri Public Service Commission WR-2011-0337; YW-2012-0452

CALIFORNIA

COM/MP1/llj/jt2

Mailed 8/24/2007

Decision 07-08-030 August 23, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company (U 210 W) for an Order Authorizing it to Increase its Rates for Water Service in its Los Angeles District to Increase Revenues by \$2,020,466 or 10.88% in the Year 2007; \$634,659 or 3.08% in the Year 2008; and \$666,422 or 3.14% in the Year 2009.

Application 06-01-005 (Filed January 9, 2006)

OPINION ADOPTING THE REVENUE REQUIREMENT FOR CALIFORNIA-AMERICAN WATER COMPANY (LOS ANGELES DISTRICT)

Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA). We find that a discussion of a WRAM, MCBA, and other possible tools to encourage conservation should happen in an industry-wide proceeding. We similarly find that any discussion of an ROE reduction is also best suited for an industry-wide proceeding. We do not wish to prejudge this issue in a specific company's GRC.

Cal-Am and DRA are encouraged to modify their pending settlement which currently includes the proposed WRAM with a more narrow conservation loss adjustment mechanism. Such a mechanism should ensure Cal-Am does not undercollect its authorized fixed costs due to conservation rate design and new conservation programs and ensure ratepayers are protected from any over-recovery of authorized costs that are due to the conservation rate design. This more narrow and focused mechanism is the Commission's policy preference for Cal-Am's Los Angeles District pilot conservation program and would result in no modification to ROE. We reserve judgment on whether wider adjustment mechanisms would need an ROE adjustment.

We also adopt on a pilot basis a Distribution System Infrastructure Charge (DSIC). The adoption of a pilot DSIC for routine infrastructure investment is a strong signal to water utilities and the communities they serve that based on our Water Action Plan the Commission is undertaking for Cal-Am's Los Angeles District a significant change in water utility regulation. We are strengthening long term capital asset planning for a water utility, with a specific emphasis on ensuring an adequate ongoing level of new investment for the routine replacement and upgrades that are necessary to maintain adequate water service. Customers will not be charged for new capital projects until after these projects are completed and the Commission approves surcharge collection. The DSIC

surcharge on the bill will provide customers with direct information on what portion of the rates they are paying supports new infrastructure projects. Finally, by providing a separately identified revenue stream, the DSIC is a strong signal to the investment community of the Commission's commitment to supporting new infrastructure investment.

In adopting the pilot DSIC, we also adopt the necessary safeguards to ensure the Commission will continue to maintain effective regulatory oversight of capital investments. We have carefully reviewed Cal-Am's capital investment plan and the underlying supporting cost documentation, and set a cap commensurate with this review. We also require Cal-Am to follow advice letter procedures that provide notice to all interested parties, a full protest period, and adoption of surcharge amounts by formal Commission resolution. We have strengthened Cal-Am's capital asset planning requirements and will fully review its planning and the results of this pilot program in the next GRC proceeding.

In reviewing water quality, the record reflects the Baldwin Hills subsystem has exceeded the Lead Action Level since 2001. While Cal-Am appears to be taking appropriate steps to bring its subsystem into compliance with drinking water standards for lead, the Commission needs additional verification that the Baldwin Hills subsystem does not now exceed the Action Level for Lead or, if it does, that Cal-Am is in compliance with all testing requirements and treatment techniques required by California and federal law for community water systems. We direct Cal-Am to address this in a compliance filing. This filing will be reviewed in Phase 2.

Finally, we fine Cal-Am \$11,000 for failure to provide notice of its rate increase applications for 20 years to the City of Inglewood and for 10 years to the County of Los Angeles. Notice is required under Rule 3.2(b) of the

Commission has the data collected in the pilot program. The basis for estimates under the pilot program should be documented and should generally fall at the lower end of published ranges. We observe that industry studies available today indicate relatively inelastic demand for water.

For the reasons discussed here, a Phase 2 adoption of a conservation loss adjustment mechanism (CLAM) rather than the proposed WRAM is the Commission's policy preference for Cal-Am's Los Angeles District pilot conservation program. If Cal-Am and DRA modify their pending Phase 2 settlement to replace the proposed WRAM with a conservation loss adjustment mechanism that meets the criteria discussed here, an ROE adjustment would not be necessary.

D. Request for Infrastructure System Replacement Surcharge

In Special Request 1, Cal-Am requests a distribution system improvement charge that it labels an ISRS. Cal-Am's ISRS proposal would provide the utility a greater funding level and regulatory discretion in making capital investments to replace existing facilities, and provide a revenue stream, in the form of a separate surcharge on customers' bills, for rate recovery.

1. Position of the Parties

Under its proposal, Cal-Am would file quarterly expedited advice letters, effective on 15 days notice, detailing the infrastructure investments it had completed and placed into service in the prior quarter. DRA and the Commission's Water Division would review the quarterly filings and authorize or disallow recovery of the costs incurred. The ISRS surcharge would have a price cap of 10% of the total revenues over the three-year GRC period, based on service charges and volume prices authorized by the Commission. In the next

GRC proceeding, the ISRS-funded projects would be placed into ratebase and the surcharge reset to zero.⁴⁴

Cal-Am indicates its ISRS proposal was developed in anticipation of the Commission's approval of the Water Action Plan. In a data response Cal-Am also states it was not aware of any financial analysis of ISRS it had prepared prior to submitting the proposal.⁴⁵ Cal-Am testifies:

The proposed ISRS program is a sort of trial balloon. We have to start somewhere, and where better than with a system that will provide some consistency to the replacement needs, but which needs to be slowly accelerated so that replacements don't lag any further. DRA appropriately notes that much of the Duarte system is constructed with used unlined steel pipe, and much of the San Marino system is over 50 years old. Now is the time to start making headway into infrastructure replacement – even for systems that are as free of customer complaints as these.⁴⁶

Both DRA and Duarte oppose Cal-Am's request. DRA states that while it supports the goal of adopting regulatory mechanisms that ensure the ongoing viability of Cal-Am's water systems, the proposed ISRS is merely one possible ratemaking tool, the need for which Cal-Am has failed to demonstrate at this time. DRA instead proposes refinements to Cal-Am's capital asset management planning process, specifically the identification of the age and condition of all

⁴⁴ Opening brief at pages 222 -23. Cal-Am does not propose acceleration of recovery of depreciation or ad valorem taxes. These items, together with a pre-tax return, would be included in the surcharge at the same rate approved for base rate calculations. The capital investments would be for revenue neutral (non-revenue producing, non-expense reducing) capital expenditures to replace existing facilities.

⁴⁵ See Exhibit 36, Chapter 12.

⁴⁶ Exhibit 13, page 26.

existing infrastructure and the development of a long-range infrastructure replacement strategy.

DRA believes the effectiveness of the ISRS is questionable, especially without a clear long-term plan in place, and its potential dangers are many. In other parts of the country that have adopted infrastructure surcharge mechanisms, the water systems are dramatically older, and there is an established urgency and financial need to look outside existing ratemaking mechanisms. DRA also documents that in all other states with an infrastructure surcharge, the cap is always set at 5% or less of the revenue requirement. There is no precedent for the 10% cap Cal-Am is requesting. (Exhibit 36, Chapter 12.)

DRA testifies that Cal-Am has been regularly investing in the Los Angeles system, and customers have been enjoying safe reliable service. Further, Cal-Am has the financial resources to make necessary capital investments, and any additional infrastructure replacement needs identified in a comprehensive asset management study could be accomplished with the existing capital funding mechanisms and at a relatively affordable rate.

Under existing ratemaking, DRA is able to carefully review proposals, make data requests, and analyze proposed infrastructure projects and their budgets in a comprehensive GRC proceeding. DRA asserts that an infrastructure surcharge does not ensure that utilities are adequately performing capital planning, and to prematurely approve an ISRS could subvert the Commission's oversight role.

In conclusion, DRA recommends that the Commission reject the ISRS and instead direct Cal-Am to focus its efforts on refining its current capital asset management planning process to provide the Commission a more detailed CPS

in 2008, one that will provide a long-term and comprehensive strategy for infrastructure replacement.⁴⁷

Duarte testifies that it opposes the ISRS proposal because Cal-Am has made no compelling showing of need; moreover, the ISRS is a deregulatory device that eliminates, or at least significantly postpones, DRA review of Cal-Am expenditures and forces ratepayers to bear the burden of those expenditures until such time as a meaningful review has taken place and reconciliation, if necessary, has been accomplished.⁴⁸

2. Discussion

Cal-Am is the first California water utility to request a separate surcharge mechanism for its routine infrastructure investments.⁴⁹ Therefore, in considering this proposal, we first discuss the history of infrastructure surcharges in other regulatory jurisdictions and the policy direction we have given on this mechanism in our Water Action Plan, and then turn to an evaluation of Cal-Am's specific proposal.

On December 15, 2005, in our Water Action Plan, we adopted four key water principles: safe, high quality water; highly reliable water supplies;

⁴⁷ In its briefs, DRA states that should the Commission reject DRA's recommendation to deny the ISRS proposal, then in adopting an ISRS the Commission should at least reduce the surcharge cap to 7%, require all advice letter filings to be made under standard General Order 96-A (now GO 96-B) procedures and affirmatively approved by the Commission, and adopt all DRA recommendations for additions to Cal-Am's planning process and 2008 CPS.

⁴⁸ Exhibit 42, page 4.

⁴⁹ In D.06-12-040, we have authorized Cal-Am an infrastructure surcharge for a specific long-term project, the CWP, in the Monterey district. This surcharge is quite different, as we discuss, from Cal-Am's proposal here.

efficient use of water; and reasonable rates and viable utilities. To meet these principles, we adopted six Water Action Plan objectives, one of which is to promote water infrastructure investment.

In our Water Action Plan, at pages 12-13, we discuss the need for water utilities to address their infrastructure needs by undertaking comprehensive long-term planning to provide all capital investments necessary to upgrade or replace their existing infrastructure. In preparing a comprehensive plan, a utility may find that it cannot provide for the necessary infrastructure investments under our normal ratemaking process. We indicate that in these circumstances, we may consider a special surcharge mechanism to collect the necessary funds. Our objective is to have a regulatory process in place that (1) ensures the utilities develop long-term comprehensive plans to address aging infrastructure issues, (2) provides a forum for the Commission to carefully review these plans, and (3) ensures that each California water utility is able to fund the necessary infrastructure investments. The Water Action Plan references a DSIC as a ratemaking mechanism that we would consider to fund a utility's comprehensive infrastructure plan.⁵⁰

In response to growing concerns about the condition of the existing water infrastructure in the U.S., and calls for increased financial assistance, Congress considered a number of infrastructure-related proposals. In August 2002, Congress's Government Accounting Office (GAO) issued a report titled "Water Infrastructure: Information on Financing, Capital Planning, and Privatization." This report found "a significant number of water and wastewater utilities have

⁵⁰ The DSIC is the more common name for an infrastructure surcharge mechanism; Cal-Am uses the term ISRS.

not been charging rates adequate to cover their cost of providing service. Many were also found to have deferred maintenance due to insufficient funding."51

In response to this GAO report, James Barr, the Chief Executive Officer of Cal-Am's parent, American Water Works, issued a press release stating:

Water infrastructure can be rehabilitated without federal assistance...There is absolutely nothing new or particularly complicated about the issue of infrastructure replacement. ... I believe it stretches credibility to suggest that this basic, fundamental physical characteristic of any water or wastewater system is anything other than a daily routine - albeit a routine that requires huge investments ... Since the early 70s, AWW invested more than \$7 billion or roughly \$2,000/customer in the infrastructure ... the figures disprove the contention that the cost of service cannot be supported through rates for service.⁵²

Also in response to the GAO Report, the American Water Works Association adopted a statement of policy on capital asset management in June 2003. This policy states that water utilities must adopt a proactive approach to the management of their assets, which commences with planning and design, and continues through O&M on to rehabilitation and replacement.⁵³

In March 2004, the GAO issued a new report finding that comprehensive asset management has potential to help water utilities better identify infrastructure needs and plan future investments. The report cites to legislation

⁵¹ See Exhibit 40, page 1.

⁵² Exhibit 40 at pages 15-16 and full text at http://waterindustry.org/Water-Facts/water-costs-9.htm.

⁵³ Exhibit 40 at pages 12-13.

before Congress to require water utilities to implement asset management planning.⁵⁴

We turn now to Cal-Am's ISRS proposal. Based on the evidentiary record, Cal-Am's identified need for infrastructure replacement is easily met within our existing ratemaking process.

Cal-Am has had a capital asset planning process, known as a CPS, in place for many years, similar to the process referenced by its former CEO James Barr. The record reflects that almost all of the projects Cal-Am proposes to be funded through the ISRS were identified in its 2000 CPS and/or its 1997 Baldwin Hills Fire Flow Improvement Study.⁵⁵ These are infrastructure replacements and upgrades that are planned in advance and are able to be met within the existing ratemaking process. Cal-Am testifies that in 2003, 2004, and 2005 it spent slightly less than the amount authorized by the Commission for capital projects.⁵⁶ Cal-Am does not identify an infrastructure need for its Los Angeles District that it was unable to meet through existing ratemaking. Cal-Am also has access to state grant funds for its capital projects. It has applied for four Proposition 50 grants for the Los Angeles system and three are short-listed by DHS in its top 50 listing of proposals.⁵⁷

⁵⁴ GAO-04-461, published March 2004, "Water Infrastructure: Comprehensive Asset Management Has Potential to Help Utilities Better Identify Needs and Plan Future Investments," web accessible at www.gao.gov/new.items/d04461.pdf. We take official notice of this document.

⁵⁵ See Exhibit 22 and transcript at 343-5.

⁵⁶ Transcript at 329-331.

⁵⁷ Transcript at 335-6, and Exhibit 21.

Cal-Am's witness agrees that its Los Angeles District needs have been met under existing ratemaking. He sees the ISRS as providing the utility additional flexibility for levels of spending beyond those identified by Cal-Am in its application and also reducing Cal-Am's regulatory risk as projects not identified in the GRC could be undertaken with full assurance of rate recovery and not be subject to later reasonableness review.⁵⁸

Cal-Am agrees it currently has the operational flexibility to pursue newly-identified or emergency infrastructure replacement, but it is concerned that in doing so it must carefully evaluate and document these projects because it risks a later reasonableness review.

The record does not show Cal-Am has experienced any disallowances in its Los Angeles District. Rather, Cal-Am testifies that it has in place an existing internal review procedure for capital projects that are outside those identified in its comprehensive plan. This process appears to function well, similar to the management oversight process utilized by well-run nonregulated companies needing to routinely make large capital investments. We would not want to provide Cal-Am an incentive to discontinue its internal project review of all change orders and re-prioritizations.

We are concerned that despite a lengthy and successful history of infrastructure investment in the Los Angeles District under existing ratemaking, Cal-Am suddenly asserts that its Los Angeles customers face immediate and grave risk if its ISRS is not approved. It asserts on this record:

⁵⁸ Transcript at 331-2.

California American Water wants to make sure that its customers continue to enjoy their current high-quality water service by undertaking infrastructure replacement now, rather than waiting until mains break, service is interrupted, boil order notices are issued, and a succession of emergency repairs are required.⁵⁹

This alarmist statement does not persuade us to adopt an ISRS. It is hard to believe that Cal Am has suddenly discovered an immediate infrastructure crisis in its Los Angeles District. If it has, a 3% increase in infrastructure funding levels will not be sufficient to address the problem. Further, if Cal-Am has failed to properly plan its infrastructure replacements, we should exercise more, not less, regulatory oversight.

Having found Cal-Am has no need for infrastructure investment in its Los Angeles District that cannot be met under existing ratemaking mechanisms, we next consider if there are overriding benefits to adopting the ISRS that we should consider. Cal-Am states that under its ISRS proposal, ratepayers will benefit because they will not begin to pay for capital projects until the projects are actually completed and placed in service. This is the primary benefit it cites.

The Commission already has in place ratemaking mechanisms that provide this benefit. First, if the timing of a large project is uncertain, parties often recommend that the project be given a price cap and brought into rates through a separate advice letter when the project is completed. An example of an advice letter project in the proposed settlement here are the Danford Reservoir and Patton Well projects. Reviewing projects in the GRC for later advice letter treatment has an advantage over ISRS for two reasons: (1) the

⁵⁹ See Reply Brief at page 3.

review is done prior to project construction, not in an after-the-fact reasonableness review, and (2) a price cap is established.

The second existing mechanism to ensure ratepayers are timely receiving the benefits of projects included in their rates is that the Commission reviews in each GRC the levels of authorized and actual capital investment. In this proceeding, we find that while Cal-Am funded slightly less than authorized levels in the past three years, its investment levels are satisfactory and ratepayers have received the benefits in a timely manner.

Cal-Am states an additional benefit of ISRS will be its quarterly change in rates, so that ratepayers pay less in the early quarters of the three-year GRC cycle. Our existing ratemaking mechanism also spreads out rate increases for new capital projects, with specific infrastructure investment made in each of the three years. Cal-Am's proposal to do this quarterly rather than annually does not represent a significant benefit for ratepayers.⁶⁰

While we are not persuaded by Cal-Am's ISRS proposal, we do see benefits to adoption of an infrastructure surcharge. The adoption of an infrastructure surcharge as a pilot project for the Los Angeles District would send a strong signal to water utilities and the communities they serve that based on our Water Action Plan the Commission is undertaking a significant change in water utility regulation. The message we intend to send is that we are strengthening long term capital asset planning for a water utility, with a specific emphasis on ensuring an adequate ongoing level of new investment for the routine replacement and upgrades that are necessary to maintain adequate water

 $^{^{60}}$ Cal-Am's ISRS does not propose a ceiling for quarterly increases, only an overall three-year 10% cap.

service for communities it serves. A separate infrastructure surcharge would also provide customers with direct information on what portion of the rates they are paying supports new capital investment projects that the utility has recently completed. Finally, by providing a separately identified revenue stream, the infrastructure surcharge would be a strong signal to the investment community of the Commission's commitment to supporting new infrastructure investment.

Having identified potential benefits, we next turn our attention to whether adequate regulatory safeguards can be adopted for an infrastructure surcharge in this proceeding. As discussed in the national studies and on this record, there are substantial risks in removing infrastructure replacement from existing ratemaking mechanisms and replacing it with a separate surcharge. The major risk is that the ISRS mechanism proposed by Cal-Am would remove effective regulatory oversight from these investments. Rather than continuing to review and pre-approve the capital projects in the comprehensive GRC proceedings, Cal-Am proposes to provide the Commission a 15-day window of review through an expedited advice letter process, with the provision that the Commission, in a later GRC, can review and disallow rate recovery for already built facilities. Cal-Am would also delink its level of infrastructure investment from its own asset management plan, the CPS, thereby leaving the Commission and its customers without a roadmap for infrastructure investment and effective oversight of the capital budget.

The record provides strong evidence that the existing level of regulatory oversight for Cal-Am's Los Angeles District is necessary to protect ratepayers from paying significantly higher rates for the same capital projects. In the proposed settlement between Cal-Am and DRA, the capital projects Cal-Am requests be placed under ISRS total \$2,488,098 for 2007 and \$3,020,272 for 2008.

Over half of the ISRS project dollars are for individually identified projects rather than replacement of general network, hydrants, services, and meters.⁶¹ DRA undertook an extensive review of these projects and recommended substantial reductions in the requested costs. In the proposed settlement, Cal-Am agrees to lower its originally requested costs by 15%, a savings to ratepayers of \$239,300 in 2007 and \$353,000 in 2008. Clearly, careful scrutiny of costs is needed, and is most effective when done prior to construction.⁶² Changing prospective review for a system of after-the-fact disallowances is inconsistent with our regulatory objectives.

For Cal-Am, an example of an infrastructure surcharge that meets our Water Action Plan objectives is found in the Monterey District. In D.06-12-040, we authorized two infrastructure surcharge mechanisms to fund the CWP or an alternative water supply project. We authorized these surcharges after finding that the CWP has the potential to produce a near doubling of current rates in Cal-Am's Monterey District. After careful review of preconstruction costs Cal-Am has already incurred, we authorized a surcharge of 4% rising to 10% for collection of these costs. A second surcharge, which will rise to 60% of customer

Attached at Attachment 1 is a spreadsheet of Cal-Am's capital projects, both ISRS and non-ISRS. The ISRS projects are identified as individual projects (IP) and recurring projects (RP). The data is taken from the evidentiary record, Exhibit 7, Feizollahi, pages 5-15 and 72-73, and workpapers.

We note here that the non-individual projects under Cal-Am's ISRS proposal, which are approximately 40% of the total ISRS projects, are less vigorously contested by DRA. If the Commission does choose to adopt an ISRS as an alternative to this proposed decision, this is the only set of projects that the record could justify as a pilot ISRS project, with the additional safeguards addressed by DRA. This would place the surcharge under 3% of total revenues for the GRC period -- an amount within the 3-5% caps that are authorized by other states.

bills, will commence after the Commission issues a Certificate of Public Convenience and Necessity for the CWP or an alternative long-term water supply solution for Monterey. The surcharges collected will not be placed in ratebase and Cal-Am will not earn an ROE on these funds. The revenues collected under this surcharge will be treated as a customer contribution to reduce the capital cost of the approved long-term supply project.

The infrastructure surcharges we approved for Cal-Am in D.06-12-040 are very different from the proposal before us here. We there found a long-term infrastructure need that could not be met through normal ratemaking, and we carefully fashioned safeguards and oversight features for this departure from traditional ratemaking. All costs that are collected through these surcharges will be thoroughly reviewed for reasonableness prior to recovery being authorized.

Cal-Am's Los Angeles district does not have the extraordinary infrastructure investment needs of the Monterey district, so a different surcharge mechanism may be appropriate. However, an infrastructure surcharge for routine infrastructure investment will still need to contain all the safeguards necessary for effective regulatory oversight. We look to the record here and DRA's alternative proposal in crafting a surcharge for the Los Angeles District. We will adopt a routine infrastructure surcharge as a pilot program, with the intention that if this is successful in meeting our Water Action Plan objectives, a similar surcharge mechanism could be considered for other Cal-Am districts and other Class A water utilities. We will fully review the pilot in Cal-Am's next Los Angeles District GRC proceeding.

The primary safeguard is to ensure the Commission retains effective regulatory oversight. We can retain effective oversight by first requiring long term capital asset management planning, to include the development of an

infrastructure replacement strategy, and by reviewing these plans and underlying detailed cost estimates in a GRC proceeding prior to Cal-Am commencing the construction projects. We should then set a dollar cap on the surcharge based on our planning review. In this proceeding, we have reviewed and found reasonable for the Los Angeles District a routine infrastructure investment level for the GRC period of 7% of annual revenues. Therefore, we should adopt a total surcharge cap of 7% of 2007 revenues for this GRC period. In dollar terms, this is a \$1,323,588 cap for the GRC period. Cal-Am will have flexibility within this cap to reprioritize or add projects, and to shift authorized funding between projects, provided it continues to follow its existing internal project review process and submits supporting documentation to the Commission at the time it requests new or revised projects be included under the surcharge.

Effective regulatory oversight also requires that Cal-Am submit its infrastructure surcharge requests under our advice letter procedure that requires a formal Commission resolution. This procedure is designated a Tier 3 filing in the General Order 96B procedures recently adopted in D.07-01-024 and effective in July 2007.63 The advice letter procedure we adopt is not the expedited 15-day review proposed by Cal-Am. Rather, it is a process that provides notice to all interested parties, a full protest period, and requires a formal Commission resolution for adoption. We further direct that Cal-Am explicitly and clearly state in the advice letter filing, and provide supporting documentation, for (1) any project that was not approved in this GRC proceeding, and (2) any project

⁶³ This is consistent with our decision to make water ratebase offset filings a Tier 3 rather than Tier 2 filing. *See* Section 8.5 of D.07-01-024, *mimeo*. at page 46.

that is included at an amount over the cost estimate authorized in this GRC proceeding. In evaluating projects not included in this GRC review, Water Division should apply the following criteria: Does the expenditure contribute to an adequate ongoing level of new investment for the routine replacement and upgrades that are necessary to maintain adequate water service for customers? For these projects as well as authorized projects with final costs in excess of estimates found reasonable in the GRC, Cal-Am retains the same burden of proof to justify costs that we applied in our GRC review.

In its comments on the proposed decision, Cal-Am requests the Commission adopt a process to implement "interim" DSIC surcharges within 15 days of filing its Tier 3 advice letters, with adjustments made following the full review. As we have discussed here, 15 days does not allow for adequate review. Instead of this proposal, we will address Cal-Am's concern that the pilot program may create unnecessary delay by allowing each advice letter filing to be effective immediately, subject to refund if necessary when the Commission issues its resolution on the advice letter. This "interim" surcharge should have a quarterly cap of 4%, approximately half of the 7% authorized DSIC, and any refunds should include interest at the 90-day commercial rate. If we find during the pilot project that Cal-Am does not provide all supporting documentation necessary to process its advice letters in a timely manner, we may revisit this interim authority.

In its comments, DRA recommends the Commission require Cal-Am to provide notification to customers of the DSIC in the form of a bill insert and a public notice, published in local newspapers, prior to initiating the first surcharge. We adopt this proposal, and direct Cal-Am to work with our Public

Advisor on notice language and procedure. DRA also recommends Cal-Am be required to file a one-time tariff describing the pilot DISC. We agree.

Cal-Am shall meet and confer with Water Division and DRA to develop DSIC tariff language that implements this decision. Within 60 days, Cal-Am shall file a tariff that includes the following:

- 1. A statement of purpose and applicability, and definitions of terms;
- Descriptions and definitions of the categories of plant eligible for inclusion in a DSIC, by account number and type, and a description of supporting documentation to be provided for completed projects;
- 3. The formulas for calculating the fixed costs that are collected via the customer surcharge; and
- 4. The DSIC requirements, procedures, and customer safeguards. Cal-Am may submit its advice letter filings on a quarterly basis and should designate on its customer billing the surcharge as a DSIC. All DSIC surcharge amounts will be reviewed in the next GRC prior to inclusion in rate base.

Cal-Am may submit its advice letter filings on a quarterly basis and should designate on its customer billing the surcharge as a DSIC. All DSIC surcharge amounts will be reviewed in the next GRC prior to inclusion in rate base.

We also direct Cal-Am to explicitly address infrastructure replacement in its capital asset planning process. While Cal-Am has a capital asset planning process in place now, there are areas that can be improved. Specifically, Cal-Am testifies it does not explicitly address the aging infrastructure issue in its current plan.⁶⁴ DRA recommends that Cal-Am revise its 2008 CPS to include an infrastructure replacement plan, and that such a plan include: delineating the

⁶⁴ Transcript Volume 5 at 325.

age, condition, location, operating history and risk associated with the parts of the distribution infrastructure needing replacement or rehabilitation; justifying the extent of infrastructure replacement or rehabilitation warranted; incorporating impacts addressed by water conservation savings; identifying the amount of replacement per year, and how long the replacements will continue to provide safe reliable service to customers; discussing the financing and recovery alternatives considered; describing the long-term financial investment required; and, providing an analysis of the rate impact to customers over the course of the long-term project to replace or rehabilitate infrastructure.⁶⁵ We will adopt DRA's specific planning recommendations.

In conclusion, we adopt here a pilot program for a routine infrastructure surcharge, designated as a DSIC, for Cal-Am's Los Angeles District. We do this in order to further advance our Water Action Plan objectives and to provide a model for consideration in other proceedings for Cal-Am districts and other water utilities. The specific capital projects and dollar amounts identified as ISRS in the Cal-Am/DRA settlement will be subject to the Tier 3 advice letter procedures we have discussed here. We will fully review this DSIC pilot in Cal-Am's next Los Angeles District GRC proceeding.

E. Violations of Rule 3.2(b)

Rule 3.2(b) of the Commission's Rules of Practice and Procedure requires Cal-Am to serve notice of its GRC application within ten days of its filing on each city and county within its service territory. The rule states:

(b) Applicants for authority to increase rates shall, within 10 days after filing the application with the Commission, mail a notice to the

⁶⁵ Opening Brief at page 11.

CALIFORNIA AMERICAN WATER COMPANY

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TAW R COCDR1#028Attachment C.P.U.C. SHEET Page 135 of \$27-W

1033 B Avenue, Suite 200 CORONADO, CA 92118

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C.P.U.C. SHEET NO.

5496-W

Schedule No. LA-DSIC Los Angeles District Tariff Area DSIC Rate Tariff

APPLICABILITY

The tariff rate specified herein shall be applicable to all bills for water service on or after the effective date noted below for the duration of the pilot authorized in D.07-08-030, August 23, 2007, as modified by D. 08-10-045.

PURPOSE

The purpose of this tariff is to provide a mechanism to recover the fixed costs of replacement capital projects completed in the Los Angeles District on or after January 1, 2007. The eligible capital projects to be included in this charge are detailed below.

RATE

Percent of Total Water Bill

DSIC Surcharge Rate is calculated as shown in ELIGIBLE PLANT 8, and is effective when a DSIC advice letter is filed with the Commission, subject to refund when the Commission issues its resolution on the advice letter.

3.12% (R)

Per Resolution W-4734, Cal Am shall track all DSIC surcharges in a balancing account and compare the amounts collected versus authorized for later recovery or refund. Cal Am may request a higher DSIC rate up to the quarterly and annual cap limitations to reduce or eliminate any under-collections.

0.00%

(D)

TOTAL DSIC Surcharge

3.12%

(R)

This percentage is applied to all bills for water service on or after the effective date which shall be the date the advice letter is filed with the Commission, and which is noted hereon.

SPECIAL CONDITIONS APPLICABLE TO THE CHARGE

- 1. The charge is applicable to all water service billed under tariff rate Schedules LA-1, LA-3M and LA-4.
- 2. The charge above shall be applied to all bills rendered on or after the effective of this tariff.
- 3. The charge will not be applicable to Special Condition Surcharges.
- 4. The charge is subject to the PUC reimbursement fee set forth in Schedule No. UF.
- 5. Any charge in effect as a result of D.07-08-030 will be reset to zero at the time of the approval of new rates from the next Los Angeles District rate case to be filed in November 2008.

DEFINITION OF TERMS

- 1. DSIC Distribution System Improvement Charge
- 2. Mass Property All items replaced under a general category where the replacement cost is less than \$20,000.

(continued)

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CALIFORNIA-AMERICAN WATER COMPANY

303 H St., Suite 250

CHULA VISTA, CALIFORNIA 91910

Revised

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4702-W

Schedule No. LA-DSIC (continued)

Los Angeles District Tariff Area

DSIC Rate Tariff

DEFINITION OF TERMS (Continued)

(L)

(L)

 Rehabilitation – refers to substantial repairs to facilities that are eligible for capitalization under the National Association of Regulated Utility Commissioners Plant accounting guidelines. This would include for example, well relining, cement coating of mains, installation of distribution tank liners, etc.

ELIGIBLE PLANT

- 1. The DSIC Surcharge is applicable to the replacement or rehabilitation of existing supply, production, water treatment, and transmission and distribution facilities that are revenue-neutral (non-revenue producing, non-expense reducing), are generally for "in-kind" replacements of deteriorated facilities that have reached the end of their useful lives.
- 2. In particular the DSIC surcharge is applicable to the following facilities:

Item #	PUC Plant Account	Description of Plant Item
1	311	Source of Supply Structures and Improvements
2	312	Collecting and Impounding Reservoirs
3	313	Lake, River and Other Intakes
4	314	Springs and Tunnels
5	315	Wells
6	316	Supply Mains .
7	321	Pumping Plant Structures and Improvements
8	324	Pumping Equipment
9	325	Other Pumping Plant
10	331	Water Treatment Structures and Improvements
. 11	332	Water Treatment Equipment
12	341	Transmission and Distribution Structures and Improvements
13	342	Reservoirs and Tanks
14	343	Mains
15	344	Fire Mains
16	345	Services
17	346	Meters
18	347	Meter Installations
19	348	Hydrants
20	349	Other Transmission and Distribution Equipment

- 3. The DISC surcharge is not to be used for facilities predominately for customer growth,
- 4. The DSIC surcharge is not to be used in conjunction with project to be financed by developers, or projects financed by grants, low interest loan, State Revolving Funds, or other non-Company funded projects.

(continued)

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303 H St., Suite 250		•

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C.P.U.C. SHEET NO.

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CHULA VISTA, CALIFORNIA 91910

Schedule No. LA-DSIC (continued)

Los Angeles District Tariff Area

DSIC Rate Tariff

ELIGIBLE PLANT (continued)

(N)

5. Items and amounts pre-reviewed for the years 2007, 2008 and 2009 are as follows:

District	PUC	Year			
1	Plant	1	Dollar Estimate	Dollar Amount	Description
	Account		Method	Amount	Description
All	343	2007	Settlement	\$110,800	Small Main Replacement
All	343	2008	Settlement	\$110,800	Small Main Replacement
All	343	2009	Average	\$110,800	Small Main Replacement
All	321-325	2007	Settlement	\$146,800	Pumping Plant Replacements
All	321-325	2008	Settlement	\$146,800	Pumping Plant Replacements
All	321-325	2009	Average	\$146,800	Pumping Plant Replacements
All	342-343	2007	Settlement	\$345,000	Network-Replacement/Renewal
All	342-343	2008	Settlement	\$345,000	Network-Replacement/Renewal
All	342-343	2009	Average	\$345,000	Network-Replacement/Renewal
All	345	2007	Settlement	\$390,000	Service Replacement
All	345	2008	Settlement	\$390,000	Service Replacement
All	345	2009	Average	\$390,000	Service Replacement
All	346-347	2007	Settlement	\$150,000	Meter Replacement
All	346-347	2008	Settlement	\$150,000	Meter Replacement
All	346-347	2009	Average	\$150,000	Meter Replacement
All	348	2007	Settlement	\$24,000	Hydrant Replacement
All	348	2008	Settlement	\$24,000	Hydrant Replacement
All	348	2009	Average	\$24,000	Hydrant Replacement
All	321-325	2007	Settlement	\$80,000	Process Plant Replacement
All	321-325	2008	Settlement	\$80,000	Process Plant Replacement
All	321-325	2009	Average	\$80,000	Process Plant Replacement
BH ¹	343	2007	Settlement	\$308,205	Shenandoah Main
BH	343	2008	Settlement	\$648,500	Garth Res. Zone Main
BH	343	2009	Average	\$478,353	Various
DU ²	343	2007	Settlement	\$518,649	Lemon Res. Zone Main
DU	315	2008	Settlement	\$150,000	Santa Fe Well Improvements
DU	Unk.	2009	Average	\$334,325	Various
SM ³	343	2007	Settlement	\$414,644	Circle & Bald. Ave Mains
SM		2008	Settlement	\$0´	N/A
SM	343	2009	Average	\$207,322	Various

¹ = Baldwin Hills

²=Duarte

³=San Marino

6. Items that were not pre-reviewed in the GRC process and items above that exceed the dollar amount specified must be reviewed by Water Division Staff to determine if the expenditure contributes to an adequate ongoing level of new investment and upgrades that are necessary to maintain adequate water service to customers.

(continued)

(N)

(TO BE INSERTED BY C.P.U.C.) (TO BE INSERTED BY UTILITY) **ISSUED BY** D. P. STEPHENSON DATE FILED ADVICE LETTER NO. 694 NAME **EFFECTIVE** RESOLUTION NO. **DIRECTOR - RATES & REVENUES** DECISION NO. 07-08-030

Original

New

C.P.OV.C.PSHPEPRI#028Attaqhynantw Page 138 of 141

303 H St., Suite 250 CHULA VISTA, CALIFORNIA 91910

CRUC	SHEET NO.
U.P.U.C.	SHEET NO.

Schedule No. LA-DSIC (continued)

Los Angeles District Tariff Area

DSIC Rate Tariff

ELIGIBLE PLANT (continued)

(N)

- 7. The following documentation is necessary when filing a quarterly Advice Letter requesting the DSIC surcharge:
 - a. For pre-reviewed items contained in item 5 above: (continued)
 - i. Project completion notice for any specific project and/or accounting detail for mass property replacement.
 - ii. Detailed cost analysis for all projects completed in the quarter, which requires at a minimum the following:
 - 1. Monthly totals
 - 2. Labor costs
 - 3. Labor overheads
 - 4. Engineering overheads
 - 5. Details on all journal entries
 - 6. Outside contractor invoices
 - 7. Material charges
 - 8. Miscellaneous Charges (separate detail for all charges over \$1000)
 - iii. Invoices from all outside vendors.
 - iv. Drawings for all specific projects.
 - v. Detailed list of all replacement of mass property with at least the minimum detail
 - 1. Listing by size of item (i.e. 2" service)
 - 2. Quantity of item
 - 3. Listing by material composition (i.e. steel)
 - b. For items not contained on the pre-reviewed list under item 5 above:
 - i. All items contained in 7 (a) above.
 - ii. Detailed description of the project and the project need and the alternatives that had been considered with the cost analysis and resulting decision.
 - iii. Explanation of why the project had to be completed at this time and the risks of not completing it now.
 - iv. For pre-reviewed projects that exceed the dollar value listed, a complete comparison of settlement cost and those actually incurred with an explanation of why the costs exceeded those in the settlement.

(N)

(continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 694

D. P. STEPHENSON

NAME

DECISION NO. 07-08-030

DIRECTOR - RATES & REVENUES

TO BE INSERTED BY C.P.U.C.)

MAY 3 0 2000

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RESOLUTION NO.

Page 139 of 141 CALIFORNIA-AMERICAN WATER COMPANY Revised C.P.U.C. SHEET NO. 5061-W 1033 B AVENUE, SUITE 200 Cancelling CORONADO, CA 92118 C.P.U.C. SHEET NO. 4705-W Original Schedule No. LA-DSIC (continued) Los Angeles District Tariff Area **DSIC Rate Tariff** ELIGIBLE PLANT (continued) (T) 8. An example of the quarterly calculation is as follows: CALIFORNIA AMERICAN WATER LOS ANGELES OPERATING DISTRICT STEP ONE - IDENTIFY DSIC-ELIGIBLE NET ADDITIONS

anuary and Febru	ry 2007- ELIGIBLE NET ADDITIONS			
ACCOUNT NUMBER	DESCRIPTION	ADDITIONS	RETIREMENTS	NET ADDITIONS
325	Other Pumping Equipment	41,360	0	41,360
332	Water Treatment Equipment	4,000	0	4,000
343.2	Distribution Mains - 6" to 10"	383,160	1,080	382,080
345	Services	78,000	1,838	76,162
346	Meters	30,000	0	30,000
348	Hydrants	4,800	29	4,771
	Totals	\$541,320	\$2.947	\$538,373

STEP TWO - CALCULATE ANNUAL AND MONTHLY DEPRECIATION

ACCOUNT		ANNUAL DEPRECIATION		
NUMBER	DESCRIPTION	RATE	ADDITIONS	DEPRECIATION
325	Other Pumping Equipment	4.98%	41,360	2,060
332	Water Treatment Equipment	6.72%	4,000	269
343.2	Distribution Mains - 6" to 10"	2.44%	383,160	9,349
345	Services	3.05%	78,000	2,379
346	Meters	4.16%	30,000	1,248
348	Hydrants	2.75%	4,800	132
Total Annual Depre	ciation		\$541,320	\$15,437
Total Monthly Depre	eciation	_	72.11.	\$1,286
STEP THREE - CAI	LCULATE ANNUAL AND MONTHLY AD VALOREM TAXES			
DSIC-eligible net ad	lditions			. \$538,373
Ratio of ad valorem	taxes to net plant	•		1.00%
Total additional ann	ual ad valorem taxes			\$5,384
Total additional mor	nthly ad valorem taxes			\$449
STEP FOUR - CAL	CULATE ADDITIONAL PRE-TAX RETURN			

2006 PRE-TAX COST OF CAPITAL

As Determined by CP	UC in GRC Decision					Revenue
Capital	Amount (000's)	Percent	Capital Cost	Weighted Cost Rate	Revenue Multiplier	Requirement Factor
Debt		58.97%	6.36%	3.75%		3.75%
Equity		41.03%	10.00%	4.10%	1.74627	7.16%
Total		100.00%		7.85%		10.92%
4-1-07 SURCHARGE	CALCULATION				-	
Eligible Net Additions						\$538,373
Less: Accumulated De	oreciation On Jan and	Feb Additions (2	Months)			2,573
Additional Net Rate Ba	·	•	,		-	\$535,800
Revenue Requirement	For Net Rate Base In	crease				\$58,485
Quarterly Revenue Re Increase	quirement For Net Ra	te Base			•	\$14,621
Quarterly Depreciation	Expense on Eligible I	nvestments				3,859
Quarterly Ad Valorem						1,346
Total Quarterly DSIC (Costs					\$19,826
Base Rate Revenue Fr	om 4-1-07 to 7-1-07				=	\$4,727,000
DSIC Surcharge To Be	Applied To Bills Ren	dered From 4-1-0	7 to 7-1-07			0.42%
			(continued	1)	=	

(TO BE INSERTED B	Y UTILITY)	ISSUED BY	(TO BE INSERT			
ADVICE LETTER NO.	694-A	D. P. STEPHENSON	DATE FILED	AUG	16	2010
	D. 07-08-030	NAME .	EFFECTIVE	FIAM	26	2009
DECISION NO.	Res. W-4734	DIRECTOR - RATES & REVENUES	RESOLUTION N	O. ""		

CALIFORNIA-AMERICAN WATER COMPANY

1033 B AVENUE, SUITE 200 CORONADO, CA 92118 Revised

C.P.U.C. SHEET NO.

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Original

C.P.U.C. SHEET NO.

4706-W

Schedule No. LA-DSIC (continued) Los Angeles District Tariff Area DSIC Rate Tariff

DSIC REQUIREMENTS, PROCEDURES AND SAFEGUARDS

(T)

- The DSIC adopted is a routine infrastructure surcharge as a pilot program, with the intention that if
 this is successful in meeting our Water Action Plan objectives, a similar surcharge mechanism could
 be considered for other California American Water districts and other Class A water utilities. The
 Commission will fully review the pilot in California American Water's next Los Angeles District GRC
 proceeding scheduled according to the Rate Case Plan, D.07-05-062.
- 2. The DSIC surcharge is capped as follows:
- a. The maximum quarterly allowance for the DSIC surcharge is \$756,376.
- b. The maximum allowance of the DSIC surcharge for the entire rate case period is \$1,323,588,
- c. The DSIC surcharge will not exceed the quarterly or rate case period cap.
- 3. California American Water will have flexibility within these caps to reprioritize or add projects, and to shift authorized funding between projects, provided it continues to follow its existing internal project review process and submits supporting documentation (as discussed in Section 6 of this tariff) to the Commission at the time it requests new or revised projects be included under the DSIC surcharge.
- 4. California American Water will submit its infrastructure surcharge requests under the Commission's Tier 3 advice letter filing procedure that requires a formal Commission resolution, as specified in the General Order 96B. The advice letter procedure is a process that provides notice to all interested parties, a full protest period, and requires a formal Commission resolution for adoption.
- 5. The quarterly DSIC surcharge requested in the advice letter filing shall be effective immediately, upon filing of advice letter, subject to refund.
 - a. All refunds to customers will include interest at the 90-day commercial paper rate. The interest will be applied to the average monthly balance of DSIC surcharges to be refunded, and compounded monthly.
- 6. The DSIC surcharge is intended to recover the fixed costs of eligible plant "not previously reflected in rate base", and placed into service during the three month period that ended one month prior to the DSIC surcharge appearing on bills.
- 7. California American Water shall explicitly and clearly state in the advice letter filing, and provide supporting documentation, for (1) any project that was not approved in this GRC proceeding, and (2) any project that is included at an amount over the cost estimate authorized in this GRC proceeding.
- 8. California American Water retains the same burden of proof to justify costs approved in this DSIC procedure in its next GRC.

(continued)

(T)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

ADVICE LETTER NO.

694-A

D. P. STEPHENSON

DATE FILED

AUG 1 6 2010

D. 07-08-030

NAME

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MAR 2 6 2009

DECISION NO.

Res. W-4734

DIRECTOR - RATES & REVENUES

RESOLUTION NO.

Original

New

C.P.W.C. SHEEP 1#828Attachmentw

303 H St., Suite 250 CHULA VISTA, CALIFORNIA 91910

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Schedule No. LA-DSIC (continued)

Los Angeles District Tariff Area

DSIC Rate Tariff

DSIC REQUIREMENTS, PROCEDURES AND SAFEGUARDS (continued)

(N)

- 9. California American Water shall provide notification to customers of the DSIC in the form of a bill insert and a public notice, published in local newspapers, prior to initiating the first DSIC surcharge. California American Water will work with the Commission's Public Advisor on notice language and procedure. Cal Am shall designate on each customer's bill that this quarterly surcharge is a DSIC. (i.e. clearly identify by a line item on the bill, the amount of the surcharge and the name of the surcharge)
- 10. California American Water shall explicitly address infrastructure replacement in its capital asset planning process.
- 11. The capital plan shall include: delineating the age, condition, location, operating history and risk associated with the parts of the distribution infrastructure needing replacement or rehabilitation; justifying the extent of infrastructure replacement or rehabilitation warranted; incorporating impacts addressed by water conservation savings; identifying the amount of replacement per year, and how long the replacements will continue to provide safe reliable service to customers; discussing the financing and recovery alternatives considered; describing the long-term financial investment required; and, providing an analysis of the rate impact to customers over the course of the long-term project to replace or rehabilitate infrastructure.
- 12. The DSIC is subject to audit at the request of the Commission.
- 13. Annual Report during the period of the pilot program, Cal Am agrees to submit information about the accomplishments of the DSIC program in the Annual Report that Cal Am submits to the Commission. This annual reporting should include summary results such as quantities of plant replaced such as miles of water main, numbers of hydrants, numbers of services, etc. It should also provide an accounting of how the DSIC surcharge was used such as an accounting comparing the eligible expenses incurred vs. the revenue received via the surcharge.
- 14. To avoid over-recovery, the DSIC may be set at zero if, in any quarter, data shows that the amount recovered via the DSIC surcharge would exceed the annual cap in terms of a percentage of amounts billed or percentage of annual revenue requirement.

(N)

\nnual Report of District \	Water System Oper	ations, filed annually by March 31.		
(TO BE INSERTED BY	UTILITY)	ISSUED BY	(TO BE INSER	TED BY C.P.U.C.)
ADVICE LETTER NO.	694	D. P. STEPHENSON	DATE FILED	MAY 3 0 2008
		NAME	EFFECTIVE	NOV - 4 2008
DECISION NO	07-08-030	DIRECTOR - RATES & REVENUES	RESOLUTION 1	NO

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. Verdouw

Other Participating Employees: Ed Rex

Question:

29. *Identify* all states in which a *TAWC Parent or Affiliate* or any other investor-owned utility has requested or recommended approval of a "distribution system infrastructure charge" or similar tariff rider, providing in each case the regulatory agency, authority, or commission involved, the date of the request, and the docket number or reference.

Response:

Please refer to the attachment.

Tennessee American Water Company Attachment to TAW_R_COCDR1#29_073012

DSIC (or equivilent) Tariff Riders

American Water STATE	Requested and <u>Authorized</u>	Requested and Not <u>Authorized</u>	Requested and <u>withdrawn</u>	Docket or Case No.	Date Case referenced in <u>prior col. filed</u>
New Jersey	×			BPU Docket No. WO10090655	2010
New York	×			Case 07-W-0508	5/1/2007
Indiana	×			Cause No. 42351	12/19/2002
Illinois	×			04-0336	4/14/2004
Missouri	×			WO-2004-0116	9/2/2003
Iowa		×		RPU-2011-0001	4/29/2011
Tennessee	DSIC Request Pending	ling		Docket No. 12-00049	6/1/2012
Pennsylvania	×			PUC Docket No. P-00961031	3/15/1996
West Virginia		* *		Case No. 10-0920-W-42T	6/22/2010
California	* * *			Dec. 07-08-030 (Appl. 06-01-005)	1/9/2006

capital projects placed in service at a point subsequent to the Test Year utilized in the Company's most recent Base Rate case. ** In lieu of a DSIC, WV Commission authorized the implementation of an AFFAC (Allowance For Funds After Constructuion) which is an accounting mechanism that allows rate recovery of deferred depreciation and carrying costs on eligible

 $^{^{***}}$ Authorized on a pilot basis. Pilot extended Decision 10-06-038 and discontinued Decision 12-06-016.

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. VerDouw

Other Participating Employees: Ed Rex

Question:

30. *Identify* any statutory provision authorizing the approval or adoption of a "distribution system infrastructure charge" or similar tariff rider in any state in which such a charge has been approved or has been sought by a *TAWC Parent* or *Affiliate* or by any other investor-owned utility.

Response:

The information requested is publicly available, however, attached please find the most recent version that the Company has in its files of the requested statutes or regulations.

PENNSYLVANIA

Page 1

66 Pa.C.S.A. § 1307

Effective: February 07, 2003

Purdon's Pennsylvania Statutes and Consolidated Statutes <u>Currentness</u>

Title 66 Pa.C.S.A. Public Utilities (<u>Refs & Annos</u>)

Part I. Public Utility Code (<u>Refs & Annos</u>)

<u>Name Subpart C.</u> Regulation of Public Utilities Generally (<u>Refs & Annos</u>)

Ref Chapter 13. Rates and Rate Making (Refs & Annos)

→ § 1307. Sliding scale of rates; adjustments

- (a) General rule.—Any public utility, except common carriers and those natural gas distributors with gross intrastate annual operating revenues in excess of \$40,000,000 with respect to the gas costs of such natural gas distributors, may establish a sliding scale of rates or such other method for the automatic adjustment of the rates of the public utility as shall provide a just and reasonable return on the rate base of such public utility, to be determined upon such equitable or reasonable basis as shall provide such fair return. A tariff showing the scale of rates under such arrangement shall first be filed with the commission, and such tariff, and each rate set out therein, approved by it. The commission may revoke its approval at any time and fix other rates for any such public utility if, after notice and hearing, the commission finds the existing rates unjust or unreasonable.
- (b) Mandatory system for automatic adjustment.—The commission, by regulation or order, upon reasonable notice and after hearing, may prescribe for any class of public utilities, except common carriers and those natural gas distributors with gross intrastate annual operating revenues in excess of \$40,000;000, a mandatory system for the automatic adjustment of their rates, by means of a sliding scale of rates or other method, on the same basis as provided in subsection (a), to become effective when and in the manner prescribed in such regulation or order. Every such public utility shall, within such time as shall be prescribed by the commission, file tariffs showing the rates established in accordance with such regulation or order.
- (c) Fuel cost adjustment.— In any method automatically adjusting rates to reflect changes in fossil fuel cost under this section, the fuel cost used in computing the adjustment shall be limited, in the case of an electric utility, to the cost of such fuel delivered to the utility at the generating site at which it is to be consumed, and the cost of disposing of solid waste from scrubbers or other devices designed so that the consumption of Pennsylvania-mined coal at the generating site would comply with the sulfur oxide emission standards prescribed by the Commonwealth. The cost of fuel handling after such delivery, or of waste disposal, other than as prescribed in this section, shall be excluded from such computation. In any method automatically adjusting rates to reflect changes in fuel cost other than fossil fuel cost under this section, the fuel cost used in computing the adjustment shall be limited, in the case of an electric utility, to the cost of such fuel delivered to the utility at the generating site at which it is to be consumed after deducting therefrom the present salvage or reuse value of such fuel, as shall be established by commission rule or order.
- (d) Fuel cost adjustment audits.— The commission shall conduct or cause to be conducted, at such times as it may order, but at least annually, an audit of each public utility which, by any method described in this section, automatically adjusts its rates to reflect changes in its fuel costs, which audit shall enable the commission to determine the propriety and correctness of amounts billed and collected under this section. Whoever performs the audit shall be a person knowledgable [FN1] in the subject matter encompassed within the operation of the automatic adjustment clause. The auditors report shall be in a form and manner directed by the commission.

(e) Automatic adjustment reports and proceedings .--

- (1) Within 30 days following the end of such 12-month period as the commission shall designate, each public utility using an automatic adjustment clause shall file with the commission a statement which shall specify for such period:
 - (i) the total revenues received pursuant to the automatic adjustment clause;
 - (ii) the total amount of that expense or class of expenses incurred which is the basis of the automatic adjustment clause; and
 - (iii) the difference between the amounts specified by subparagraphs (i) and (ii).

Such report shall be a matter of public record and copies thereof shall be made available to any person upon request to the commission.

- (2) Within 60 days following the submission of such report by a public utility, the commission shall hold a public hearing on the substance of the report and any matters pertaining to the use by such public utility of such automatic adjustment clause in the preceding period any may include the present and subsequent periods.
- (3) Absent good reason being shown to the contrary, the commission shall, within 60 days following such hearing, by order direct each such public utility to, over an appropriate 12-month period, refund to its patrons an amount equal to that by which its revenues received pursuant to such automatic adjustment clause exceeded the amount of such expense or class of expenses, or recover from its patrons an amount equal to that by which such expense or class of expenses exceeded the revenues received pursuant to such automatic adjustment clause.
- (4) For the purpose of this subsection, where a 12-month report period and 12- month refund or recovery period shall have been previously established or designated, nothing in this section shall impair the continued use of such previously established or designated periods nor shall anything in this section prevent the commission from amending at any time any method used by any utility in automatically adjusting its rates, so as to provide the commission more adequate supervision of the administration by a utility of such method and to decrease the likelihood of collection by a utility, in subsequent periods, of amounts greater or less than that to which it is entitled, or, in the event that such deficiency or surplus in collected amounts is found, more prompt readjustment thereof.

(f) Recovery of natural gas costs .--

- (1) Natural gas distribution companies, as defined in <u>section 2202</u> (relating to definitions), with gross intrastate annual operating revenues in excess of \$40,000,000 may file tariffs reflecting actual and projected increases or decreases in their natural gas costs, and the tariffs shall have an effective date six months from the date of filing. The commission shall promulgate regulations establishing the time and manner of such filing, but, except for adjustments pursuant to a tariff mechanism authorized in this title, no such natural gas distribution company shall voluntarily file more than one such tariff in a 12-month period: Provided, That:
 - (i) Nothing contained herein shall prohibit any party from advising the commission that there has been or there is anticipated to be a significant difference between the natural gas costs to the natural gas distribution company and the costs reflected in the then effective tariff or the commission from acting upon such advice.
 - (ii) A natural gas distribution company may also file a tariff to establish a mechanism by which such natural gas

distribution company may further adjust its rates for natural gas sales on a regular, but no more frequent than monthly, basis to reflect actual or projected changes in natural gas costs reflected in rates established pursuant to paragraph (2), subject to annual reconciliation under paragraph (5). In the event that the natural gas distribution company adjusts rates more frequently than quarterly, it shall also offer retail gas customers a fixed-rate option which recovers natural gas costs over a 12-month period, subject to annual reconciliation under paragraph (5). The commission shall, within 60 days of the effective date of this subparagraph, promulgate rules or regulations governing such adjustments and fixed-rate option, but the commission shall not prohibit such adjustments or fixed-rate option.

- (2) The commission shall conduct an investigation and hold a hearing or hearings, with notice, to review the tariffs and consider the plans filed pursuant to section 1317 (relating to regulation of natural gas costs). Where there has been an indication of consumer interest, the hearing shall be held in the service territory of the natural gas distribution company. Prior to the effective date of the filing, the commission shall issue an order establishing the rate to be charged to reflect such changes in natural gas costs. The commission shall annually review and approve plans for purposes of reliability and supply. Such rates, however, are subject to the types of audits, reports and proceedings required by subsection (d).
- (3) Within 60 days following the end of such 12-month period as the commission shall designate, each natural gas distribution company subject to this subsection shall file with the commission a statement which specifies for such period:
 - (i) The total revenues received pursuant to this section.
 - (ii) The total natural gas costs incurred.
 - (iii) The difference between the amounts specified by subparagraphs (i) and (ii).
 - (iv) How actual natural gas costs incurred differ from the natural gas costs allowed under paragraph (2) and why such differences occurred.
 - (v) How these natural gas costs are consistent with a least cost procurement policy as required by section 1318 (relating to determination of just and reasonable gas cost rates).

Such report shall be a matter of public record and copies thereof shall be made available by the natural gas distribution company to any person upon request. Copies of the reports shall be filed with the Office of Consumer Advocate and the Office of Small Business Advocate at the same time as they are filed with the commission.

- (4) The commission shall hold a public hearing on the substance of such statement submitted by a natural gas distribution company as required in paragraph (3) and on any related matters.
- (5) The commission, after hearing, shall determine the portion of the company's natural gas distribution actual natural gas costs in the previous 12-month period which meet the standards set out in section 1318. The commission shall, by order, direct each natural gas distribution company subject to this subsection to refund to its customers gas revenues collected pursuant to paragraph (2) which exceed the amount of actual natural gas costs incurred consistent with the standards in section 1318 and to recover from its customers any amount by which the actual natural gas costs, which have been incurred consistent with the standards in section 1318, exceed the revenues collected pursuant to paragraph (2). Absent good reason to the contrary, the commission shall issue its order within six months following the filing of the statement described in paragraph (3). Refunds to customers shall be made with interest, at the legal rate of interest plus two percent, during the period or periods for which the commission orders refunds, and recoveries from customers shall include interest at the legal rate of interest:

Provided, That nothing contained herein shall limit the applicability of any defenses, principles or doctrines which would prohibit the commission's inquiry into any matters that were decided finally in the commission's order issued under paragraph (2).

- (6) The commission shall require that customers transferring from sales to transportation service be subject to the over-or-under collection adjustment provided for in paragraph (5) and shall require further that customers transferring from transportation service to sales service not be subject to the over-or-under collection adjustment for an appropriate period following either such transfer.
- (g) Recovery of costs related to distribution system improvement projects designed to enhance water quality, fire protection reliability and long-term system viability.—Water utilities may file tariffs establishing a sliding scale of rates or other method for the automatic adjustment of the rates of the water utility as shall provide for recovery of the fixed costs (depreciation and pretax return) of certain distribution system improvement projects, as approved by the commission, that are completed and placed in service between base rate proceedings. The commission, by regulation or order, shall prescribe the specific procedures to be followed in establishing the sliding scale or other automatic adjustment method.
- (g.1) Surcharge recoverability and offset.--Notwithstanding any other provision of this title or prior order of the commission, a surcharge imposed on and paid by a public utility under section 1111-A of the act of March 4, 1971 (P.L. 6, No. 2), [FN2] known as the Tax Reform Code of 1971, is recoverable under this section by such means as approved by the commission. Retail rates as adjusted in accordance with this subsection shall also reflect any reduction in Public Utility Realty Tax Act liabilities secured by the utility and adjustments in State taxes reflected in any applicable State tax adjustment surcharge as defined by commission regulations.
- (h) Definition.--As used in this section, the terms "natural gas costs" and "gas costs" include the direct costs paid by a natural gas distribution company for the purchase and the delivery of natural gas to its system in order to supply its customers. Such costs may include costs paid under agreements to purchase natural gas from sellers; costs paid for transporting natural gas to its system; costs paid for natural gas storage service from others, including the costs of injecting and withdrawing natural gas from storage; all charges, fees, taxes and rates paid in connection with such purchases, pipeline gathering, storage and transportation; and costs paid for employing futures, options and other risk management tools. "Natural gas" and "gas" include natural gas, liquified natural gas, synthetic natural gas and any natural gas substitutes.

CREDIT(S)

1978, July 1, P.L. 598, No. 116, § 1, effective in 60 days. Amended 1984, May 31, P.L. 370, No. 74, § 2, effective in 60 days; 1984, Sept. 27, P.L. 721, No. 153, § 2, effective in 60 days; 1984, Dec. 21, P.L. 1265, No. 240, § 4, imd. effective; 1996, Dec. 18, P.L. 1061, No. 156, § 1, effective in 60 days; 1999, June 22, P.L. 122, No. 21, § 2, effective July 1, 1999; 2002, Dec. 9, P.L. 1556, No. 203, § 1, effective in 60 days.

[FN1] So in original.

[FN2] 72 P.S. § 8111-A.

HISTORICAL AND STATUTORY NOTES

2000 Main Volume

Section 5 of Act 1984, May 31, P.L. 370, No. 74, as amended by Act 1984, Dec. 21, P.L. 1265, No. 240, § 8, provides as follows:

"The provisions of this act shall be applicable to each natural gas distribution utility under commission jurisdiction. The commission shall adopt regulations prescribing the method by which utilities are to reflect the gas costs previously collectible under the provisions of 66 Pa.C.S. § 1307(a) and (b) (relating to sliding scale of rates; adjustments), so that the transition in methods of collection required by this act does not, of itself, necessitate base rate or 66 Pa.C.S. § 1307(f) filings."

Sections 7 and 8 of Act 1984, Dec. 21, P.L. 1265, No. 240, provide as follows:

"Section 7. Each natural gas distribution utility required to file a tariff in accordance with 66 Pa.C.S. § 1307(f) (relating to sliding scale of rates; adjustments) shall file such a tariff no later than March 1, 1985. Until such tariffs become effective in accordance with 66 Pa.C.S. § 1307(f), such utilities shall remain subject to the provisions of 66 Pa.C.S. § 1307 in effect prior to this amendatory act and the regulations issued by the commission pursuant to that section for natural gas distribution utilities.

"Section 8. As much of the first sentence as reads 'no later than January 1, 1986' and all of the second sentence of section 5 of the act of May 31, 1984 (P.L. 370, No. 74), entitled 'An act amending Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes, providing for commission powers and duties relating to the use of coal; prohibiting certain natural gas utilities from utilizing a sliding scale of rates to recover natural gas costs; and further providing for procedures and standards for regulating the rates of natural gas utilities,' are repealed."

Prior Laws:

1976, Oct. 7, P.L. 1057, No. 215, § 3. 1975, July 30, P.L. 151, No. 76, § 1. 1937, May 28, P.L. 1053, art. III, § 307 (66 P.S. § 1147). 1913, July 26, P.L. 1374, No. 854, art. III, § 1.

CROSS REFERENCES

Alternative energy portfolio standards, see 73 P.S. § 1648.3.

PENNSYLVANIA CODE REFERENCES

Default service rate design and recovery of reasonable costs, see 52 Pa. Code § 54.187.

Fuel procurement policies and procedures, see 52 Pa. Code § 69.1 et seq.

Policy statement on nuclear fuel procurement guidelines, see 52 Pa. Code § 69.201 et seq.

Recovery of fuel costs by gas utilities, see 52 Pa. Code §§ 53.66, 53.67.

Small water and wastewater utilities, see 52 Pa. Code 53.54.

LAW REVIEW AND JOURNAL COMMENTARIES

Automatic rate adjustment for public utilities does not violate due process. (1984) 57 Temp.L.Q. 439.

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Carriers 12(.5).

Public Utilities 122.

Westlaw Topic Nos. 70, 317A.

C.J.S. Aeronautics and Aerospace § 230.

C.J.S. Carriers § 367 to 368.

C.J.S. Public Utilities § 18 to 19, 42, 44, 54, 59.

RESEARCH REFERENCES

2008 Electronic Update

Treatises and Practice Aids

Standard Pennsylvania Practice § 166:1618, Compliance With Orders Prescribing Rates.

Standard Pennsylvania Practice § 166:1622, Fuel Cost Adjustments; Audits.

Standard Pennsylvania Practice § 166:1623, Automatic Adjustment Reports and Proceedings.

Standard Pennsylvania Practice § 166:1624, Customer Refunds.

Standard Pennsylvania Practice § 166:1625, Recovery of Natural Gas Costs.

Standard Pennsylvania Practice § 166:1626, Recovery of Natural Gas Costs-- Customer Refunds.

Standard Pennsylvania Practice § 166:1627, Water Distribution System Improvement Projects.

Standard Pennsylvania Practice § 166:1628, Surcharge Recoverability and Offset.

Standard Pennsylvania Practice § 166:1644, Deadline for Decision.

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1. Validity

Inconsistent results achieved under Pennsylvania's and West Virginia's schemes for regulating retail natural gas rates did not render Pennsylvania's scheme violative of commerce clause, as applied to retail distributor of natural gas, absent showing that retailer could not conform its business conduct in West Virginia to West Virginia regulatory scheme, and its Pennsylvania business conduct to Pennsylvania regulatory scheme. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, C.A.3 (Pa.)1988, 862 F.2d 69. Commerce 62.2; Gas 2

Pennsylvania regulatory scheme for adjustment of retail natural gas rates does not violate supremacy clause by prohibiting inclusion of interest on net annual undercollections, though such prohibition operates to deny utility time value of Federal Energy Regulatory Commission-mandated wholesale costs. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, C.A.3 (Pa.)1988, 862 F.2d 69. Gas 2; States 18.73

This section, providing for adjustment of rates to reflect utility's fuel cost increases, is not violative of procedural due process, even though adjustment is automatic and may be implemented without opportunity of opponents of increase to be heard, in view of facts that increases are not matters merely of private determination by utilities, but must be approved by the Public Utility Commission, and the Code affords procedural due process safeguards through subsequent, year-end, automatic proceeding for final determination and adjustment of rate increases, allowing full participation by all interested parties, and requiring refunds, with interest, calculated at prevailing rate, of overpayments in event previous increases are determined to have been excessive. Allegheny Ludlum Steel Corp. v. Pennsylvania Public Utility Com'n, 459 A.2d 1218, 501 Pa. 71, Sup.1983. Constitutional Law 4371; Electricity

Energy cost rate adjustment provision of Public Utilities Code met procedural due process standards established by Supreme Court inasmuch as, among other things, proposed rates were subject to review by governmental body, which was restricted by specific guidelines as to which factors could be considered in ascertaining and ECR proposal. Allegheny Ludlum Steel Corp. v. Pennsylvania Public Utility Com'n, 447 A.2d 675, 67 Pa.Cmwlth. 400, Cmwlth. 1982, affirmed 459 A.2d 1218, 501 Pa. 71. Constitutional Law 4361; Public Utilities 102

2. In general

Interstate utility was precluded from challenging state Public Utility Commission's retroactive gas costs comparison used in determining utility's eligibility for cost tariff, where utility voluntarily chose that procedure. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, C.A.3 (Pa.)1988, 837 F.2d 600, certiorari denied 109 S.Ct. 365, 488 U.S. 941, 102 L.Ed.2d 355. Gas 14.3(3)

A rate adjustment by a public utility must be limited in scope and not an alternative to the filing of a new tariff. Popowsky v. Pennsylvania Public Utility Com'n, 869 A.2d 1144, Cmwlth.2005, appeal denied 895 A.2d 552, 586 Pa. 761. Public Utilities 120

Public Utility Commission (PUC) is afforded broad discretion in determining which expenses and revenues are properly entitled to rate treatment as purchased gas costs in setting natural gas local distribution company's (LDC) rates based on purchased gas costs. <u>UGI Utilities, Incorporated-Gas Div. v. Pennsylvania Public Utility Com'n, 673</u> A.2d 43, Cmwlth, 1996. Gas —14.5(6)

Prohibitions against line item and retroactive ratemaking by Public Utility Commission (PUC) are inapplicable in proceedings to set natural gas local distribution company's (LDC) rates based on purchased gas costs. <u>UGI Utilities</u>, <u>Incorporated-Gas Div. v. Pennsylvania Public Utility Com'n, 673 A.2d 43</u>, Cmwlth. 1996. Gas 14.4(8)

Public Utility Commission's review procedures regarding Water Facilities Restoration Act-related rate increase must comply with mandate of public utility code, and such determination can only result from review of filing to be certain that any rate approved is just and reasonable. Masthope Rapids Property Owners Council v. Pennsylvania Public Utility Com'n, 581 A.2d 994, 135 Pa.Cmwlth. 437, Cmwlth. 1990. Waters And Water Courses 203(11); Waters And Water Courses 203(12)

Statute providing for automatic sliding scale of public utility rates did not apply to water utility's second general rate request, where initial review was required under Water Facilities Restoration Act [32 Pa.C.S.A. § 7518] to determine if request was for limited purpose of recovering monies loaned under Act. Masthope Rapids Property Owners Council v. Pennsylvania Public Utility Com'n, 581 A.2d 994, 135 Pa.Cmwlth. 437, Cmwlth.1990. Waters And Water Courses 203(11)

Public Utility Commission's redistribution of natural gas utility's projected gas supply mix was not impermissible intrusion into utility's managerial discretion, where Commission concluded that utility was not implementing least cost fuel procurement policy because it had not considered commodity rates of each supplier before deciding to institute pro rata reduction intakes. Equitable Gas Co. v. Pennsylvania Public Utility Com'n, 526 A.2d 823, 106 Pa.Cmwlth. 240, Cmwlth. 1987, appeal denied 533 A.2d 714, 516 Pa. 644. Gas 14.4(7)

Public utility's request for rate increase other than gas cost rate charge revision must be supported by exhaustive evidentiary presentation, involving public comment, numerous and lengthy public hearings, and, typically, thousands of pages of documentary evidence, whereas consideration of proposed gas cost rate customer charge revisions is preceded only by brief documentary submission by utility, analysis and report by Public Utility Commission, and by hearing, at which public comment is not permitted. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Public Utilities 165; Public Utilities 167

Statutory rate-making procedures generally provide voluntary mechanism available to each utility, other than common carriers, by which utility may propose to Public Utility Commission by means of tariff filing automatic adjustment mechanism incorporating any equitable and reasonable means to produce just and reasonable return on fair value of utility's property used to provide public service; voluntary automatic rate adjustment mechanism and rate set forth in tariff must be approved by Commission before their effectuation, and Commission approval may be revoked at any time following notice and hearing, if it is determined that rates produced by adjustment mechanism are unjust or unreasonable. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Public Utilities

Purpose of law

Natural gas distributor's fixed sales service rate (rate FSS), allowing residential and small business customers the option of locking in the price of natural gas for one year, did not have to be annually reconciled; purpose of reconciliation provision of Public Utility Code was to recoup or refund over/under collections that resulted from automatic rate adjustments by utilities based on the projected cost of gas, and distributor's fixed rate option did not

incorporate automatic rate adjustments. <u>Dominion Retail, Inc. v. Pennsylvania Public Utility Com'n, 831 A.2d 810, Cmwlth.2003.</u> Gas — 14.4(1)

Important sense in which gas cost rate procedures function automatically, and central purpose of mechanism described in this section which governs "automatic" rate adjustment, is to permit reflection in customer charges of changes in one component of utility's cost of providing public service without necessity of broad, costly, and time-consuming inquiry required in case of rate increases generally, and "automatic" provision does not preclude Public Utility Commission from requiring submission to it for approval of such revisions. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Gas

Gas cost rate procedure for automatic adjustment of gas cost charges was designed to modify principles of utility rate making that no regulated utility may impose customer charges other than those set forth in company's tariff on file with Public Utility Commission and that every revision of filed tariff must be subject of comprehensive prior administrative investigation and decision. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984, Gas 14.4(8)

4. Preemption

Natural Gas Act [15 U.S.C.A. §§ 717c, 717d] does not preempt state procedure for retail rate making that does not immediately pass through natural gas utility's Federal Energy Regulatory Commission-approved minimum bill obligation, so long as state procedure provides for eventual full recovery of such obligation. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, C.A.3 (Pa.)1988, 862 F.2d 69. Gas 2; States 18.73

This section requiring intrastate natural gas seller to pursue least cost fuel procurement policy did not conflict with federal law by permitting Pennsylvania to regulate indirectly price of interstate pipeline's gas in interstate commerce. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, M.D.Pa.1986, 650 F.Supp. 659, affirmed 837 F.2d 600, certiorari denied 109 S.Ct. 365, 488 U.S. 941, 102 L.Ed.2d 355.

5. Schedule of rates

Fact that plaintiff may have failed to exhaust administrative remedies available to it in challenge to process whereby energy cost rate increases could occur without public participation would not preclude jurisdiction under Declaratory Judgment Act (42 Pa.C.S.A. § 7531 et seq.). Allegheny Ludlum Steel Corp. v. Pennsylvania Public Utility Com'n, 447 A.2d 675, 67 Pa.Cmwlth. 400, Cmwlth. 1982, affirmed 459 A.2d 1218, 501 Pa. 71. Declaratory Judgment 125

Approval by Pennsylvania Public Utility Commission of telephone company's flexible pricing, profit-maximization scheme for vertical business services was not a de facto deregulation of rates for those services. <u>Pennsylvania Retailers' Associations v. Pennsylvania Public Utility Commission</u>, 440 A.2d 1267, 64 Pa.Cmwlth. 491, Cmwlth. 1982. Telecommunications —947

Under 66 P.S. § 1147 (repealed) providing that, absent good reason being shown to the contrary, public utility commission shall direct public utility to refund to its patrons overcollections of automatic adjustment clause revenues, the commission is afforded the discretion upon showing of good reason, not to order full refunds of such overcollections. Community Central Energy Corp. v. Pennsylvania Public Utility Commission, 413 A.2d 1197, 51 Pa.Cmwlth. 142, Cmwlth. 1980. Public Utilities 130

Any change in revenue-producing portion of utility rate schedule necessitates redesigning of such altered rate schedule, or even other rate schedules, including alteration of level of money charges for unit of service or

commodity supplied by the utility. Philadelphia Suburban Transp. Co. v. Pennsylvania Public Utility Commission, 281 A.2d 179, 3 Pa.Cmwlth. 184, Cmwlth. 1971. Public Utilities 119.1

Rate structure must be based on hard economic facts of life and on complete and thorough knowledge and understanding of all facts and circumstances which affect rates and services; rates must be designed to furnish the most efficient and satisfactory service at lowest reasonable price for greatest number of customers, i.e., the public generally. Philadelphia Suburban Transp. Co. v. Pennsylvania Public Utility Commission, 281 A.2d 179, 3 Pa.Cmwlth. 184, Cmwlth. 1971. Electricity 11.3(1)

Fuel adjustment clause of tariff supplement of electric power company providing for adjustment of charges to consumers to reflect changing cost of fuel could be found unreasonable by public utility commission because it operated to permit company to recover from consumers more than actual increase in fuel costs, though clause did not produce an excessive overall return to company, or though it was not discriminatory as between classes of consumers, or though it was not otherwise unlawful. Magee Carpet Co. v. Pennsylvania Public Utility Commission. 102 A.2d 229, 174 Pa.Super. 438, Super.1954. Electricity

An electric light and power company may establish separate schedules of rates applicable to domestic, commercial and industrial purposes in absence of any proof of unfairness. Solar Electric Co. v. Pennsylvania Public Utility Commission, 9 A.2d 447, 137 Pa.Super. 325, Super. 1939. Electricity 11.5(1)

The public utility commission was not justified in limiting electric utility to a single schedule of block meter rates in preference to three separate schedules of block meter rates, one for domestic consumers, one for commercial consumers, and one for industrial consumers, in addition to schedule for street lighting. Solar Electric Co. v. Pennsylvania Public Utility Commission, 9 A.2d 447, 137 Pa.Super. 325, Super. 1939. Electricity 11.3(1)

6. Cost of service

For purposes of determining entitlement to rate increase, cost of service is determined by cost of service studies, in which costs are first functionalized among categories of generation, transmission, and distribution, and then classified within each function as demand/capacity costs, commodity/energy costs or consumer costs. Allegheny Ludlum Corp. v. Pennsylvania Public Utility Com'n, 612 A.2d 604, 149 Pa.Cmwlth. 106, Cmwlth. 1992, on remand. Public Utilities —128

6.5. Interest

Seven-month weighting factor was an appropriate factor for Public Utility Commission to use in calculating interest on money that natural gas distribution utility owed to ratepayers for over-collection for natural gas purchase costs, even though utility attempted to use 19-month weighting factor, where all other gas distribution utilities were using seven-month weighting factor in calculating interest. <u>UGI Utilities, Inc.-Gas Div. v. Pennsylvania Public Utilities</u> Com'n, 863 A.2d 144, Cmwlth.2004. Gas —14.6

Public Utility Commission's retroactive application of its new interpretation of statute and accompanying regulations regarding use of historic data in calculating rate of interest on over/under collection of annual purchase gas costs, resulting in natural gas distribution utility being required to return \$607,017 to ratepayers, was not arbitrary or capricious or an abuse of discretion; prospective use of interpretation was sought by utility merely to minimize its over-collection of costs and subsequent refunds to its ratepayers, Commission's action to use historical versus calendar year data was consistent with Public Utilities Code, and choice of period to use had, for the first time, an actual impact on utility's rate determination. <u>UGI Utilities, Inc.-Gas Div. v. Pennsylvania Public Utilities Com'n, 863 A.2d 144</u>, Cmwlth.2004. Gas —14.4(7)

Natural gas distribution utility was required to use historic twelve-month period of April 1 to March 30, rather than calendar year, in calculating rate of interest on over/under collection of purchased gas costs (PGC), based on utility's filing on June 1 of its actual natural gas costs; Commission designated such twelve-month period in its regulations. UGI Utilities, Inc.-Gas Div. v. Pennsylvania Public Utilities Com'n, 863 A.2d 144, Cmwlth, 2004, Gas 14.4(7)

7. Surcharges

Water utility could not use an automatic adjustment clause, or a surcharge, to fund infrastructure improvements to wastewater treatment collection systems it had purchased, and instead could only recover costs for the improvements in a rate base proceeding; surcharge would entail regulatory oversight that amounted to no more than a mathematical exercise, a surcharge would have allowed utility to recover capital costs which might not have been useful to customers, utility could not recover an investment in a facility until that facility was proven to be used and useful, and, though water utilities could by statute recover through surcharges distribution system improvement projects designed to enhance water quality, such exception did not apply to wastewater systems. Popowsky v. Pennsylvania Public Utility Com'n, 869 A.2d 1144, Cmwlth.2005, appeal denied 895 A.2d 552, 586 Pa. 761. Waters And Water Courses 203(11)

A "surcharge" on a public utility bill, which can be authorized to recover certain expenses not covered in base rates, expenses beyond the utility's control or expenses required by a government entity, is an amount added to a customer's regular bill that is established outside the normal ratemaking procedure, and is imposed pursuant to an "automatic adjustment clause" in a utility's approved tariff. Popowsky v. Pennsylvania Public Utility Com'n, 869 A.2d 1144, Cmwlth.2005, appeal denied 895 A.2d 552, 586 Pa. 761. Public Utilities 128

Electric utility demand-side management (DSM) program expenses fell within types of costs for which statute allowed automatic adjustment of public utility rates and, thus, Public Utility Commission (PUC) could allow DSM program costs to be recovered through surcharge mechanism. Pennsylvania Indus. Energy Coalition v. Pennsylvania Public Utility Com'n, 653 A.2d 1336, Cmwlth.1995, reargument denied, appeal granted 665 A.2d 471, 542 Pa. 637, affirmed 670 A.2d 1152, 543 Pa. 307. Electricity 11.3(1)

Commonwealth Court is not free to substitute its discretion for discretion properly exercised by Public Utility Commission (PUC) in establishing surcharge method of cost recovery by public utility under statute governing such recovery. Pennsylvania Indus. Energy Coalition v. Pennsylvania Public Utility Com'n, 653 A.2d 1336, Cmwlth.1995, reargument denied, appeal granted 665 A.2d 471, 542 Pa. 637, affirmed 670 A.2d 1152, 543 Pa. 307. Public Utilities 194

Permitting recovery of electric utilities' demand-side management (DSM) program costs through surcharge was not impermissible single-issue rate making; doctrine of single-issue rate making was inapplicable because surcharge was permitted under statute governing such recovery, with procedures to determine reasonableness of charges outside of base rate case. Pennsylvania Indus. Energy Coalition v. Pennsylvania Public Utility Com'n, 653 A.2d 1336, Cmwlth.1995, reargument denied, appeal granted 665 A.2d 471, 542 Pa. 637, affirmed 670 A.2d 1152, 543 Pa. 307. Electricity 11.3(1)

8. Rate credits

Firm service customers of natural gas local distribution company (LDC) were entitled to rate credit for overrun revenues collected from interruptible service customers given that revenues were derived from purchased gas cost resources paid for by firm service customers and firm service customers bore risk of interruption of service, despite claims that company could identify amount of gas used by its overrun customers, that company procured sufficient gas resources to accommodate both its overrun and firm service customers during period in question, and that firm

service customers experienced no interruption of service during that time. <u>UGI Utilities, Incorporated-Gas Div. v.</u> Pennsylvania Public Utility Com'n, 673 A.2d 43, Cmwlth.1996. Gas —14.4(5)

9. Recovery costs

Claim preclusion may apply to rate filings, notwithstanding authority of Public Utilities Commission to review and amend orders and to order refunds of any unjust, unreasonable or unlawful rate. Kentucky West Virginia Gas Co. v. Pennsylvania Public Utility Com'n, M.D.Pa.1989, 721 F.Supp. 710, affirmed 899 F.2d 1217. Public Utilities 169.1

Public Utility Commission (PUC) did not abuse its discretion by making an upward financial risk adjustment of 0.6% in water utility's equity cost rate following terrorist attacks on New York and Pentagon, where utility's expert recommended a leverage adjustment of about 0.8%, the formula usually used to estimate cost rate would have understated the cost of capital as formula was market based but utility's stock was not publicly traded and the number of comparable companies in the formula was small, the market value appreciation component used by the PUC was derived in part by analyzing the market performance of common stock from comparable companies, and PUC made its adjustment to the common equity cost rate in recognition of the financial risk arising from the different valuation methods. Popowsky v. Pennsylvania Public Utility Com'n, 868 A.2d 606, Cmwlth.2004. Waters And Water Courses 203(11)

Water utility was entitled to recover increased security costs incurred from date of terrorist attacks on New York and Pentagon and before proposed effective date of utility's new tariff, where various statutes were passed and various administrative actions were taken dealing with security following the attacks, utility responded to such statutes and administrative actions, increased security costs did not arise from inaccurate projections, increased costs were imposed from the outside, the triggering event for the increased costs was extraordinary and hopefully nonrecurring, the costs were legitimate operating expenses, and the utility took immediate and responsive action to seek timely recovery of such security costs. Popowsky v. Pennsylvania Public Utility Com'n, 868 A.2d 606, Cmwlth.2004. Waters And Water Courses 203(11)

Public Utility Commission (PUC) had statutory authority to approve gas cost incentive program for natural gas local distribution company (LDC), despite contention that statute only allowed company to retain actual gas expense incurred and that approved program allowed company in certain situations to retain more than actual gas expense incurred; gas marketplace was different after issuance of Federal Energy Regulatory Commission (FERC) order requiring unbundling of interstate pipeline services and eliminating pipeline's merchant services, and statute governing determination of just and reasonable natural gas rates provided Public Utility Commission with flexibility and discretion to evaluate company's least cost fuel procurement policy under conditions of existing gas marketplace. Popowsky v. Pennsylvania Public Utility Com'n, 676 A.2d 731, Cmwlth. 1996. Gas 14.4(8)

Public Utility Commission (PUC) did not impermissibly confer legislative power upon natural gas local distribution company (LDC) when it gave company option to accept or reject Commission's modifications to proposed and stipulated capacity release revenue sharing program and gas cost incentive program; Commission's grant of option was in the public interest because performance-based incentive program was new and experimental and was approved for only three-year pilot program, only company's business practice was affected by Commission's modifications, and stipulated programs were conditioned upon acceptance by Commission without modification, allowing voluntary participation in programs was consistent with Federal Energy Regulatory Commission's (FERC) approach to incentive regulation, and programs were approved only after notice and hearing and with opportunity for judicial review. Popowsky v. Pennsylvania Public Utility Com'n, 676 A.2d 731, Cmwlth.1996. Gas 14.4(8)

Costs incurred by natural gas distributors for contract reformation--take-or-pay costs (TOP costs)--were not natural gas costs, for purpose of recovery under gas cost rate adjustment mechanism of utility code section providing for

prompt recovery by utility of increases in cost of gas purchased, even though TOP costs are incurred as costs of obtaining gas; TOP costs are not costs of gas ultimately purchased for local gas distributor customers. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa.Cmwlth. 621, Cmwlth. 1991. Gas 14.4(7)

Electric utility's costs for purchased power claimed as operating expenses for pass-through to its customers must be reasonable when they are claimed; prudence of initial decision to incur those expenses is not determinative of whether expenses may properly be allowed when they are ultimately claimed in rates. Pennsylvania Power Co. v. Pennsylvania Public Utility Com'n, 561 A.2d 43, 127 Pa.Cmwlth. 97, Cmwlth. 1989, appeal granted 568 A.2d 1250, 524 Pa. 601, affirmed 587 A.2d 312, 526 Pa. 453, certiorari denied 112 S.Ct. 80, 502 U.S. 821, 116 L.Ed.2d 53. Electricity 11.3(4)

Refusal of Public Utility Commission to allow electric utility to recover, through the energy cost rate mechanism, its costs to buy back power from another utility incurred under an agreement in which other utility agreed to acquire electric utility's share of a nuclear generating unit in return for electric utility's agreement to buy back power from the unit for a certain period, was proper based upon Commission's finding that the cost of power was roughly ten times that available from other sources. Pennsylvania Power Co. v. Pennsylvania Public Utility Com'n, 561 A.2d 43, 127 Pa.Cmwlth. 97, Cmwlth. 1989, appeal granted 568 A.2d 1250, 524 Pa. 601, affirmed 587 A.2d 312, 526 Pa. 453, certiorari denied 112 S.Ct. 80, 502 U.S. 821, 116 L.Ed.2d 53. Electricity 11.3(4)

In determining whether gas utility's procurement of supplies was reasonable, Public Utility Commission was not required to impute that any gas, which Commission had imputed as purchased by utility during previous years, was replaced at higher alternative costs, where Commission had determined that those less expensive gas supplies were available but not utilized; thus, those available supplies could still be considered by Commission in determining whether utility's later rate claim and purchases were reasonable. Equitable Gas Co. v. Pennsylvania Public Utility Com'n, 536 A.2d 846, 113 Pa.Cmwlth. 68, Cmwlth. 1988. Gas 14.4(8)

Testimony of rate engineer, which opined that had gas utility purchased less expensive gas which was available on market, it would have saved \$341,831 in one month alone, and would have saved \$2,213,714 in calendar year, was sufficient to support decision of Public Utility Commission, denying utility recovery of those costs, as they were determined to be unreasonably and imprudently incurred. Equitable Gas Co. v. Pennsylvania Public Utility Com'n, 536 A.2d 846, 113 Pa.Cmwlth. 68, Cmwlth. 1988. Gas —14.4(12)

Public Utility Commission maintains authority to deny recovery costs from utilities found to be result of managerial imprudence. Equitable Gas Co. v. Pennsylvania Public Utility Com'n, 536 A.2d 846, 113 Pa.Cmwlth. 68, Cmwlth. 1988. Public Utilities 128

10. Mandatory system for automatic adjustment--In general

Where a public utility seeks to effect a general rate increase, a base rate case must be filed; rate adjustments, or surcharges, are limited in scope and not to be employed as a universally available alternative to a base rate case. Popowsky v. Pennsylvania Public Utility Com'n, 869 A.2d 1144, Cmwlth.2005, appeal denied 895 A.2d 552, 586 Pa. 761. Public Utilities 120

Among powers given to Public Utility Commission by this section which governs utility rate-making procedures is that of designing detailed procedures by which utility shall translate mandatory rate adjustment mechanism described by Commission into particular customer charges. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Public Utilities 145.1

Provision in this section which governs utility rate-making procedures, that public utility shall file tariffs showing

rates established in accordance with regulation of order of Public Utility Commission, expresses legislature's commitment to Commission's procedural expertise with respect to customer charges produced by each utility's application of mandatory adjustment mechanism to particular facts of utility's operations. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Public Utilities 222

11. --- Approval, mandatory system for automatic adjustment

Public Utility Commission was authorized to impose on gas company requirement of annual submission and approval of customer charges produced by gas cost rate mechanism. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Gas 14.4(8)

Provision in this section which governs utility rate-making procedures that automatic rate adjustments be accomplished "on the same basis as provided in subsection (a)" requires prior approval of Public Utility Commission of rate adjustment mechanism itself as well as customer charges thereby produced, but does not require Commission's prior approval of effectuation of mandatory adjustment mechanism prescribed by Commission, referring, rather, to that portion of subsection which describes adjustment mechanism as means to accomplish primary regulatory purpose of providing fair return to utility. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Public Utilities

Provision of this section which governs utility rate-making procedures that automatic rate adjustment is "to become effective when and in the manner prescribed by regulation or order" of Public Utility Commission evinces intent to leave to Commission the procedural details relating to approval and effectuation of prescribed mandatory rate adjustment mechanisms. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth, 148, Cmwlth, 1984. Public Utilities 122

12. Retroactive adjustment

A utility that has failed to project expenses and revenue in its base rate cannot effect an after-the-fact correction by refunds to customers, where profits are higher than predicted, or by rate increases, in the obverse situation; however, an exception to this rule in the case of retroactive recovery of unanticipated expenses has been recognized where the expenses are extraordinary and nonrecurring. Popowsky v. Pennsylvania Public Utility Com'n, 869 A.2d 1144, Cmwlth.2005, appeal denied 895 A.2d 552, 586 Pa. 761. Public Utilities

Public Utility Commission had authority to retroactively adjust natural gas utility's costs rates previously approved in gas cost rate proceedings in that such proceeding were not subject to exhaustive Commission review to determine reasonableness. Equitable Gas Co. v. Pennsylvania Public Utility Com'n, 526 A.2d 823, 106 Pa.Cmwlth. 240, Cmwlth. 1987, appeal denied 533 A.2d 714, 516 Pa. 644. Gas 14.4(7)

13. Refund

Where replacement power costs that part owner of nuclear power plant incurred and passed on to its consumers through automatic adjustment clause as result of shutdown of plant were imprudently incurred by plant operator, Public Utility Commission properly ordered part owner to pay refund of those replacement power costs, regardless of any earnings deficiency it experienced. Pennsylvania Power Co. v. Pennsylvania Public Utility Com'n, 625 A.2d 719, 155 Pa.Cmwlth. 477, Cmwlth. 1993, appeal denied 637 A.2d 288, 536 Pa. 628. Electricity

Electric utility's collection from customers pursuant to net energy clause adjustment were not collected under authority of prior tariff approved by Public Utility Commission, therefore, making "commission-made rates"

doctrine inapplicable to bar Commission's order to refund net energy clause charges. <u>Duquesne Light Co. v. Pennsylvania Public Utility Com'n, 507 A.2d 433, 96 Pa.Cmwlth. 168</u>, Cmwlth. 1986. Electricity 11.5(1)

Public Utility Commission had power to order refund of increased gas cost rate customer charges it did not approve which were in excess of those that would have been collected as consequence of continued effectiveness of existing rate. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Gas 14.4(8)

When Public Utility Commission orders retroactive return of revenues to consumers, whether by disbursement or by credit on future customer bills, it has ordered "refund." National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 464 A.2d 546, 76 Pa.Cmwlth. 102, Cmwlth. 1983. Public Utilities 120

14. Due process

Consideration of interim filing and response by Public Utility Commission's trial staff office did not violate gas distribution utility's due process rights, even though utility maintained that it did not have sufficient time before hearing on tariff for costs of purchasing natural gas to respond to trial staff's surrebuttal regarding purchase costs; utility submitted interim filing two months after filing annual tariff and two weeks after trial staff filed direct testimony, and problems in timing were brought about by gas utility itself in timing its interim filing. <u>UGI Utilities</u>, Inc.-Gas Div. v. Pennsylvania Public Utilities Com'n, 863 A.2d 144, Cmwlth.2004. Constitutional Law 4371; Gas 14.3(3)

Proceedings of Public Utility Commission which determined whether electric utility acted prudently in shutting down in response to safety concerns of federal Nuclear Regulatory Commission, which determined whether utility was entitled to net energy clause charges and which were consolidated with two previously filed actions, petition by Utility Commission's trial staff and complaint brought by city, were not solely fact-gathering in nature, informed utility that specific relief was sought which would be adjudicated, and, therefore, did not violate due process rights of utility. Duquesne Light Co. v. Pennsylvania Public Utility Com'n, 507 A.2d 433, 96 Pa.Cmwlth. 168, Cmwlth. 1986. Constitutional Law 4371

Notice to electric utility failing to disclose precise role and conduct of utility in shutdown of nuclear plant which Public Utility Commission considered relevant to refund of net energy clause charges did not afford utility reasonable opportunity to know nature of contentions and, therefore, violated due process. <u>Duquesne Light Co. v. Pennsylvania Public Utility Com'n, 507 A.2d 433, 96 Pa.Cmwlth. 168</u>, Cmwlth. 1986. Constitutional Law 4371

15. Hearing

Public Service Commission denied energy corporation due process by failing to hold hearing at which evidence on question of corporation's justification for failing to refund to its customers excessive automatic fuel adjustment revenues could be thoroughly presented. Community Central Energy Corp. v. Pennsylvania Public Utility Commission, 436 A.2d 1255, 62 Pa.Cmwlth. 518, Cmwlth.1981. Constitutional Law 4371

16. Findings and conclusions

The Public Utilities Commission (PUC) is afforded broad discretion under the reconciliation provision of the Public Utility Code in determining which costs are natural gas costs for the purpose of recovery of under collections by a natural gas distributor who is adjusting its rates on a periodic basis based on projected cost of gas. <u>Dominion Retail</u>, Inc. v. Pennsylvania Public Utility Com'n, 831 A.2d 810, Cmwlth.2003. Gas —14.4(7)

Public Utility Commission was directed to make appropriate findings and conclusions in support of facet of refund order prohibiting subsequent recovery of gas company's experienced undercollections, since utility company is authorized to recover from its customers any shortfall in revenues collected pursuant to gas cost rate with reference to utility's experienced purchased gas expenses. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 473 A.2d 1109, 81 Pa.Cmwlth. 148, Cmwlth. 1984. Gas 14.6

17. Review

Natural gas distributor was not collaterally estopped from appealing Public Utility Commission's refusal to place in effect distributor's proposed tariff supplement through which distributor sought to recover take-or-pay costs (TOP costs) under gas cost rate adjustment mechanism in utility code by Commission's decision denying distributor relief sought in base rate proceeding; distributor did not obtain relief it sought in base rate proceeding-method to reconcile actual TOP costs--and ultimate resolution of issues presented in appeal could provide distributor with outcome not available in base rate proceeding. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa.Cmwlth. 621, Cmwlth.1991. Administrative Law And Procedure 501; Gas 14.5(1)

Natural gas distributor's appeal of Public Utility Commission's refusal to place in effect distributor's proposed tariff supplement through which distributor sought to recover take-or-pay costs (TOP costs) under gas cost rate adjustment mechanism in utility code was not improper collateral attack on Commission's order in base rate proceeding which refused to allow distributor reconciliation of costs, even though distributor could have pursued appeal of Commission's denial of distributor's proposed reconciliation, and even though Commission granted recovery of TOP costs known at time of its base rate decision; Commission denied distributor means to reconcile, or true-up, actual cost, and distributor could not challenge Commission's adopted policy until Commission rejected distributor's application for recovery. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa.Cmwlth. 621, Cmwlth. 1991. Gas 14.5(1)

Natural gas distributor's appeal of Public Utility Commission's refusal to place into effect distributor's proposed tariff supplement through which distributor sought to recover take-or-pay costs (TOP costs) under gas cost rate adjustment mechanism in utility code was not moot, even though Commission allowed recovery of distributor's known TOP costs in base rate proceeding; use of base rate method of recovery could result in underrecovery of TOP costs. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa.Cmwlth. 621, Cmwlth. 1991. Gas 14.5(1)

Public Utility Commission's order refusing to place into effect natural gas distributor's proposed tariff supplement through which distributor sought to recover contract reformation costs--take-or-pay costs (TOP costs)--under gas cost rate adjustment mechanism in utility code was final and appealable, notwithstanding Commission's contention that order was not final and appealable because order indicated that distributor incorrectly filed for recovery under wrong section of utility code; remedy provided for in base rate decision was not equivalent of reconciliation guaranteed for actual natural gas costs. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa.Cmwlth. 621, Cmwlth. 1991. Gas 14.5(3)

Natural gas distributor's appeal of decision by Public Utility Commission that refused to place in effect distributor's proposed tariff supplement through which distributor sought to recover take-or-pay costs under gas cost rate adjustment mechanism of utility code would not be dismissed on basis that distributor had not established that it would suffer any harm as result of Commission's order; if court were to dismiss appeal and distributor ultimately under-recovered portion of its actual TOP costs, distributor would be precluded from obtaining timely and automatic benefit of reconciliation. National Fuel Gas Distribution Corp. v. Pennsylvania Public Utility Com'n, 587 A.2d 54, 137 Pa, Cmwlth. 621, Cmwlth. 1991. Gas 14.5(9)

66 Pa.C.S.A. § 1307, PA ST 66 Pa.C.S.A. § 1307

Current through Reg. Sess. Act 2008-80 and 2007-2008 Sp. Sess. No. 1 Act 2

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West's Delaware Code Annotated <u>Currentness</u>
Title 26. Public Utilities
Chapter 1. Public Service Commission
Subchapter III. Rates

→ § 314. Water Utility Distribution System Improvement Charge

- (a) The following definitions shall apply in this section:
 - (1) As used in this section, "DSIC rate" refers to distribution system improvement charge.
 - (2) As used in this section, "DSIC costs" means depreciation expenses and pretax return associated with eligible distribution system improvements.
 - (3) As used in this section, "DSIC revenues" means revenues produced through a DSIC exclusive of revenues from all other rates and charges.
 - (4) As used in this section, "eligible distribution system improvements" means new, used and useful water utility plant projects that:
 - a. Do not increase revenues by connecting the distribution system to new customers; and
 - b. Are in service; and
 - c. Were not included in the public utility's rate base in its most recent general rate case; and which
 - d. Replace or renew water mains, valves, services, meters and hydrants serving existing customers that have reached their useful service life, are worn out, are in deteriorated condition, or which negatively impact the quality and reliability of service to the customer if not replaced or renewed; or
 - e. Extend mains to eliminate dead ends which negatively impact the quality and reliability of service to the customer; or
 - f. Relocate existing facilities as a result of governmental actions that are not reimbursed, including but not limited to relocations of mains located in highway rights of way as required by the Department of Transportation; or
 - g. Place in service, for the benefit of the customers of the water utility applying for the DSIC rate, water supply sources identified as "A list projects" in the Governor's Task Force Report dated December 2, 1999, to resolve the regional water supply concerns or subsequently added to the "A list projects" by the Delaware Water Supply Coordinating Council, all such added projects to have been so identified by the Delaware Water Supply Coordinating Counsel by December 31, 2002; or

- h. Place in service new or additional water treatment facilities, plant or equipment required to meet changes in state or federal water quality standards, rules or regulations.
- (5) As used in this section, "pretax return" means the revenues necessary to:
 - a. Produce net operating income equal to the public water utility's weighted cost of capital as established in the most recent general rate proceeding for the public water utility multiplied by the net original cost of eligible distribution system improvements. At any time the Commission, by its own motion, or by motion of the water utility, Commission staff or the Public Advocate, may determine to revisit and, after hearing without the necessity of a general rate filing, reset a water utility's cost of capital to reflect its current cost of capital. The DSIC rate shall be adjusted back to the date of the motion to reflect any change in the cost of capital determined by the Commission through this process;
 - b. Provide for the tax deductibility of the debt interest component of the weighted cost of capital; and
 - c. Pay state and federal income taxes applicable to such income.
- (b) Notwithstanding other sections of this subchapter, a public utility providing water service may file with the Commission rate schedules establishing a DSIC rate that will allow for the automatic adjustment of the public water utility's basic rates and charges to provide recovery of DSIC costs on a semiannual basis.
 - (1) The public water utility shall serve the Division of the Public Advocate's office a copy of its filing at the time of its filing with the Commission. Customers of the public water utility shall be notified of changes in the DSIC rate by including appropriate information with the first bill they receive following any change in the rate.
 - (2) Publication of notice of the filing is not required.
 - (3) The effective date of changes in the DSIC rate shall be January 1 and July 1 every year.
 - (4) The public water utility shall file any request for a change in the DSIC rate and supporting data with the Commission at least 30 days prior to its effective date.
 - (5) The DSIC rate shall be adjusted semiannually for eligible distribution system improvements placed in service during the 6-month period ending 2 months prior to the effective date of changes in the DSIC rate.
 - (6) The DSIC rate shall be expressed as a percentage carried to 2 decimal places and applied to the total amount billed to each customer under the public water utility's otherwise applicable rates and charges.
 - (7) The DSIC rate applied between base rate filings shall be capped at 7.5% of the amount billed to customers under otherwise applicable rates and charges, but the DSIC rate increase applied shall not exceed 5% within any 12-month period.
 - (8) The DSIC Rate shall be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a period consisting of the 12 months ending December 31 of each year. The revenue received under the DSIC Rate for the reconciliation period shall be compared to the public water utility's eligible costs for that period with the difference between revenue received and eligible costs for the period recouped or refunded, as appropriate, over a 1-year period commencing July 1 of each year. If the DSIC Revenues exceeded the DSIC eligible costs, such over-collections shall be refunded with interest.

- (9) The DSIC Rate shall be reset to zero as of the effective date of new base rates that provide for the prospective recovery of the annual costs theretofore recovered under the DSIC rate.
- (10) The DSIC Rate shall also be reset to zero if, in any quarter, data filed with the Commission by the public water utility show that the public water utility will earn a rate of return that exceeds the rate of return established in its last general rate filing or by Commission order pursuant to subdivision (a)(5)a. of this section, if such was determined subsequent to the final order in the water utility's last general rate filing. Further, the DSIC rate shall be reinstated when such data show that the established rate of return is not exceeded and will not be exceeded if the DSIC rate is reinstated and reset.
- (11) Any water utility filing for interim rate relief under this section must comply with all reasonable information requests related to its filing, or any other audits or proceedings conducted pursuant to this section and must do so on an expedited basis.
- (c) The provisions of this section shall not be available to a water utility subject to a finding of the Commission that the water utility is unable or unwilling to provide safe, adequate and reliable water service to its existing customers.
- (d) The Commission may adopt rules and regulations, not inconsistent with this title, that the Commission finds reasonable or necessary to administer a DSIC.

CREDIT(S)

73 Laws 2001, ch. 138, § 2, eff. July 9, 2001.

LIBRARY REFERENCES

Waters and Water Courses 203(6), 203(11).
Westlaw Key Number Searches: 405k203(6); 405k203(11).
C.J.S. Waters §§ 483, 666 to 667, 674 to 675, 681, 684 to 686.

26 Del.C. § 314, DE ST TI 26 § 314

Current through 76 Laws 2008, ch. 421. Revisions to 2008 Acts made by the Delaware Code Revisors were unavailable at time of publication.

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Title 16. Public Service Companies (Refs & Annos)

Chapter 283. Department of Public Utility Control: Telegraph, Telephone, Illuminating, Power and Water Companies (Refs & Annos)

→ § 16-262v. Water company infrastructure projects: Definitions

For purposes of this section:

- (1) "Eligible projects" means those water company plant projects not previously included in the water company's rate base in its most recent general rate case and that are intended to improve or protect the quality and reliability of service to customers, including (A) renewal or replacement of existing infrastructure, including mains, valves, services, meters and hydrants that have either reached the end of their useful life, are worn out, are in deteriorated condition, are or will be contributing to unacceptable levels of unaccounted for water, or are negatively impacting water quality or reliability of service if not replaced; (B) main cleaning and relining projects; (C) relocation of facilities as a result of government actions, the capital costs of which are not otherwise eligible for reimbursement; and (D) purchase of leak detection equipment or installation of production meters, and pressure reducing valves.
- (2) "Department" means the Department of Public Utility Control.
- (3) "Infrastructure assessment report" means a report filed by a water company with the department that identifies water system infrastructure needs and the company's criteria for determining the priority for eligible projects related to infrastructure.
- (4) "Pretax return" means the revenue necessary, after deduction of depreciation and property taxes, to produce net operating income equal to the water company's weighted cost of capital as approved by the department in the company's most recent general rate case multiplied by the new original cost of eligible projects.
- (5) "Reconciliation adjustment" means the difference between revenues actually collected through the water infrastructure and conservation adjustment and the amount allowed under the WICA for that period for the eligible projects. The amount of revenues overcollected or undercollected through the adjustment will be recovered or refunded, as appropriate, as a reconciliation adjustment over a one-year period commencing on April first.
- (6) "Water company" means a water company, as defined in <u>section 16-1</u>, that has filed for approval an individual infrastructure assessment report to support a request for a WICA adjustment.
- (7) "Water Infrastructure and Conservation Adjustment (WICA)" means an adjustment applied as a charge or credit to a water company customers' rates to recover the WICA costs of eligible projects.
- (8) "WICA costs" means the depreciation and property tax expenses and associated return on completed eligible projects.
- (9) "WICA revenues" means the revenues provided through a water infrastructure and conservation adjustment for eligible projects.

CREDIT(S)

(2007, P.A. 07-139, § 1, eff. June 19, 2007.)

HISTORICAL AND STATUTORY NOTES

2008 Electronic Pocket Part Update

Codification

The 2008 Supplement to the Connecticut General Statutes codified 2007, P.A. 07-139, § 1, as C.G.S.A. § 16-262v.

C. G. S. A. § 16-262v, CT ST § 16-262v

Current through the 2008 Feb. Reg. Sess., June 11 Sp. Sess., June Veto Sess., and Aug. Sp. Sess.

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Connecticut General Statutes Annotated <u>Currentness</u>
Title 16. Public Service Companies (<u>Refs & Annos</u>)
Chapter 284. Department of Public Utility Control: Natural Gas Pipelines (Refs & Annos)

→ § 16-262w. Water company rate adjustment mechanisms

- (a) The Department of Public Utility Control may authorize a water company to use a rate adjustment mechanism, such as a water infrastructure and conservation adjustment (WICA), for eligible projects completed and in service for the benefit of the customers. A water company may only charge customers such an adjustment to the extent allowed by the department based on a water company's infrastructure assessment report, as approved by the department and upon semiannual filings by the company which reflect plant additions consistent with such report. The department, in consultation with the Office of Consumer Counsel, shall conduct the proceeding in accordance with the provisions of section 16-18a.
- (b) On or before ninety days after June 19, 2007, the department shall initiate a generic docket on what shall be included in a water company's infrastructure assessment report and annual reconciliation reports and the criteria for determining priority of eligible projects. The department shall provide public notice with a deadline for interested parties to submit recommendations on the report contents and criteria. The department may hold a hearing on the generic docket but shall issue a decision on the docket not later than one hundred eighty days after the deadline for interested parties to submit their recommendations on the report contents and criteria.
- (c) The water company shall file their individual infrastructure assessment report with the department and such report shall identify the water system infrastructure needs and a water company's criteria for determining priority for eligible projects related to infrastructure. The department shall address such criteria in its docket initiated pursuant to subsection (b) of this section. Criteria may include, but shall not be limited to, (1) age, material or condition of the facilities; (2) extent and frequency of main breaks or interruption of service; (3) adequacy of pressure; (4) head loss; (5) availability of fire flows; and (6) the potential of such projects to improve system integrity and reliability.
- (d) The department shall approve a water company's individual infrastructure assessment report upon determining that the company has demonstrated through generally accepted engineering practices (1) the infrastructure projects considered for renewal or replacement are eligible projects; (2) such projects will benefit customers by improving water quality, system integrity or service reliability; (3) they adhere to the criteria established for determining priority for infrastructure projects; and (4) there is a sufficient level of investment in infrastructure. The department may hold a hearing to solicit input on a water company's individual infrastructure assessment report provided a decision on the assessment is made not later than one hundred eighty days after filing. Any such report not approved, rejected or modified by the department within such one-hundred-eighty-day period shall be deemed to have been approved.
- (e) Notwithstanding the provisions of section 16-19, upon department approval of a water company's individual infrastructure assessment report, the water company may charge the WICA for eligible projects in addition to such water company's existing rate schedule pursuant to subsection (f) of this section and the procedures and customer notification requirements in subsections (g) and (h) of this section.
- (f) The WICA adjustment shall be calculated as a percentage, based on the original cost of completed eligible projects multiplied by the applicable rate of return, plus associated depreciation and property tax expenses related to

eligible projects and any reconciliation adjustment calculated pursuant to subsection (j) of this section as a percentage of the retail water revenues approved in its most recent rate filing for the regulated activities of said water company.

- (g) A water company may impose the WICA adjustment for eligible projects as a charge or credit on customers' bills at intervals of not less than six months, commencing on either January first, April first, July first or October first in any year. No proposed WICA charge or credit shall become effective until the Department of Public Utility Control has approved such charges or credits pursuant to an administrative proceeding. The department may receive and consider comments of interested persons and members of the public at such a proceeding, which shall not be considered a contested case for purposes of title 4, this section or any regulation adopted thereunder. Such administrative proceeding shall be completed not later than thirty days after the filing of an application by a water company or within a time period as otherwise established in the generic docket conducted pursuant to subsection (b) of this section. Any approval or denial of the department pursuant to this subsection shall not be deemed an order, authorization or decision of the department for purposes of section 16-35. Notwithstanding the provisions of this section, if the department has not rendered an approval or denial concerning any such application within the established timeframe, the proposed charges or credits shall become effective at the option of the company pending the department's finding with respect to such charges, provided the company will refund its customers any such amounts collected from them in excess of the charges approved by the department in its finding.
- (h) Water companies shall notify customers through a bill insert or other direct communications when the adjustment is first applied and the WICA charge or credit shall appear as a separate item on customers' bills.
- (i) The amount of the WICA applied between general rate case filings shall not exceed seven and one-half per cent of the water company's annual retail water revenues approved in its most recent rate filing, and shall not exceed five per cent of such revenues for any twelve-month period. The amount of the adjustment shall be reset to zero as of the effective date of new base rates approved pursuant to section 16-19 and shall be reset to zero if the company exceeds the allowable rate of return by more than one hundred basis points for any calendar year.
- (j) On or before February twenty-eighth of each year, a water company shall submit to the department an annual reconciliation report for any WICA charges applied to customers' rates through December thirty-first of the previous calendar year. Such reconciliation report shall identify those projects that have been completed, demonstrate that the WICA charges are limited to eligible projects that are in service and used and useful as of the end of the calendar year, and include any other information required as a result of the generic docket conducted pursuant to subsection (b) of this section. The company shall indicate in its report any significant changes in the extent of infrastructure spending, the priorities for determining eligible projects or the criteria established in the infrastructure assessment report. In addition, the reconciliation report shall compare the WICA revenues actually collected to the allowed amount of the adjustment. If upon completion of the review of the annual reconciliation report the department determines that a water company overcollected or undercollected the WICA adjustment, the difference between the revenue and costs for eligible projects will be recovered or refunded, as appropriate, as a reconciliation adjustment over a one-year period commencing on April first. The company shall refund the customers with interest for any overcollection but shall not be eligible for interest for any undercollection.

CREDIT(S)

(2007, P.A. 07-139, § 2, eff. June 19, 2007.)

HISTORICAL AND STATUTORY NOTES

2008 Electronic Pocket Part Update

Codification

The 2008 Supplement to the Connecticut General Statutes codified 2007, P.A. 07-139, § 2, as C.G.S.A. § 16-262w.

C. G. S. A. § 16-262w, CT ST § 16-262w

Current through the 2008 Feb. Reg. Sess., June 11 Sp. Sess., June Veto Sess., and Aug. Sp. Sess.

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MISSOURI

4 MO ADC 240-3.650

4 Mo. Code of State Regulations 240-3.650

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CMISSOURI CODE OF STATE REGULATIONS TITLE 4 - DEPARTMENT OF ECONOMIC DEVELOPMENT DIVISION 240 - PUBLIC SERVICE COMMISSION CHAPTER 3 - FILING AND REPORTING REQUIREMENTS

Missouri Administrative Code titles are current through August 31, 2008.

4 CSR 240-3.650 Water Utility Petitions for Infrastructure System Replacement Surcharges

PURPOSE: This rule sets forth the definitions, parameters and procedures relevant to the filing and processing of petitions pertaining to an infrastructure system replacement surcharge (ISRS), including the information that an eligible water utility must provide when it files a petition and associated rate schedules to establish, change or reconcile an ISRS.

- (1) As used in this rule, the following terms mean:
 - (A) Appropriate pretax revenues -- the revenues necessary to:
 - 1. Produce net operating income equal to the eligible water utility's weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements (original cost of eligible infrastructure system replacements, net of accumulated deferred income taxes and accumulated depreciation associated with the replacements), including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements that are included in a currently effective ISRS;
 - 2. Recover state, federal, and local income or excise taxes applicable to such income; and
 - 3. Recover all other ISRS costs;
 - (B) Eligible infrastructure system replacements--water utility plant projects that:
 - 1. Replace or extend the useful life of existing infrastructure;
 - 2. Are in service and used and useful;
 - 3. Do not increase revenues by directly connecting the infrastructure replacement to new customers;
 - 4. Were not included in the eligible water utility's rate base in its most recent general rate case; and

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- 5. Were made in a county with a charter form of government and with more than one (1) million inhabitants;
- (C) Eligible water utility--a water corporation as defined in section 386.020(58), RSMo, that provides service to more than ten thousand (10,000) customers in a county with a charter form of government and with more than one (1) million inhabitants;
- (D) ISRS--infrastructure system replacement surcharge;
- (E) ISRS costs--annual depreciation expenses, and property taxes that will be due within twelve (12) months of the ISRS filing, on the total cost of eligible infrastructure system replacements, reduced by annual depreciation expenses and property taxes on any related facility retirements;
- (F) ISRS revenues--revenues produced through an ISRS, exclusive of revenues from all other rates and charges;
- (G) Water utility plant projects--projects that consist only of the following:
 - 1. Mains, and associated valves and hydrants, installed as replacements for existing facilities that have worn out or are in deteriorated condition;
 - 2. Main cleaning and relining projects; and
 - 3. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain; provided that the costs related to such projects have not been reimbursed to the eligible water utility.
- (2) Pursuant to the provisions of this rule and sections 393.1000 to 393.1006, RSMo, an eligible water utility may file a petition with the commission to establish or change ISRS rate schedules that will allow for the adjustment of its rates and charges to provide for the recovery of costs for eligible infrastructure system replacements; provided that an ISRS, on an annualized basis, must produce ISRS revenues of at least one (1) million dollars but not in excess of ten percent (10%) of the subject utility's base revenue level approved by the commission in the utility's most recent general rate proceeding.
- (3) An ISRS, and any future changes thereto, shall be calculated and implemented in accordance with the provisions of this rule and sections393.1000 to 393.1006, RSMo.
- (4) ISRS revenues shall be subject to refund based upon a finding and order of the commission, to the extent provided in subsections 5 and 8 of section 393.1006, RSMo.

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- (5) The commission shall not approve an ISRS for an eligible water utility that has not had a general rate proceeding decided or dismissed by issuance of a commission order within the past three (3) years, unless that utility has filed for or is the subject of a new general rate proceeding.
- (6) In no event shall an eligible water utility collect an ISRS for a period exceeding three (3) years unless it has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.
- (7) Upon the filing of a petition seeking to establish or change an ISRS, the commission will publish notice of the filing.
- (8) The eligible water utility shall provide the following notices to its customers, with such notices to be approved by the commission in accordance with section (9) of this rule before they are sent to the customers:
 - (A) An initial, one (1)-time notice to all potentially affected customers, with such notice to be sent to customers no later than when customers will receive their first bill that includes an ISRS, explaining the subject utility's infrastructure system replacement program, explaining how its ISRS will be applied to its various customer classes and identifying the statutory authority under which it is implementing its ISRS;
 - (B) An annual notice to affected customers each year that an ISRS is in effect explaining the continuation of its infrastructure system replacement program and the resulting ISRS; and
 - (C) A surcharge description on all affected customer bills, which informs the customers of the existence and amount of the ISRS on the bills.
- (9) Within twenty (20) days of the eligible water utility's filing of a petition to establish an ISRS, the subject utility shall submit the following items to the commission for approval or rejection, and the office of the public counsel may, within ten (10) days of the water utility's filing, submit comments regarding these items to the commission:
 - (A) An example of the notice required by subsection (8)(A) of this rule;
 - (B) An example of the notice required by subsection (8)(B) of this rule; and
 - (C) An example customer bill showing how the ISRS will be described on affected customers' bills in accordance with subsection (8)(C) of this rule.
- (10) When an eligible water utility files a petition pursuant to the provisions of this rule and $\frac{\text{sections } 393.1000}{\text{sections } 1000}$ to $\frac{393.1006}{\text{sections } 1000}$, the commission shall conduct an examination of the proposed ISRS.

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- (11) The staff of the commission may examine the information the eligible water utility provides pursuant to the provisions of this rule and sections 393.1000 to 393.1006, RSMo, to confirm the underlying costs related to and the proper calculation of the proposed ISRS, and may submit a report regarding its examination to the commission not later than sixty (60) days after the eligible water utility files its petition. The staff shall not examine any other revenue requirement or ratemaking issues in its consideration of the petition or associated proposed rate schedules.
- (12) The commission may hold a hearing on the petition and the associated proposed rate schedules, and shall issue an order to become effective not later than one hundred twenty (120) days after the eligible water utility files the petition.
- (13) If the commission finds that a petition complies with the requirements of sections 393.1000 to 393.1006, RSMo, the commission shall enter an order authorizing the eligible water utility to impose an ISRS that is sufficient to recover appropriate pretax revenues, as determined by the commission.
- (14) Commission approval of a petition, and any associated rate schedules, to establish or change an ISRS pursuant to sections 393.1000 to 393.1006, RSMO, shall in no way be binding upon the commission in determining the ratemaking treatment to be applied to eligible infrastructure system replacements during a subsequent general rate proceeding when the commission may undertake to review the prudence of such costs. In the event the commission disallows recovery of costs associated with eligible infrastructure system replacements previously collected through an ISRS, as a part of its order in a subsequent general rate proceeding, the water utility shall offset its ISRS in the future as needed to recognize and account for any such disallowances. Nothing in this rule or section 393.1006, RSMO, shall be construed as limiting the authority of the commission to review and consider infrastructure system replacement costs along with other costs during any general rate proceeding of an eligible water utility.
- (15) An eligible water utility may effectuate a change in an ISRS no more often than two (2) times during every twelve (12)-month period, with the first such period beginning on the effective date of the rate schedules that establish an initial ISRS. For the purposes of this section, an initial ISRS is the first ISRS granted to the subject utility or an ISRS established after an ISRS is reset to zero pursuant to the provisions of section (17) of this rule.
- (16) At the end of each twelve (12)-month period that an ISRS is in effect, the eligible water utility shall reconcile the differences between the revenues resulting from the ISRS and the appropriate pretax revenues as found by the commission for that period, and shall submit the reconciliation and proposed ISRS rate schedule revisions to the commission for approval to recover or refund the difference, as appropriate.
- (17) An eligible water utility that has implemented an ISRS shall file revised ISRS rate schedules to reset the ISRS to zero when new base rates and charges become effective following a commission order establishing customer rates in a general rate proceeding that incorporates eligible costs previously reflected in an ISRS into the subject utility's base rates. If an over or under recovery of ISRS

revenues, including any commission ordered refunds, exists after the ISRS has been reset to zero, the amount of over or under recovery shall be tracked in an account and considered in the water utility's next ISRS filing that it submits pursuant to the provisions of section (2) of this rule.

- (18) Upon the inclusion of eligible costs previously reflected in an ISRS in an eligible water utility's base rates, the subject utility shall immediately thereafter reconcile any previously unreconciled ISRS revenues as necessary to ensure that revenues resulting from the ISRS match, as closely as possible, the appropriate pretax revenues as found by the commission for that period, and shall track such revenues pursuant to the provisions of section (17) of this rule.
- (19) At the time that an eligible water utility files a petition with the commission seeking to establish, change or reconcile an ISRS, it shall submit proposed ISRS rate schedules and its supporting documentation regarding the calculation of the proposed ISRS with the petition, and shall serve the office of the public counsel with a copy of its petition, its proposed rate schedules and its supporting documentation. The subject utility's supporting documentation shall include workpapers showing the calculation of the proposed ISRS, and shall include, at a minimum, the following information:
 - (A) The state, federal, and local income or excise tax rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those tax rates;
 - (B) The regulatory capital structure used in calculating the proposed ISRS, and an explanation of the source of and the basis for using that capital structure;
 - (C) The cost rates for debt and preferred stock used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those cost rates;
 - (D) The cost of common equity used in calculating the proposed ISRS, and an explanation of the source of and the basis for using that equity cost;
 - (E) The property tax rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those tax rates;
 - (F) The depreciation rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those depreciation rates;
 - (G) The costs that are eligible for recovery during the period in which the ISRS will be in effect, including the net original cost of the infrastructure system replacements and the amount of ISRS costs related to the eligible replacements; and a breakdown of the eligible replacements identified by work order or cost center for each of the following project categories:
 - 1. Mains, and associated valves and hydrants, installed as replacements for existing facilities that have worn out or are in deteriorated condition;

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- 2. Main cleaning and relining projects;
- 3. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States;
- 4. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of this state;
- 5. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of a political subdivision of this state; and
- 6. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of an entity other than the United States, this state or a political subdivision of this state, having the power of eminent domain;
- (H) The applicable customer class billing determinants used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those billing determinants;
- (I) An explanation of how the customers to whom the proposed ISRS will apply are benefiting from the water utility plant projects that will be recovered through the ISRS;
- (J) An explanation of how the proposed ISRS is being prorated between affected customer classes, if applicable;
- (K) An explanation of how the proposed ISRS is being applied in a manner consistent with the customer class cost-of-service study recognized by the commission in the subject utility's most recent general rate proceeding, if applicable;
- (L) An explanation of how the proposed ISRS is being applied consistent with the rate design methodology utilized to develop the subject utility's rates resulting from its most recent general rate proceeding;
- (M) An explanation of how the infrastructure replacement projects associated with the ISRS do not increase revenues by directly connecting the infrastructure replacement to new customers; and
- (N) An explanation of when the infrastructure replacement projects associated with the ISRS were completed and became used and useful.
- (20) In addition to the information required by section (19) of this rule, the eligible water utility shall also submit the following information, either when it submits the information required by section (19) of this rule or when it files its next general rate case:

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- (A) An explanation of the efforts to quantify and seek reimbursement for any costs associated with facility relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain, which could offset the requested ISRS revenues;
- (B) If any of the projects associated with the ISRS were funded through financing arrangements directed specifically to the projects, an explanation of how the projects were funded, including the amount of debt and the interest rate on that debt;
- (C) An explanation of how long any facilities that were replaced by eligible infrastructure system replacements had been in service when they were replaced or abandoned; and
- (D) An explanation of the request for proposal (RFP) process used, or the reasons that a RFP process was not used, to select the entity that performed the infrastructure replacement projects associated with the ISRS.
- (21) In addition to the information required by section (19) of this rule, the eligible water utility shall also provide the following information when it files a petition with the commission seeking to establish, change or reconcile an ISRS:
 - (A) A description of all information posted on the subject utility's website regarding the infrastructure system replacement surcharge and related infrastructure system replacement projects; and
 - (B) A description of all instructions provided to personnel at the subject utility's call center regarding how those personnel should respond to calls pertaining to the ISRS.

AUTHORITY: sections 386.250 and 393.140, RSMo 2000 and 393.1006.10, RSMo Supp. 2003. [FNa1] Original rule filed Sept. 19, 2003, effective May 30, 2004.

[FNal]. Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996; 393.140, RSMo 1939, amended 1949, 1967; and 393.1006, RSMo 2003.

4 Mo. Code of State Regulations 240-3.650, 4 MO ADC 240-3.650

4 MO ADC 240-3.650 END OF DOCUMENT

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Title 8. Utilities and Transportation

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→ 8-1-31-1 Applicability of definitions

Sec. 1. The definitions in IC 8-1-2-1 apply throughout this chapter.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

LIBRARY REFERENCES

2001 Main Volume

Public Utilities 27, 129.

WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

I.C. 8-1-31-1, IN ST 8-1-31-1

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→8-1-31-2 "DSIC" defined

Sec. 2. As used in this chapter, "DSIC" refers to distribution system improvement charge.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 227, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-3 "DSIC" costs defined

Sec. 3. As used in this chapter, "DSIC costs" means depreciation expenses and pretax return associated with eligible distribution system improvements.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 227, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→8-1-31-4 "DSIC revenue" defined

Sec. 4. As used in this chapter, "DSIC revenues" means revenues produced through a DSIC exclusive of revenues from all other rates and charges.

CREDIT(S)

As added by <u>P.L.94-2000</u>, <u>SEC.1</u>.

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2001 Main Volume

Public Utilities 127, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-5 "Eligible distribution system improvements" defined

Sec. 5. As used in this chapter, "eligible distribution system improvements" means new used and useful water utility plant projects that:

- (1) do not increase revenues by connecting the distribution system to new customers;
- (2) are in service; and
- (3) were not included in the public utility's rate base in its most recent general rate case.

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Public Utilities 27, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-6 "Pretax return" defined

Sec. 6. As used in this chapter, "pretax return" means the revenues necessary to:

- (1) produce net operating income equal to the public utility's weighted cost of capital multiplied by the net original cost of eligible distribution system improvements; and
- (2) pay state and federal income taxes applicable to such income.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 29.
WESTLAW Topic No. 317A.
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→8-1-31-7 "Public utility" defined

Sec. 7. As used in this chapter, "public utility" means a:

- (1) public utility (as defined in IC 8-1-2-1(a)); or
- (2) municipally owned utility (as defined in IC 8-1-2-1(h)).

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 227, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-8 Utility filing of rate schedules

- Sec. 8. (a) Except as provided in subsection (d), a public utility providing water service may file with the commission rate schedules establishing a DSIC that will allow the automatic adjustment of the public utility's basic rates and charges to provide for recovery of DSIC costs.
- (b) The public utility shall serve the office of the utility consumer counselor a copy of its filing at the time of its filing with the commission.
- (c) Publication of notice of the filing is not required.
- (d) A public utility may not file a petition under this section in the same calendar year in which the public utility has filed a request for a general increase in the basic rates and charges of the public utility.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Waters and Water Courses 203(11). WESTLAW Topic No. 405. C.J.S. Waters § 287.

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→ 8-1-31-9 Hearing and order

Sec. 9. (a) When a petition is filed under section 8 of this chapter, the commission shall conduct a hearing.

- (b) The office of the utility consumer counselor may examine information of the public utility to confirm that the system improvements are in accordance with section 5 of this chapter, to confirm proper calculation of the proposed charge, and submit a report to the commission not later than thirty (30) days after the petition is filed.
- (c) The commission shall hold the hearing and issue its order not later than sixty (60) days after the petition is filed.
- (d) If the commission finds that a DSIC petition complies with the requirements of this chapter, the commission shall enter an order approving the petition.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Water and Water Courses € 203(11). WESTLAW Topic No. 405. C.J.S. Waters § 287.

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→ 8-1-31-10 Petition for change in DSIC

Sec. 10. (a) Except as provided in subsection (b), a public utility may, but is not required to, file a petition for a change in its DSIC not more often than one (1) time every twelve (12) months.

(b) Except as provided in <u>section 15</u> of this chapter, a public utility may not file a petition for a change in its DSIC in the same calendar year in which the public utility has filed a request for a general increase in the basic rates and charges of the public utility.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 27, 129.
WESTLAW Topic No. 317A.
C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→8-1-31-11 Pretax return factors

Sec. 11. In determining an appropriate pretax return, the commission may consider the following factors:

- (1) The current state and federal income tax rates.
- (2) The public utility's actual regulatory capital structure.
- (3) The actual cost rates for the public utility's long term debt and preferred stock.
- (4) The public utility's cost of common equity.
- (5) Other components that the commission considers appropriate.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 129.
WESTLAW Topic No. 317A.
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→8-1-31-12 Cost of common equity

Sec. 12. The cost of common equity to be used in the calculation of the charge shall be the most recent determination by the commission in a general rate proceeding of the public utility. If the commission finds that the last such determination is no longer representative of current conditions, the commission may make a new determination of the common equity cost rate for use in determining the charge, after notice and hearing. The most recent prior determination shall be used pending any redetermination.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 27, 129.
WESTLAW Topic No. 317A.
C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-13 DSIC approval not permitted with certain revenues

Sec. 13. The commission may not approve a DSIC to the extent it would produce total DSIC revenues exceeding five percent (5%) of the public utility's base revenue level approved by the commission in the public utility's most recent general rate proceeding.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 27, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→ 8-1-31-14 DSIC calculation

Sec. 14. The DSIC may be calculated based on a reasonable estimate of sales in the period in which the charge will be in effect. At the end of each twelve (12) month period the charge is in effect, and using procedures approved by the commission, the public utility shall reconcile the difference between DSIC revenues and DSIC costs during that period and recover or refund the difference, as appropriate, through adjustment of the charge.

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As added by P.L.94-2000, SEC.1.

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→ 8-1-31-15 Utility filing revised rate schedules

Sec. 15. A public utility that has implemented a DSIC under this chapter shall file revised rate schedules resetting the charge if new basic rates and charges become effective for the public utility following a commission order authorizing a general increase in rates and charges that includes in the utility's rate base eligible distribution system improvements reflected in the DSIC.

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As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 27, 129. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 28, 35, 37 to 41, 57.

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→8-1-31-16 DSIC filing not general increase in basic rates and charges

Sec. 16. For purposes of IC 8-1-2-42(a), the filing of a DSIC and a change in a DSIC is not a general increase in basic rates and charges.

CREDIT(S)

As added by P.L.94-2000, SEC.1.

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2001 Main Volume

Public Utilities 27, 129.
WESTLAW Topic No. 317A.
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→8-1-31-17 Adoption of other procedures

Sec. 17. The commission may adopt by rule under IC 4-22-2 or by order other procedures not inconsistent with this chapter that the commission finds reasonable or necessary to administer a DSIC.

CREDIT(S)

As added by <u>P.L.94-2000</u>, <u>SEC.1</u>.

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2001 Main Volume

Public Utilities € 149. WESTLAW Topic No. 317A. C.J.S. Public Utilities §§ 68, 78.

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Ill. Admin. Code tit. 83, Ch. I, Subch. E, Pt. 656, Refs & Annos

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 656. Qualifying Infrastructure Plant Surcharge

AUTHORITY: Implementing Section 9-220.2 and authorized by Section 10-101 of the Public Utilities Act [220 ILCS 5/9-220.2 and 10-101].

SOURCE: Adopted at 25 Ill. Reg. 16258, effective December 19, 2001.

83 Ill. Adm. Code Ch. I, Subch. E, Pt. 656, Refs & Annos, 83 IL ADC Ch. I, Subch. E, Pt. 656, Refs & Annos

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Ill. Admin. Code tit. 83, § 656.10

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.10 Applicability

- a) The qualifying infrastructure plant surcharge (QIP surcharge) shall be applied to water/sewer bills of customers of water/sewer utilities in the rate zone where qualifying infrastructure plant (QIP) is installed by utilities having an effective QIP surcharge rider and information sheet in effect and on file with the Illinois Commerce Commission (Commission).
- b) The purpose of the QIP surcharge is to recover a return on, and depreciation expense related to, the utility's investment in QIP as described in Section 656.40 of this Part. The QIP surcharge rider is authorized by Section 9-220.2 of the Public Utilities Act [220 ILCS 5/9-220.2].
 - c) Each QIP surcharge percentage shall be determined in accordance with Section 656.60 of this Part.

83 ILAC § 656.10, 83 IL ADC 656.10

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Ill. Admin. Code tit. 83, § 656.20

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.20 Definitions

"Act" means the Public Utilities Act [220 ILCS 5].

"Information sheet" means a tariff sheet filed in accordance with this Part to initiate or modify a QIP surcharge percentage.

"Operation year" means the calendar year (or portion thereof) during which a QIP surcharge percentage is applied to customer bills.

"QIP base rate revenues" mean revenues recorded in the certain accounts and their sub-accounts described in 83 Ill. Adm. Code 605, the Uniform System of Accounts for Water Utilities, and 83 Ill. Adm. Code 650, the Uniform System of Accounts for Sewer Utilities. For water utilities, QIP base rate revenues shall include revenues recorded in accounts 460, 461, 462, 464, 465, 466, and 469 as described in 83 Ill. Adm. Code 605. For sewer utilities, QIP base rate revenues shall include revenues recorded in accounts 521, 522, 523, 524, and 530 as described in 83 Ill. Adm. Code 650. QIP base rate revenues, however, shall not include revenues resulting from the QIP surcharge or any revenues attributable to Purchased Water and Sewage Treatment Surcharges developed pursuant to 83 Ill. Adm. Code 655.

"QIP surcharge percentage" is the percentage determined in accordance with Section 656.60 of this Part for filing in an information sheet.

"QIP-related costs" or "QIP costs" mean costs that are recoverable through the QIP surcharge percentage as determined in accordance with Sections 656.50 and 656.60 of this Part.

"Qualifying infrastructure plant surcharge" or "QIP surcharge" means the amount added to a customer bill when the QIP surcharge percentage is applied in accordance with Section 656.60(a) of this Part.

"Qualifying infrastructure plant" means certain non-revenue producing eligible plant that is not reflected in the rate base used to establish the utility's base rates and is consistent with the terms of Section 656.40 of this Part. Non-revenue producing plant is plant that is not constructed or installed for the purpose of serving a new customer.

Ill. Admin. Code tit. 83, § 656.20

"Rate zone" means the entire service area to which a particular base rate applies, but does not include areas that have different base rates even though such areas may be served by the utility.

"Reconciliation year" means the calendar year period for which actual QIP costs and revenues associated with the QIP surcharge are to be reconciled.

"Test year" means the test year period used by the utility in its last rate case as defined in 83 Ill. Adm. Code 285.150.

83 ILAC § 656.20, 83 IL ADC 656.20

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Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.30 General Requirements

- a) The QIP surcharge shall be capped at 5% of the QIP base rate revenues billed to customers. The QIP surcharge shall not be applied to any add-on taxes, to any revenues attributable to the Purchased Water and Sewage Treatment Surcharges developed pursuant to 83 Ill. Adm. Code 655, or to any other revenues not recorded in a QIP base rate revenues account as described in Section 656.20 of this Part.
- b) On the effective date of new base rates that provide for the recovery of the costs that had previously been recovered under the QIP surcharge rider, the QIP surcharge percentage for the applicable rate zone shall be reset to zero.
 - c) The utility shall provide notice of the QIP surcharge rider and subsequent filings and billing as follows:
 - 1) The utility shall maintain and keep open for public inspection a copy of each filing of a QIP surcharge rider and subsequent information sheets and shall post public notice in each office of the utility in accordance with 83 Ill. Adm. Code 255.20(a).
 - 2) For the initial filing of a QIP surcharge rider, each utility, regardless of size, shall provide notice by newspaper publication in accordance with 83 Ill. Adm. Code 255.20(f)(1) and by mailing a notice of the filing to each of its customers.
 - 3) In connection with the initial billing of each change in a QIP surcharge percentage as specified in an information sheet (other than a change to a zero percentage), including information sheets resulting from the annual reconciliation and Commission-ordered adjustments, the utility shall provide an explanation of the QIP surcharge to be stated on, or included with, the initial billing of the new QIP surcharge percentage.
 - 4) Except as noted above, no other notice of the filing or billing of the QIP surcharge rider or an information sheet shall be required except as may be provided by law or by Order of the Commission.
 - d) The QIP surcharge shall be presented as a separate line item on customer bills.

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e) The revenues resulting from each QIP surcharge rider shall be recorded in a separate revenue subaccount for each rate zone.

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→ → 656.40 Qualifying Infrastructure Plant

- a) To be classified as QIP, the plant additions must meet the following criteria:
- 1) The plant additions must be replacements of existing plant items from the accounts listed in subsections (b) and (c);
- 2) Such replacements must be non-revenue producing;
- 3) Such replacements are installed to replace facilities that are worn out or deteriorated or to replace facilities that are obsolete and at the end of their useful service lives due to a change in law or a change in the regulations of a governmental agency;
- 4) Such replacements are installed after the conclusion of the test year in the utility's latest rate case; and
- 5) Such replacements were not included in the calculation of the rate base in the utility's last rate case.
- b) For water utilities, the plant additions shall include items from the following accounts, pursuant to 83 Ill. Adm. Code 605:
 - 1) Account 331, Transmission and Distribution Mains;
 - 2) Account 333, Services;
 - 3) Account 334, Meters and Meter Installations; and
 - 4) Account 335, Hydrants.
 - c) For sewer utilities, the plant additions shall include items from the following accounts, pursuant to 83 Ill.

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Adm. Code 650:

- 1) Account 360, Collecting Sewers Force;
- 2) Account 361, Collecting Sewers Gravity (including costs associated with manholes); and
- 3) Account 363, Services to Customers.
- d) In addition to replacements, the following items may be classified as QIP: main extensions recorded in Account 331 for water utilities that are constructed to eliminate dead ends and the unreimbursed costs recorded in the appropriate accounts listed in subsections (b) and (c) that are associated with relocations of mains, services, hydrants, and sewers occasioned by street or highway construction.
- e) QIP shall include only plant additions installed on or after January 1 of the year in which the utility files its initial QIP surcharge rider in accordance with Sections 656.70 and 656.90 of this Part.

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Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.50 Recoverable Qualifying Infrastructure Plant Costs

- a) QIP costs shall include the pre-tax return on QIP and the net depreciation expense applicable to QIP.
- 1) The pre-tax return is calculated using the weighted cost of debt and weighted cost of equity determined in the utility's last rate case. The weighted cost of equity is multiplied by the gross revenue conversion factor (GRCF). The product is then added to the weighted cost of debt to obtain the pre-tax return. The pre-tax return is calculated using the following formulas:

$$GRCF = \underline{1}$$

$$(1 - PPTRIT) (1 - SIT) (1 - FIT)$$

$$PTR = ((WCCE + WCPE) \times GRCF) + WCLTD + WCSTD$$

Where:

GRCF = Gross Revenue Conversion
Factor.

PPTRIT = Illinois Personal Property
Tax Replacement Income
Tax rate in effect at the time
of the initial, annual, or

quarterly filing.

SIT = Illinois State income tax rate in effect at the time of the initial, annual, or quarterly

Federal income tax rate in effect at the time of the initial,

filing.

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		annual, or quarterly filing.
PTR	=	Pre-tax return.
WCCE	=	Weighted cost of common equity from the utility's last rate case.
WCPE	=	Weighted cost of preferred equity from the utility's last rate case.
WCLTD	- -	Weighted cost of long-term debt from the utility's last rate case.
WCSTD	=	Weighted cost of short-term debt from the utility's last rate case.

²⁾ Net depreciation expense shall be calculated by applying the utility's approved depreciation rate to each category of QIP. The depreciation expense for QIP shall be reduced by the depreciation expense on the plant being replaced.

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Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

- → → 656.60 Determination of the Qualifying Infrastructure Plant Surcharge Percentage
- a) The QIP surcharge percentage shall be expressed as a percentage carried to two decimal places. The QIP surcharge percentage shall be applied to the total amount billed to each customer located in the same rate zone based on the utility's otherwise applicable rates and charges. The QIP surcharge percentage shall not be applied to the exclusions listed in Section 656.30(a) of this Part.
- b) In calculating the QIP surcharge percentage, the utility may choose either annual prospective operation or quarterly historical operation based on QIP investment data for a prior three-month period. Annual prospective operation may be selected only if the utility's immediately preceding rate case utilized a future test year as defined in 83 III. Adm. Code 285 and the utility submits the information required by Section 656.70(d)(6) of this Part.
 - 1) Annual Prospective Operation

Utilities choosing annual prospective operation shall determine the QIP surcharge percentage for the operation year using the following formula:

 $S\% = (\text{NetQIP x PTR}) + \text{Net Dep} + (\text{R x 1.33}) + ((O + \text{INT}) \times \text{Om}) \times 100\%$

PAR

Where:

S%

NetQIP

=

QIP surcharge percentage.

The average forecasted cost of the investment in QIP for the rate zone for the operation year less forecasted accumulated depreciation in QIP for the rate zone for the operation year. The average forecasted cost of QIP, net of depreciation, shall be computed by using an average of 13 end-of-month balances of QIP and accumulated de-

preciation for the period from Decem-

		ber 31 of the year preceding the operation year through December 31 of the operation year.
PTR	=	Pre-tax return as described in Section 656.50(a)(1) of this Part.
NetDep	=	Net depreciation expense related to the average investment in QIP for the rate zone for the operation year. De- preciation expense shall be calculated
		by multiplying the average forecasted cost of the investment in QIP by plant account, net of retirements, by the ap- proved depreciation rates for the re- spective accounts in which the specif- ic items included in the average QIP
		investment are recorded. The average forecasted cost of the investment in QIP by plant account, net of retirements, shall be computed by using an average of 13 end-of-month balances of QIP by plant account and retirements for the period from December
		31 of the year preceding the operation year through December 31 of the operation year.
R	=	Utility-determined reconciliation component (R component) calculated for the reconciliation year under the
		reconciliation feature as described in Section 656.80(d) of this Part. The re- conciliation component shall be col- lected over nine months from April
0	=	through December. The Commission-ordered adjustment
INT	=	component (O component). The calculated interest attributable to
INI		the O component. This interest shall be calculated as described in Section 656.80(i) of this Part.
Om	=	The Commission-ordered O component multiplier. Om is a timing factor applied to the O component and the INT to allow for the collection of the
		•

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O component and the INT over the remainder of the operation year. For example, if the O component and the INT were included in the QIP surcharge percentage on January 1, the Om would be 1.00. Similarly, if the O component and the INT were included in the QIP surcharge percentage on April 1, the Om would be 1.33.

The projection of total water or sewer QIP base rate revenues, as applicable, for the rate zone for the period from January 1 through December 31. The projected revenue shall not include the exclusions listed in Section 656.30(a) of this Part.

2) Quarterly Historical Operation

Utilities choosing quarterly historical operation shall determine the QIP surcharge percentage for the quarter using the following formula:

$S\% = (NetQIP \times PTR \times .25) + NetQDep + (R \times .33) + ((O + INT) \times Om) \times 100\%$

		PQR	
Where:			
S%	e de la companya de la companya de la companya de la companya de la companya de la companya de la companya de	=	QIP surcharge percentage.
NetQIP		= .	Original cost of QIP less accumulated depreciation for the rate zone. NetQIP shall be the level of investment in QIP existing at the end of the calendar month preceding the month in which an information sheet is filed.
PTR		=	Pre-tax return as described in Section 656.50(a)(1) of this Part.
NetQDep		=	Net quarterly depreciation expense applicable to NetQIP less the quarterly depreciation applicable to plant being retired.
R		=	Utility-determined reconciliation component calculated for the reconciliation

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0 =

INT =

Om =

PQR =

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feature as described in Section 656.80(d) of this Part. The reconciliation component shall be collected over nine months from April through December. No reconciliation component amount shall be included for the January through March quarter.

Commission-ordered adjustment component.

The calculated interest attributable to the O component. This interest shall be calculated as described in Section 656.80(i) of this Part.

The Commission-ordered O component multiplier. Om is a timing factor applied to the O component and the INT to allow for the collection of the O component and the INT over the remainder of the operation year. For example, if the O component and the INT were included in the QIP surcharge percentage on January 1, the Om would be 0.25. Similarly, if the O component and the INT were included in the QIP surcharge percentage on April 1, the Om would be 0.33.

Projected quarterly water or sewer QIP base rate revenues as applicable for the rate zone during the calendar quarter when the QIP surcharge percentage shall be in effect. The projected quarterly revenue shall not include the exclusions listed in Section 656.30(a) of this Part.

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→ → 656.70 Rider and Information Sheet Filings

- a) A utility shall file a proposed QIP surcharge rider consistent with this Part pursuant to Section 9-201 of the Act. After a QIP surcharge rider is in effect, the QIP surcharge percentage shall be filed on an information sheet with supporting data no later than the 20th day of the month preceding the effective date of the QIP surcharge percentage. An information sheet with supporting data filed after that date, but prior to the effective date, shall be accepted only if it corrects an error or errors from a timely filed information sheet for the same effective date. Any other information sheet with supporting data shall be accepted only if submitted as a special permission request to become effective on less than 45 days notice under the provisions of Section 9-201(a) of the Act.
- b) For utilities electing annual prospective operation, a utility may file its initial information sheet with a QIP surcharge percentage for the initial operation year with an effective date of the first day of any month. The effective date of any subsequent information sheet with a QIP surcharge percentage is January 1 (and April 1 if the R component is modified). A utility may, at its option, file an information sheet modifying the surcharge percentage, with an effective date of the first day of any month during the operation year, when necessary to recognize a material change in assumptions used in developing the QIP surcharge percentage (including, but not limited to, a change in depreciation rates). The utility shall also file an information sheet to implement a Commission-ordered O component.
- c) For utilities electing quarterly historical operation, a new surcharge percentage may become effective on April 1, July 1, October 1, and January 1 (with a new R component becoming effective, if required, on April 1). A utility may elect not to file an information sheet showing an increased QIP surcharge percentage for any quarter provided that the QIP costs that would have been reflected for that quarter in excess of the level reflected in developing the QIP surcharge percentage in effect for the quarter are disregarded in calculating the R component and O component for the affected reconciliation year.
- d) A utility electing annual prospective operation shall provide the following with the filing of each information sheet to become effective on January 1:
 - 1) A calculation of the QIP surcharge percentage, PTR, and GRCF for each rate zone for which a QIP surcharge rider is in effect;

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- 2) A schedule showing, for each rate zone for which a QIP surcharge rider is in effect, the amount of forecasted expenditures for QIP during the operation year by plant account;
- 3) A description, for each rate zone for which a QIP surcharge rider is in effect, of the projects included in each plant account by type of project;
- 4) A detailed description, for each rate zone for which a QIP surcharge rider is in effect, of individual QIP projects with a forecasted cost in excess of \$100,000;
- 5) A detailed schedule showing the calculation of depreciation expense for each rate zone for which a QIP surcharge rider is in effect; and
- 6) A statement verified by an officer of the utility that, in the belief of management:
 - A) The forecast used in developing the QIP surcharge percentage was prepared in accordance with the Guidelines for Presentation of Projected Financial Information (April 1, 1999) established by the American Institute of Certified Public Accountants, Inc., 1211 Avenue of the Americas, New York NY 10036-8775; and
 - B) The accounting treatment applied to events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they occur.
- e) A utility electing quarterly historical operation shall submit with each information sheet:
- 1) A calculation of the QIP surcharge percentage, PTR, and GRCF for each rate zone for which a QIP surcharge rider is in effect;
- 2) A detailed schedule, for each rate zone for which a QIP surcharge rider is in effect, providing the following information for each completed QIP eligible project whose cost has been transferred to utility plant with the closing of the QIP eligible project's work order:
 - A) Plant account number and title;
 - B) Category of project;
 - C) Project name;
 - D) Description of project;

- E) Work order number;
- F) Dollar amount in the month of closing; and
- G) Month and year of closing; and
- 3) A detailed schedule showing the calculation of depreciation expense for each rate zone for which a QIP surcharge rider is in effect.

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Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.80 Annual Reconciliation

- a) On or before March 15 of each year, a utility that had a QIP surcharge in effect for all or part of the immediately preceding calendar year shall submit to the Commission an annual reconciliation regarding the results for the previous reconciliation year. The annual reconciliation shall be verified by an officer of the utility. As required by this Section, the annual reconciliation shall include a calculation of the R component necessary to adjust revenue collected under the QIP surcharge rider in effect for the rate zone during the reconciliation year to an amount equivalent to the actual level of prudently-incurred QIP cost for the reconciliation year. In the event that the earnings report filed under this Section for the rate zone shows that the utility's actual rate of return has exceeded the level authorized in the utility's last water or sewer general rate proceeding, as applicable, then the R component shall include the credit required by subsections (c) and (d). Any adjustment made through the R component shall be in effect for nine months commencing on the April 1 immediately following submittal of the annual reconciliation.
- b) With the annual reconciliation, the utility shall file a petition seeking initiation of the annual reconciliation hearings required by Section 9-220.2 of the Act. After the hearing, the Commission shall determine the amount of the adjustment, if any, that should be made (through the O component) to the level of revenue collected by operation of the QIP surcharge rider during the reconciliation year, so that the amount of such revenue is equal to the actual level of prudently-incurred QIP cost for the reconciliation year (to the extent that such adjustment has not already been reflected through an adjustment made by the utility to the R component of the QIP surcharge percentage).
- c) In the annual reconciliation, the utility shall include, for each rate zone in which a QIP surcharge has been in effect, data showing operating income and rate base for the reconciliation year, such data being developed in accordance with subsection (f)(4). If, for any such rate zone, the actual rate of return on rate base for the reconciliation year exceeds the overall rate of return allowed in the utility's last water or sewer general rate proceeding, revenues collected under the QIP surcharge rider shall be reflected as a credit through the R component of the QIP surcharge to the extent that such revenues contributed to the realization of a rate of return above the last approved level. A credit value for the R component will result in a reduction of the QIP surcharge percentage. To the extent, if any, that a required adjustment for a reconciliation year has not been already made by the utility (through the R component), the Commission shall require (through the O component) that such an adjustment be made after the annual reconciliation hearing.
 - d) Utilities shall calculate the R component using the following formula:

 $R = (ActNetQIP \times PTR) + ActNetDep - QIPRev + Rpy + Opy - EEA$

Where:

R =

ActNetOIP =

Utility-determined reconciliation component.

The average actual cost of the investment in QIP for the rate zone for the reconciliation year less actual accumulated depreciation of QIP for the rate zone for the reconciliation year. The average actual cost of QIP, net of depreciation, shall be computed by using an average of 13 end-of-month balances of QIP and accumulated depreciation for the period from December 31 of the year preceding the reconciliation year through December 31 of the reconciliation year. (For utilities electing quarterly historical operation, the amount of the ActNetQIP shall be limited by the provisions of Section 656.70(c) of this Part.)

Pre-tax return as described in Section 656.50(a)(1) of this Part.

Actual net depreciation expense related to the average investment in QIP for the rate zone for the reconciliation year. Depreciation expense shall be calculated by multiplying the actual investment in QIP by plant account, net of retirements, by the approved depreciation rates for the respective accounts in which the specific items included in the average QIP investment are recorded.

PTR

ActNetDep

(For utilities electing quarterly historical operation, the amount of the ActNetDep shall be limited by the provisions of Section 656.70(c) of this Part.)

QIPRev =

Actual QIP revenues collected during the reconciliation year through the QIP surcharge.

Rpy

The R component from the previous reconciliation year.

Opy =

The sum of the O component and the calculated interest attributable to the O component, or the sum of any O components and the calculated interest attributable to the O components, included in the calculation of the QIP surcharge percentage during the reconciliation year.

EEA =

Excess earnings amount calculated in accordance with subsections (a), (c), and (f)(4) of this Section. There will only be an EEA when the utility's actual rate of return for the reconciliation year exceeds the overall rate of return authorized by the Commission in the utility's last water or sewer rate proceeding.

e) Any adjustment made by Order of the Commission under subsection (b) or (c) shall be included in the O component and be in effect for either 12 months or nine months, beginning on the next January 1 (if 12 months) or April 1 (if nine months) following the Order of the Commission, or such other period as the Commission may direct in the Order requiring that an adjustment be made.

- f) Each annual reconciliation shall include the following schedules:
- 1) A schedule showing, for each rate zone for which a QIP surcharge rider was in effect, the QIP costs for the reconciliation year;
- 2) A schedule showing, for each rate zone for which a QIP surcharge rider was in effect, the revenues arising through the application of the QIP surcharge during the reconciliation year;
- 3) A schedule showing, for each rate zone for which a QIP surcharge rider was in effect, the reconciliation component determined by the utility showing the amount to be recovered or refunded over a nine-month period commencing on April 1; and
- 4) Schedules showing the utility's calculation of actual operating income and 13-month average rate base for the reconciliation year by rate zone. This calculation of actual operating income and 13-month average rate base shall be adjusted for any applicable adjustments accepted by the Commission in the utility's last rate case. In calculating the amount of federal and State income tax expense reflected in operating income, the utility shall reflect as deductible interest expense for tax purposes the product that results when the weighted embedded cost-of-debt reflected in the overall rate of return calculation used in the utility's last rate proceeding is multiplied by the rate base for the applicable rate zone as shown in the annual reconciliation. In the event that the actual rate of return for any rate zone exceeds the rate of return allowed in the utility's last water or sewer general rate proceeding, a schedule showing the extent to which revenues provided by operation of the QIP surcharge contributed to the difference between the actual and last-authorized rate of return also shall be provided. The amount of the revenues provided by the QIP surcharge that contributed to the actual rate of return exceeding the overall rate of return authorized by the Commission in the utility's last water or sewer rate proceeding shall be included as a credit in the calculation of the R component.
- g) The first reconciliation year shall begin on the effective date of the first QIP surcharge information sheet and end on December 31 of the calendar year in which the first information sheet became effective. Each subsequent reconciliation year shall end on December 31.
- h) When the utility files its annual reconciliation, the utility shall provide copies of the following items to the Commission's Manager of the Water Department and to the Commission's Manager of the Accounting Department:
 - 1) Copies of all workpapers pertaining to the reconciliation;
 - 2) A detailed summary of all invoices supporting the costs for eligible QIP surcharge projects;
 - 3) Copies of the applicable general ledger or comparable material supporting the recovery of the QIP surcharge;
- 4) A detailed worksheet showing the calculation of any utility-determined reconciliation component (R component)

amount based upon the annual reconciliation; and

- 5) Information regarding the prudence of the utility's investment in QIP.
- i) Amounts either collected or refunded through the O component shall accrue interest at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation year until the O component is refunded or charged to ratepayers through the QIP surcharge.
- j) If, for a rate zone, the annual reconciliation filed by a utility shows that the revenues collected by application of the QIP surcharge rider exceed actual QIP costs for three or more consecutive reconciliation years, the Commission may initiate hearings under Section 9-250 of the Act [220 ILCS 5/9-250] to determine whether the utility's QIP surcharge rider for the rate zone should be canceled.

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Part 656. Qualifying Infrastructure Plant Surcharge (Refs & Annos)

→ → 656.90 Application for Qualifying Infrastructure Plant Surcharge Rider

- a) A utility's filing seeking initial approval of a QIP surcharge rider for a rate zone shall be accompanied with the necessary testimony and exhibits justifying the rider.
 - b) Required testimony and exhibits:
 - 1) A water utility shall prepare and provide a history of current replacement rates of qualifying plant, as well as history of failure, by location, for the qualified rate zone. The water utility shall provide 5 years of data by year for the following categories, based upon utility records to the extent that records of that data are available, or based upon estimates if records are not available:
 - A) Transmission and distribution mains, including the age, footage, and material;
 - B) Services, including the age, footage, and material;
 - C) Meters and meter installations, including the age, size, and number; and
 - D) Hydrants, including the age, number, and manufacturer.
 - 2) A sewer utility shall prepare and provide a history of current replacement rates of qualifying plant, as well as a history of failure, by location, for the qualified rate zone. The sewer utility shall provide 5 years of data by year for the following categories, based upon utility records to the extent that records of that data are available, or based upon estimates if records are not available:
 - A) Collecting sewers force, including the age, footage, and material;
 - B) Collecting sewers gravity, including the age and number; and
 - C) Services to customers, including the age, footage, and material.

- 3) All utilities shall provide the reason for each increase in the rate of replacement and include specific data to justify the replacement rate for each plant account.
- 4) All utilities shall provide their specific plans for future replacements. The utilities shall provide a schedule showing the replacement projects listed by priority. This schedule shall include an explanation and justification for the prioritization.
- 5) All utilities shall provide detailed computations of expected revenue effects of investment in QIP for the shorter of the time period covered by the plans submitted in response to subsection (b)(4) or five years.
- 6) All utilities proposing to use the annual prospective method shall provide explanations for any changes in the expected rates of investment in QIP for the forecasted period as compared to the historical period.
- 7) All utilities shall provide any other information and data that supports the approval of the proposed QIP surcharge rider.
- 8) All utilities shall provide bill comparisons showing the effect of the QIP surcharge for each class of customer at the average customer usage level, at five usage levels above the average customer usage level, and at five usage levels below the average customer usage level. The bill comparisons shall present the current bill, the proposed bill, the difference between the current bill and the proposed bill, and the percentage change between the current bill and the proposed bill. For the purposes of this subsection (b)(8), the bill comparison shall include only QIP base rate revenues, exclusive of revenue attributable to public/private fire protection service. All utilities shall also provide supporting schedules showing the billing units, charges, and revenues used in calculating the bill comparison.

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4909.172 Application for approval to collect infrastructure improvement surcharge.

- (A) A waterworks company, or a sewage disposal system company, that is a public utility may file an application with the public utilities commission for approval to collect an infrastructure improvement surcharge, determined in accordance with this section, from customers located in the company's affected service areas and subject to affected schedules filed by the company under section 4905.31 of the Revised Code. The application shall be in such form and contain such information as the commission prescribes. At the time of filing, the company shall serve a copy of the application upon the chief executive of each municipal corporation, the board of township trustees of each township, and the board of county commissioners of each county in which affected customers are located. A company for which a surcharge is authorized under this section may file an application for another such surcharge not sooner than twelve months after the filing date of its most recent surcharge application.
- (B) The commission shall provide an opportunity for the filing of comments on an application filed under division (A) of this section. After considering those comments, the commission may authorize a surcharge for the company that is just and reasonable and is sufficient, but does not exceed, the revenue requirement necessary to do both of the following:
- (1) Cover such infrastructure plant costs of the company as are described in division (C) of this section, incurred after March 1, 2003, and before the date of filing, and not already reflected in the affected schedules filed by the company under section <u>4905.31</u> of the Revised Code;
- (2) Provide a fair and reasonable rate of return on the filing date valuation of that particular infrastructure plant. The surcharge chargeable to each affected customer class of the company shall not exceed three per cent of the rates and charges applicable to the class and in effect on the date the application was filed and, as to the allowed percentage increase, shall be uniform for each such class. The commission shall not authorize a company to have more than three surcharges in effect at any time. Additionally, the commission shall not authorize a surcharge under this section if it determines that the surcharge causes the company to earn an excessive rate of return on its valuation under section 4909.15 of the Revised Code.
- (C) For purposes of this section, a company's costs of infrastructure plant may include depreciation expenses. Such infrastructure plant shall exclude any improvement providing the company with additional revenue other than any minimal revenue associated with the elimination of a dead end, and may consist only of the following capital improvements that the commission determines are used and useful in rendering public utility service:
- (1) In the case of a waterworks company, service lines for, and hydrants, mains, and valves installed as a part of, a replacement project for an existing facility; main extensions that eliminate dead ends to resolve documented water supply problems presenting significant health or safety issues to then existing customers; and main cleaning or relining;
- (2) In the case of a sewage disposal system company, mains and lift stations installed as part of a replacement project for an existing facility; main extensions that resolve documented sewage disposal problems presenting significant health or safety issues to then existing customers; and main cleaning, inflow and infiltration elimination, or relining;

- (3) Unreimbursed capital expenditures made by the waterworks company, or the sewage disposal system company, for waterworks, or sewage disposal, facility relocation required by a governmental entity due to a street or highway project;
- (4) Minimum land or land rights acquired by the company as necessary for any service line, equipment, or facility described in divisions (A)(1) to (3) of this section.
- (D) During the period that an authorized surcharge is in effect, the commission, by order and on its own motion or upon good cause shown, may reduce the amount of or terminate a surcharge if it determines that the surcharge causes the company to earn an excessive rate of return on its valuation under section <u>4909.15</u> of the Revised Code.
- (E) An order issued by the commission deciding an application by a waterworks company or a sewage disposal system company for an increase in rates and charges pursuant to an application filed by the company under section 4909.18 of the Revised Code shall provide for the termination, as of the earlier of the effective date of the increase or the date specified in division (F) of this section, of any surcharges of the company authorized under this section.
- (F) All surcharges authorized under this section shall terminate by operation of law not later than December 31, 2014.
- (G) The company shall provide notice of any surcharge authorized under this section to each affected customer with or on the customer's first bill containing the surcharge.
- (H) The commission may adopt such rules as it considers necessary to carry out this section.

Effective Date: 11-07-2003

NEW JERSEY

(d) The following language shall be located in the tariff in a General Terms and Conditions section that applies to all regulated water services:

"By applying for multi-use service, the customer agrees to be responsible for all claims, costs, and liability for personal injury, death and/or property damage, resulting from the customer's individual water system, unless caused by the negligence of the water utility."

(e) The following language shall be located in the tariff in a Provision of Services section that governs multi-use service:

"By applying for multi-use service, and operating the same, the customer agrees:

- 1. To include a backflow prevention device(s) as defined at N.J.A.C. 7:10-1.3, and as specified at N.J.A.C. 7:10-10,3;
- 2. To be solely responsible for all costs and expenses relating to the installation, operation, maintenance, repair and replacement of the customer's water system, including the fire suppression system and backflow prevention device(s);
- 3. To ensure that the customer's water system complies with the applicable requirements of the Uniform Construction Code in effect at the time of system installation, including any applicable building, plumbing and fire protection subcodes; and
- 4. To ensure that the customer's water system is maintained in accordance with all applicable law so as to protect against backflow, back-siphonage and contamination of the potable water system."
- (f) A water utility shall supply multi-use service to a customer or builder upon request, unless the utility can show good cause or a compelling reason to refuse to supply multi-use service.
- (g) A water utility's intent to impose a higher safety standard than that set by DCA shall not constitute good cause or a compelling reason to refuse multi-use service to a customer or builder.

SUBCHAPTER 9. CONSUMER CONFIDENCE REPORTS

14:9-9.1 Consumer Confidence Reports

On or before July 1 of each year, each water utility shall submit to the Board a copy of the Consumer Confidence Report that the utility is required to prepare pursuant to the "Safe Drinking Water Act Amendments of 1996," 40 CFR 141.

Amended by R.2006 d.367, effective October 16, 2006. See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b). Rewrote the section.

SUBCHAPTER 10. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

14:9-10.1 Purpose, scope, and general provisions

- (a) This subchapter establishes for water utilities in New Jersey, a voluntary Distribution System Improvement Charge (DSIC), which is an initiative intended to create a regulatory mechanism that enables the accelerated level of investment needed to promote the timely rehabilitation and replacement of certain non-revenue producing, critical water distribution components that enhance safety, reliability, water quality, system flows and pressure, and/or conservation. Through a DSIC, after approval of the foundational filing, a water utility may charge customers, up to the DSIC cap amount, for the costs of rehabilitating, improving, or replacing water distribution infrastructure in accordance with this subchapter.
- (b) The purpose of a DSIC is to provide a rate recovery mechanism that encourages and supports necessary accelerated rehabilitation and replacement. As set forth under this subchapter, such investment would occur in a systematic and sustained way to advance the accelerated rehabilitation and replacement of water distribution infrastructure needed for conservation, continued system safety and reliability, improved water quality, and sustained economic growth in the State of New Jersey.
- (c) The Board shall require frequent and detailed monitoring and reporting of expenditures during all phases of the DSIC, as set forth in this subchapter, in order to ensure prudent investment and compliance with this subchapter.
- (d) All petitions to the Board regarding DSIC activities shall be submitted by the water utility.
- (e) The initial term of the DSIC, in the absence of explicit Board action, shall end on June 4, 2017.
- (f) A DSIC rate is interim, subject to refund, until the subsequent base rate case.

14:9-10.2 **Definitions**

For the purposes of this subchapter, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise. Additional definitions that apply to this subchapter can be found at N.J.A.C. 14:3-1.1.

"Adjusted weighted average cost of capital" does not include short-term debt, so long as the water utility does not have short-term debt in its approved capital structure. The equity component of the pre-tax adjusted weighted average cost of capital will be the equity rate approved by the Board in the water utility's most recent base rate case; however, the approved embedded cost of debt will be adjusted semi-annually, to reflect the actual embedded cost of debt at the end of the DSIC recovery period, never to exceed the actual embedded cost of debt approved in the last base rate case.



"Base spending" means the level of investment equal to the water utility's depreciation expense for utility plant accounts: 343 (Transmission & Distribution Mains), 345 (Services), and 348 (Hydrants), as reported in the water utility's most recent annual report to the Board, at the time the foundational filing is submitted.

"Depreciation expense" on the DSIC assets means the amount of the total of all eligible investments multiplied by the weighted composite depreciation rate on those assets.

"Distribution System Improvement Charge" or "DSIC" means the charge developed in accordance with this subchapter. Once implemented, the DSIC continues in effect until new base rates become effective for the water utility, consistent with the requirements of this subchapter.

"DSIC cap" or "cap" means the maximum amount of annual DSIC revenues that a water utility can recover during the period the DSIC rate is in effect, through the assessment or surcharge computed in accordance with the requirements of this subchapter. The cap is established by calculating five percent of the water utility's total revenues as established in the most recent base rate decision. The outcome of that calculation establishes the maximum revenue requirement recovery level for which a water utility can seek recovery through the DSIC.

"DSIC-eligible projects" mean water distribution system projects and projected costs that:

- 1. Are limited to non-revenue producing water main replacement or rehabilitation projects, including structural and non-structural lining projects, valve replacements, hydrant replacements, and service line replacements, or water main relocations required by governmental entities;
- 2. Are included in the appropriate foundational filing or semi-annual filing made by the water utility with the Board, and approved by the Board, as set forth at N.J.A.C. 14:9-10.4, and/or the semi-annual DSIC reconciliation filing, as set forth in N.J.A.C. 14:9-10.5:
- 3. Are in excess of the water utility's base spending; and
- 4. The costs of which are not already being recovered through current base rates, as set by the water utility's most recently concluded base rate case proceeding.

"DSIC filing" means the filing made by a water utility for each DSIC recovery period as specified in N.J.A.C. 14:9-10.5. DSIC filings shall contain actual data for the DSIC recovery period and are expected to be made approximately semi-annually.

"DSIC period" means the period of time between the effective date of the foundational filing and the rate effective date of the next base rate case.

"DSIC rate" means the amount of the assessment added to customers' bills, calculated in accordance with the requirements of this subchapter, which will be assessed on the basis of meter charges. This rate is reviewed by the Board and reset to zero in a water utility's base rate case.

"DSIC recovery period" means each period during which DSIC-eligible projects are to be completed and put into service followed by a DSIC filing.

"DSIC revenue requirement recovery amount" means the total eligible amount to be recovered through the DSIC charge as calculated pursuant to N.J.A.C. 14:9-10.8.

"Eligible investment in DSIC projects" means the total of the applicable projects placed in service under this program, less the base spending requirement.

"Pre-tax adjusted weighted average cost of capital" means the adjusted weighted average cost of capital calculated on a pre-income tax basis.

"Revenue factor" means a gross-up for the associated revenue taxes, uncollectables, BPU assessment, and Division of Rate Counsel assessment, adjusted to properly reflect the revenue required to generate the agreed upon rate of return.

"Water utility" has the meaning assigned to this term in the Board's water and wastewater rules at N.J.A.C. 14:9-1.2.

14:9-10.3 Investments eligible for recovery under a DSIC

- (a) A water utility may seek recovery for any or all of the following costs through a DSIC:
 - 1. Water main replacement and rehabilitation:
 - 2. Water main cleaning and lining;
 - 3. Valve and hydrant replacement;
 - 4. Service line replacement (from main to curb or meter pit); and/or
 - 5. Un-reimbursed utility relocation costs associated with relocations required by governmental entities.
- (b) Each water utility is required to make the base spending investment in each 12-month period contained within the authorized DSIC period in order to take advantage of the DSIC program. A water utility is not required to spend the base spending amount prior to recovering DSIC expenditures. In the event that a water utility fails to spend its base spending for the 12-month period, or over-recovers the DSIC revenue requirement recovery amount for the 12-month period, the water utility must provide a credit to customers to be reflected in the DSIC filing, following the end of each 12-month period. The credit will consist of the impact of the shortfall of the base spending during the 12-month period. The required base spending will not be recovered through the DSIC.

PUBLIC UTILITIES

- 1. At the time of the 12-month DSIC filing, the water utility shall recalculate the DSIC rate for the prior 12 months and determine the amount of DSIC-eligible expenditures. For purposes of this calculation, all expenditures will first be used to satisfy the base amount and then be classified as DSIC-eligible expenditures.
 - i. If the total eligible expenditures relating to projects over the prior 12 months exceed the sum of the required base amount and expenditures for projects classified at the prior six-month DSIC filing as DSIC-eligible expenditures, no credit is due.
 - ii. If the total eligible expenditures relating to projects over the prior 12 months do not meet the requirements of (b)1i above, then a water utility must credit any expenditures that were classified at six months as DSIC-eligible expenditures, but at 12 months, were reclassified as base expenditures, or otherwise determined to be non-DSIC-eligible expenditures.

14:9-10.4 DSIC foundational filing

- (a) The Board shall authorize the implementation of a DSIC by a water utility. Under the DSIC, the Board shall authorize a water utility to recover costs associated with DSIC-eligible projects through an approved DSIC rate.
- (b) To obtain authorization to implement a DSIC, the water utility shall submit a foundational filing to the Board. Whether filed separately or concurrently with a base rate case, the water utility shall submit with the foundational filing, certain information, described below:
 - 1. An engineering evaluation report of the water utility's distribution system that:
 - i. Identifies the rationale for the work needed to be accelerated for the water utility to properly sustain its water distribution network;
 - ii. Demonstrates that the plan proposed to accelerate the renewal of the distribution network is the most cost effective plan;
 - iii. To the extent that elements of the distribution network are failing, identifies what mechanisms are causing the failures; and
 - iv. Identifies what is being done to extend the life of the water utility's distribution network assets;
 - 2. DSIC project information for the upcoming DSIC period that includes the following:
 - i. A list of projects, DSIC-eligible asset class, or category;
 - ii. The nature, location, estimated duration of project work (including estimated in-service dates), and a description and reason for project necessity;
 - iii. Aggregate information capturing blanket-type, DSIC-eligible infrastructure, to be rehabilitated or re-

- placed (that is, number of valves, hydrants, or service lines) and the estimated annual cost of such blanket-type replacement programs;
- iv. Vintage, condition, or other similarly relevant, reasonably available information about the eligible infrastructure that is being rehabilitated or replaced;
 - v. Estimated project costs;
- vi. Project identification numbers, so DSIC projects can be easily tracked; and
- vii. Other such information, as is relevant and appropriate, in order to provide adequate information to make an informed decision regarding any given project; and
- 3. The expected amount of base spending for the water utility, including underlying detail adequate to document that the base spending has been made on the appropriate types of infrastructure including, a proposed DSIC assessment, calculated in accordance with N.J.A.C. 14:9-10.8 and work papers showing the detailed calculations supporting the proposed assessment schedule.
- 4. A public notice and hearing, at a minimum, are required in the DSIC foundational filing. The hearing notice shall include the maximum dollar amount allowable for recovery between rate cases, as well as an estimated rate impact for the entire period on customers.
- 5. After a foundational filing has been approved by the Board, a water utility may request that a different DSIC-eligible project be substituted for one already approved by the Board. The water utility shall submit written notice to the Board and the Division of Rate Counsel, identifying the project and detailing the reason(s) for the requested change, for approval.
- 6. DSIC rates shall be rolled into base rates during a water utility's subsequent base rate case. All new foundational filing must be approved before new DSIC investment and DSIC rate recovery may occur. Foundational filing may be made as part of the base rate proceeding.
- (c) No DSIC foundational filing shall be approved unless a water utility has had its base rates set by the Board within the past three years. A DSIC foundational filing may be approved concurrently with the setting of base rates. The Board has 90 days from the date of a complete filing to act on the proposed DSIC foundational filing petition.
- (d) When a water utility has its DSIC rate reset to zero, a new foundational filing must be approved before new DSIC investments and DSIC Rate recovery may occur.
- (e) If within three years after the effective date of a foundational filing, a water utility has not filed a petition in accordance with the Board's rules for the setting of its base rates, all interim charges collected under the DSIC rate shall be deemed an over-recovery, and shall be credited to customers in accordance with this subchapter. A water utility



may seek recovery of such projects in the ordinary course through its next base rate case. Notwithstanding the above, a water utility may continue to collect a DSIC charge during a pending rate case filed in accordance with this section.

14:9-10.5 DSIC filing requirements

- (a) Each DSIC filing made by a water utility shall include the following:
 - 1. A detailed description of all DSIC-eligible projects completed and placed in service;
 - 2. A schedule comparing the:
 - i. Total spending on DSIC-eligible projects to date, during the DSIC recovery period, including the base-project spending and DSIC-project spending by foundational filing project identification number or blanket-project category;
 - ii. Actual cost of completed DSIC-eligible projects for the DSIC recovery period with the estimated costs for the projects contained in the most recent foundational filing or amendment thereto;
 - iii. In-service date of completed DSIC-eligible projects versus estimated in-service date of DSIC-eligible projects as set forth in the foundational filing; and
 - iv. Actual revenues collected through the DSIC assessment, compared with the actual revenue requirement of the DSIC-eligible projects during the DSIC recovery period, and the resultant DSIC under- or over-recovery amounts;
 - 3. A proposed DSIC schedule outlining the DSIC charge, determined in accordance with this subchapter, and detailed information demonstrating that the proposed DSIC charge meets the requirements at N.J.A.C. 14:9-10.8. The schedule shall include either, a proposed schedule for returning to customers any over-recovery in the prior DSIC recovery period, including interest at the adjusted weighted average cost of capital or, a proposed schedule for recovering from customers any under-recovery in the prior DSIC recovery period. The over-recovery, including interest, or under-recovery, shall be credited or charged to customers during the next DSIC recovery period. This information shall support the DSIC charge calculation, with documentation, detailed financial analyses, and other relevant information, showing all assumptions and calculations. All supporting financial information shall be presented in such a way as to allow the Board to evaluate whether the calculations meet the requirements of this subchapter; and
 - 4. Other documentation, as needed, to evaluate the DSIC program.
- (b) DSIC filings shall be filed with the Board on a semiannual basis, commencing approximately six months after the effective date of the foundational filing. A water utility must

submit its semi-annual DSIC filing within 15 days of the end of the DSIC recovery period. DSIC filings shall be reviewed by Board staff and the Division of Rate Counsel. In the event that Board staff or the Division of Rate Counsel identifies a particular project or projects of concern contained in the DSIC filing, the water utility shall remove the project from the list of DSIC-eligible projects. If the water utility objects to the removal of a project from the list of DSIC-eligible projects, the water utility may file a petition with the Board seeking inclusion of the project as a DSIC-eligible project. The water utility may recover the interim surcharge associated with the DSIC-eligible projects closed during the DSIC recovery period not objected to by Board staff or the Division of Rate Counsel beginning 60 days after the end of the DSIC recovery period, subject to refund at the Board's discretion,

(c) The semi-annual DSIC filings may include changes or updates to information provided in the foundational filing provided the information is material and relevant and the water utility has a reasonable expectation that the change will occur during the DSIC recovery period.

14:9-10.6 DSIC-eligible plant investments during a base rate case

- (a) In the event that DSIC-eligible plant additions are placed in service during the test year of a water utility's base rate case, if not recovered as part of a routine DSIC filing, those plant additions shall be considered as part of the base rate case proceeding, and included in the routine test-year plant additions, consistent with existing Board rules.
- (b) Notwithstanding the other provisions of this subchapter, a water utility may continue to make DSIC-eligible investments and collect a DSIC charge during a pending rate case filed in accordance with existing Board rules.

14:9-10.7 Rate limitation

- (a) The water utility shall stop assessing a DSIC charge at the earlier of the following:
 - 1. The Board finds, at any time, that a water utility is not in compliance with the DSIC as approved;
 - 2. The water utility does not meet the requirements of the earnings test calculation pursuant to (b) below; or
 - 3. Upon reaching the date set forth in N.J.A.C. 14:9-10.1(e), except that a water utility may continue to assess the DSIC charge for any DSIC investments included in an approved foundational filing and made prior to the date set forth in N.J.A.C. 14:9-10.1(e).
- (b) To determine whether a water utility is earning on its DSIC investments within the amount approved by the Board, for the purposes of continued eligibility to use the DSIC program, the water utility shall report the following information to the Board:

- 1. On an annual basis, concurrent with the DSIC filing, the water utility shall submit an earnings description to the Board, in a format consistent with this subchapter;
- 2. The earnings description shall contain information from the water utility's official books and records and shall be consistent with the water utility's independently audited results of operations and its most recent annual report to the Board, and shall include 12 months of actual financial information; and
- 3. The earnings description, which shall include the following:
 - i. Rate base, revenues (including approved DSIC revenues not yet in base revenues), expenses, taxes, capital structure, weighted average cost of capital, approved net DSIC plant additions not yet in rate base, and other such relevant financial information as may be known to the water utility;
 - ii. Adjustments to the information supplied, pursuant to (b)3i above, to reflect to the extent practicable, its results of operations on a ratemaking basis and include annualization, normalization, and ratemaking adjustments that are consistent with current Board policy and practices; and
 - iii. An earnings test calculation, in which the water utility's earnings shall be subjected to an earnings test where the net operating income, including approved net DSIC revenues, is divided by the rate base, including approved net DSIC plant additions not yet in rate base.
- (c) If the product of the calculation set forth in (b)3iii above exceeds the water utility's most recently approved overall rate of return, as set forth in the most recent base rate order for the water utility, the water utility shall stop assessing the DSIC for as long as the condition persists.
- (d) A water utility may resume participation in the DSIC program, upon receiving Board approval, once it can demonstrate that the product of the calculation set forth in (b)3iii above no longer exceeds its last approved overall rate of return.

14:9-10.8 Calculating the DSIC rate

- (a) The revenues to be recovered through the DSIC rate shall not exceed the DSIC cap, and shall be calculated as follows:
 - 1. The eligible net investment reflects the eligible investment, less the per-book accumulated depreciation amount recorded for the specific projects, further adjusted for the recorded accumulated deferred income tax amount for the specific projects.
 - 2. The eligible net investment shall be multiplied by the pre-tax adjusted weighted average cost of capital, plus

depreciation expense, plus or minus any DSIC underrecovery or over-recovery, divided by the revenue factor, minus interest on any over-recovery, the sum of which shall be multiplied by the revenue factor, to arrive at the DSIC revenue requirement recovery amount. The calculation of amounts over-recovered or under-recovered should start with the DSIC rate effective date for the previous DSIC filing.

3. The DSIC revenue requirement recovery amount shall be divided by the number of meter equivalents, weighted by meter capacity ratio, to arrive at the DSIC rate by meter size.

DSIC Formula (example numbers shown are for illustrative purposes only)

•
15,000,000 (A)
(93,750) (B)
(19,688) (C)
14,886,562
(11,1509% (D)
1,659,986
375,000
2,034,986
x 1.170858 (E)
2,382,680 (F)

(A) Includes six months actual DSIC-eligible projects closed to UPIS during DSIC Period

(B) Accumulated Depreciation:		•
DSIC-eligible projects closed to UPIS	\$1	5,000,000
Composit Depreciation rate	_	2.5%
Depreciation Expense	\$	375,000
½ Year Convention (for first 6 months)	\$	93,750
(C) Deferred Taxes:		
DSIC-eligible projects closed to UPIS	\$1	5,000,000
MACRS rate for 1st year water plant	b	4%
Tax Depreciation 1st year	\$_	150,000
Book Depreciation	\$_	93,750
Tax Depreciation Greater than Book	\$_	56,250
Deferred Taxes at 35%	\$_	19,688

(D) Pre-Tax Rate of Return

	Ratios	Cost Rate	Weighted AVG Cost of Capital	Pre-Tax Rate of Return
Long Term Debt	48.98%	6.26%	3.07%	3.066%
Common Equity	<u>51.02%</u>	<u>10.30%</u>	5.26%	8.08%
Subtotal Rate on Rate Base			8.23%	11.1509%



Revenue Factor: Dollar of Revenue

Less: GRT Tax

Less: Bad Debts and Reg. Assessments

Less: BPU Assessment

Less: DRC Assessment

\$ 1.00000

(0.1376004) (per most recent base rate case) (0.0066000) (per most recent base rate case) (0.0014328) (per most

recent assessment) (0.0002926) (per most recent assessment)

Revenue Remaining after taxes, bad debts, and assessments

and assessments
(E) Revenue (Gross-up Factor)

\$.854074 \$ 1.170858

(F) Revenue Requirement Recovery Amount

The DSIC Revenue Requirement Recovery Amount is limited by the DSIC cap defined in N.J.A.C. 14:9-10.8(a)2. For example, if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC cap would be calculated as follows: Total annual revenues from most recent base rate case of $100,000,000 \times 5.00\% = 5,000,000$

The Company's DSIC Revenue Requirement Recovery Amount in the above example cannot be greater than \$5,000,000 per year.

14:9-10.9 **DSIC** billing

- (a) If a water utility has a Board-approved DSIC, the water utility shall identify and list the amount owed by the customer, based on the DSIC rate calculated in accordance with N.J.A.C. 14:9-10.8, separately on customer bills. The DSIC rate will be reflected in bills issued on and after the effective date of the first DSIC filing and can be adjusted on the basis of subsequent DSIC filings no more frequently than every six months, up to an amount not to exceed the DSIC cap over the DSIC period.
- (b) Customer bills shall reflect the DSIC rate calculated as set forth in N.J.A.C. 14:9-10.8(a)3.

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. Verdouw

Other Participating Employees: Ed Rex

Question:

31. Provide all **Documents** constituting, adopting, approving, referring to, or relating to a "purchased power and chemicals charge" or similar tariff rider in any state other than Tennessee.

Response:

Both the California and New York regulatory commissions provide revenue adjustment tariff riders, referenced as "WRAM/MCBA" and "RPCRC" respectively. These tariff riders provide rate adjustments for the over or under collection of revenues net of the over or under recovery of water production expenses, i.e. power and chemical (if applicable) and purchased water (if applicable). Please refer to the attachment. Attached for California-American Water Company ("CAWC") and Long Island Water Corporation in New York ("LIWC"), both affiliates of TAWC, are the applicable portions of the Commission rate Orders authorizing the WRAM/MCBA and RPCRC respectively. For CAWC. the attached order represents the initial authorization of the WRAM/MCBA for one of the company's districts. Attached also is an example of the current WRAM/MCBA tariff. Subsequent Commission orders have authorized WRAM/MCBAs for additional CAWC districts. For LIWC, the attached order and tariff represent the most recent adoption of the RPCRC. It is believed the RPCRC or its equivalent has been in effective for LIWC since the late 1980s. No other TAWC affiliate currently has a tariff rider similar to the PPACC proposed by TAWC in this proceeding.

Please also see the response to COC-33 which provides the applicable state statutes or regulations that provide for the recovery of certain operating costs.

NEW YORK

PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on March 15, 2012

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman Patricia L. Acampora Maureen F. Harris James L. Larocca

CASE 11-W-0200 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Long Island Water Corporation d/b/a Long Island American Water for Water Service.

> ORDER DETERMINING REVENUE REQUIREMENT AND RATE DESIGN

(Issued and Effective March 20, 2012)

BY THE COMMISSION:

This order adopts terms set forth in a Joint Proposal submitted for our review by Long Island Water Corporation d/b/a Long Island American Water (LIAW, the company), trial staff of the Department of Public Service (Staff), and the Utility Intervention Unit of the New York Department of State's Consumer Protection Division (UIU). We thereby establish a rate plan and other provisions governing the company's water services, to remain in effect for the three years starting April 1, 2012.

purposes. The Joint Proposal provides that the earnings sharing mechanism will remain in effect beyond the term of the rate plan until the company's rates are reset in a subsequent proceeding. Ratepayers' allocation of shared earnings will be held by LIAW for the benefit of ratepayers and will be used to reduce the company's revenue requirement in the next general rate case or for such other purposes as we may direct.

Staff and UIU suggest that this mechanism includes features that are of significant benefit to ratepayers. First, they note, the initial 55 basis point "deadband" between the authorized ROE of 9.65% and the 10.2% level at which sharing begins is smaller than normal. This, they say, was deliberately intended to ensure that if LIAW earnings receive a boost as a result of greater than anticipated synergies derived from the proposed acquisition of Aqua New York, Inc. by American Water Works, ratepayers will realize a benefit immediately, rather than having to wait until rates are reset in the future. Similar ratepayer protection is provided by continuation of the sharing mechanism beyond the end of the rate plan itself.

Overall, Staff argues the earnings sharing mechanism reasonably balances customer and company interests. The equal sharing in the first earnings tier ensures that LIAW will continue to have an incentive to manage costs and improve earnings, while the final tier with 75% of earnings going to customers provides a safeguard against excessive utility earnings.

Revenue, Production Costs and Property Tax Reconciliation Mechanism

LIAW currently operates under a mechanism that allows it to defer and recover (or refund) differences between the

Staff Statement in Support, p. 10; UIU Statement in Support, p. 1.

level of actual revenues it realizes and the level included in rates, and changes in costs associated with production, such as the fuel, power and chemicals required to deliver water to the system, referred to by the parties as the RPCRC. It also includes a property tax reconciliation mechanism. Under the terms of the Joint Proposal, these mechanisms would be continued, with updated targets specified for each of the three years of the rate plan. The RPCRC would continue beyond the term of the rate plan until rates are reset. Targets would continue at Rate Year 3 levels except that if LIAW does not file for rate relief to be effective April 1, 2015, the revenue target will be adjusted using a formula based on monthly average metered revenue over the most recent five years for which data are available.

The property tax reconciliation mechanism will permit LIAW to recover 90% of any increase in taxes above target levels. The company will bear the remaining 10%. If property taxes decrease, LIAW will be able to retain 10% of the savings only if it can demonstrate that the reduction in taxes was the direct result of its efforts. Under any circumstances, 90% will go to ratepayers.

Staff says that permitting LIAW to recover 90% of property tax increases above the target levels will allow the company to recover additional revenues needed to cover these escalating expenses while continuing to give it a strong incentive to monitor and challenge such property tax increases. 27 LIAW points out that its efforts to aggressively challenge tax assessments returned over \$11.5 million to ratepayers during the period from 2007 through 2010 and have helped reduce the overall

The acronym originally stood for Revenue and Production Cost Reconciliation Clause.

²⁷ Staff Statement in Support, p. 11.

property tax burden from 36.2% of revenues in 2003 to 22.8% in the test year for this case. Although it originally sought full reconciliation of property taxes, LIAW says the Joint Proposal's sharing requirements adequately recognize the company's property tax expense reduction efforts.

System Improvement Charge

The SIC in place under the terms of the company's current rate plan is proposed to be continued under the Joint Proposal. The mechanism allows the company to utilize surcharges to recover carrying costs for specific capital improvement projects that have been fully reviewed and approved by Staff, when those projects are put in service during the term of the rate plan. The surcharges will continue until rates are reset, at which time all costs will be fully accounted for.

The projects to which the SIC will apply are specified in the Joint Proposal. According to Staff, if all projects are completed on schedule, the potential maximum surcharges for each project range from 0.44% to 1.9%.²⁹ To establish a surcharge, the company must provide Staff with detailed project information within 30 calendar days of its in-service date, and Staff will have 60 days to analyze and verify the data and the surcharge calculation.

Under the SIC approach, Staff says, LIAW has the financial flexibility to undertake significant plant construction without the need to apply for rate increases. At the same time, ratepayers are protected against the possibility of slippage in scheduled construction, because no allowance for carrying charges on the designated projects is included in

²⁸ Company Statement in Support, p. 10.

²⁹ Staff Statement in Support, p. 12.

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Long Island Water Corporation d/b/a Long Island American Water for Water Service.

Case 11-W-0200

JOINT PROPOSAL

THIS JOINT PROPOSAL is made as of November 28, 2011, by and between Long Island Water Corporation, d/b/a Long Island American Water ("LIAW" or the "Company"), the Staff of the New York State Department of Public Service ("Staff") and the Utility Intervention Unit ("UIU") of the New York State Department of State's Division of Consumer Protection. It sets forth the terms of a Rate Plan for the three-year period beginning April 1, 2012, and ending March 31, 2015. This Joint Proposal is intended, by the signatory parties, to settle all issues in the above-referenced rate proceeding and to be presented to the Public Service Commission ("Commission") for approval in its entirety since each provision is in consideration and support of all of the other provisions.

I. PROCEDURAL HISTORY

LIAW provides various types of water service to approximately 74,000 customers in Nassau County, New York. On April 29, 2011, LIAW filed amendments to its tariff schedule P.S.C. No. 1 – Water, with supporting testimony and exhibits, to increase annual base rates for all customer classes by \$9,563,146 or 19.49% for the rate year ending March 31, 2013. According to the Company, the proposed increase in revenue requirement is necessary for LIAW

¹ The Company's filing stated that taking into account the resetting of certain surcharges, however, the net impact of the rate increase was 13.23%.

B. Revenue, Production Costs and Property Tax Reconciliation (RPCRC) Mechanisms

The existing RPCRC Mechanisms are continued with revisions updated for new target levels. The effects of differences in the level of actual revenues versus the level of revenues in rates, production costs (fuel, power and chemicals) and property taxes versus the targets presented below in each rate year for the period April 1, 2012 through March 31, 2015, will be deferred and recovered or refunded through the RPCRC Mechanisms on an annual (rate year) basis. The reconciliations and associated tariff leaves will be submitted annually to the Secretary to the Commission within 60 days after the end of the term of each Rate Year. The submitted net surcharge or credit will go into effect 45 days after submittal unless Staff submits a letter to the Company indicating that the reconciliation amounts should be adjusted.

- a. For purposes of reconciliation under the RPCRC, the target levels for Year One will be as follows:
 - i. Metered Revenues

\$47,549,412

ii. Fuel, power and chemicals

\$3,953,224

iii. Property Taxes

\$11,893,414

- b. The target level for revenues reconciled under the RPCRC for Year Two is \$48,807,844, and for Year Three is \$49,869,621.
- c. The target level for fuel, power and chemicals is \$4,032,684 for Year Two and \$4,118,580 for Year Three. Changes to these items will be determined in accordance with the current methodology employed for RPCRC Mechanism.
- d. The target level for property taxes in Year Two is \$12,132,472 and the target level for property taxes in Year Three is \$12,390,893. The treatment of property taxes is further described in Section I, below.
- e. The RPCRC Mechanisms will continue beyond the term of the Rate Plan set out within this Joint Proposal at the Year Three target levels until new target levels are set in the Company's next rate proceeding. If the Company decides to voluntarily not file for rate relief to be effective by April 1, 2015, the Year Three monthly target levels will set using the monthly averages of metered revenue for the most-recent five years applied to the Year Three target level of \$49,869,621. These monthly

target levels are for calculating the RPCRC for any period of time not equivalent to a normal rate year for LIAW.

C. Base Rates

a. The percentage increases, dollar increases and revenue forecasts for the base rates in each year for the term of the Rate Plan are as follows:

	% Increase	Increase	Revenues
Year One	6.02%	\$2,955,218	\$52,018,377
Year Two	2.64%	\$1,375,826	\$53,394,203
Year Three	2.17%	\$1,160,601	\$54,554,804

- b. The revenue requirement calculations for each year and any adjustments contained in this Joint Proposal are contained in Appendix A.
- c. The effect of this proposal on customers' bills is summarized in AppendixB.
- d. Appendix C contains the proposed tariff leaves detailing the base rate increase and the effective date for Rate Years One, Two and Three.

D. Acquisition Considerations

a. Currently, LIAW's corporate parent is in the process of acquiring the New York assets of Aqua New York, Inc. (Aqua NY) (Case 11-W-0472). The JP revenue requirement recognizes \$901,331 of ratepayer synergy savings throughout the three-year period of the rate plan (\$133,777 + 383,777 + 383,777 for rate year 1, rate year 2 and rate year 3, respectively). This amount represents the Company's best estimate for the three-year rate plan.

Appendix D

PSC No. 1 - WATER

COMPANY: LONG ISLAND WATER CORPORATION d/b/a

LONG ISLAND AMERICAN WATER

INITIAL EFFECTIVE DATE: APRIL 1, 2012

STATEMENT TYPE: RPCRC

STATEMENT No.: 2

GENERAL INFORMATION

STATEMENT #1

Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause #1

Applicable to all Metered Customers in Service Classifications 1, 1A and 3.

Commission Order in Case 07-W-0508, dated March 5, 2008, directed that the rates applicable to all metered customer accounts, as defined above, be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (operating revenues less production costs) for the preceding rate year and the net revenue target as estimated in the most recent rate case. The difference is then surcharged (or credited) to be recovered (or refunded) over the ensuing year. In the following proceeding, Case 11-W-0200, target levels for revenues, production costs and property taxes were set for future years as follows, with the levels from the third rate year carrying forward for all future years until new target levels are set in the next rate proceeding (the revenue numbers below do not include net RAC adjustments for the rate year ending March 31, 2013 of (\$40,303) (\$8,977 for the Service Centers and (\$49,280) for Demutualization) from the Commission decision on 11/20/2002 in Cases 02-W-0054 and 02-W-0056):

Year Ending	March 31, 2013	March 31, 2014	March 31, 2015
Revenues	\$47,549,412	\$48,807,844	\$49,869,621
Production Costs	\$3,953,224	\$4,032,684	\$4,118,580
Property Taxes	\$11,893,414	\$12,132,472	\$12,390,893

The surcharge/credit for the year ending March 31, 2013 is calculated as follows:

The actual net revenues for the year ended March 31, 2013 of \$\) was compared to the target level set forth above. The difference, including accrued interest, results in a surcharge/credit to customers of \$\\$

The net amount to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending March 31, 2014 is: \$

Since the total number of metered customers is:

The surcharge/credit per customer amounts to: \$

In accordance with the property tax mechanism set forth in the settlement agreement approved by the Commission in Case 07-W-0508, the PSC has permitted the company to reconcile property taxes. For the rate year ended March 31, 2013, such reconciliation resulted in a surcharge/credit to customer of \$ As a result, the net surcharge/credit to each customer's bill amounts to \$

Issued in compliance with Commission Order issued and effective March XX, 2012 in Case 11-W-0200.

Issued by: William M. Varley, President, 733 Sunrise Highway, Lynbrook, NY

PSC No. 1 - WATER

COMPANY: LONG ISLAND WATER CORPORATION d/b/a

LONG ISLAND AMERICAN WATER

INITIAL EFFECTIVE DATE: APRIL 1, 2012

STATEMENT TYPE: RPCRC

STATEMENT No.: 2

GENERAL INFORMATION

STATEMENT #1

Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause #1 (cont'd)

Any refunds due ratepayers from any net over-recovery in the rate year will be credited to customers' bills in the earliest month, as administratively practical, of the following rate year. Customer bills will be surcharged, no greater than \$4 per customer per month, to recover any deferral of cost recovery in the rate year beginning in the earliest month, as administratively practical, of the following rate year and continue each month thereafter, as necessary, until the entire deferral is recovered. Should the \$4 per customer per month surcharge limit be inadequate to fully recover any deferred costs prior to the end of the following rate year, the limit will be waived. For sprinkler customers there will be a one time credit/surcharge. Any credit/surcharge is subject to the applicable local gross revenue taxes as set forth in the current tax statements.

Issued in compliance with Commission Order issued and effective March XX, 2012 in Case 11-W-0200.

Issued by: William M. Varley, President, 733 Sunrise Highway, Lynbrook, NY

CALIFORNIA

ALJ/CMW/jt2

Date of Issuance June 16, 2008

Decision 08-06-002 June 12, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company (U210W) for an order authorizing it to increase its rates for Water Service in its Los Angeles District to increase revenues by \$2,020,466 or 10.88% in the year 2007; by \$634,659 or 3.08% in the year 2008; and by \$666,422 or 3.14% in the year 2009.

Application 06-01-005 (Filed January 9, 2006)

DECISION ADOPTING A CONSERVATION RATE DESIGN SETTLEMENT

Commission issues a final decision in this proceeding. The settlement is unopposed and the proposed decision recommends it be adopted. Therefore, Cal-Am can begin the process of customer notification and billing system modifications when the proposed decision is first issued, and it should give priority to quickly accomplishing these tasks.

3.2.2. WRAM and MCBA Mechanisms

In order to (1) remove any disincentive for Cal-Am to implement conservation rates and programs, (2) ensure any cost savings resulting from conservation are passed onto ratepayers, and (3) reduce overall water consumption in the Los Angeles district, the settling parties propose adopting a WRAM and MCBA in the Pilot Program.¹¹

Together, these two mechanisms will operate to ensure recovery of the adopted fixed costs recovered through Cal-Am's volumetric rates, and the actual variable costs for purchased power, purchased water, and pump taxes. The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption levels. Cal-Am stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources and will make a showing in the next GRC filing demonstrating that it has exercised due diligence and that any significant change in water purchases was reasonable.¹²

Each of Cal-Am's three service areas will have its own WRAM and MCBA balancing accounts, with separate reporting by customer class maintained for

¹¹ These are the three goals stated in Section VI of the settlement.

¹² Significant changes in water purchases are defined for each service area in Section IX.D and will be tracked for later reasonableness review.

each WRAM balancing account.¹³ The WRAM and MCBA accounts for each service area will always be considered together, *i.e.* netted, when determining the need for additional revenue recovery from, or for refunds to, ratepayers in that service area. The WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

The settlement provides that by March 31st of each year, Cal-Am will provide the Water Division (with a copy to DRA) a written report that includes the net WRAM/MCBA balance in each service area. If the report shows the net balance exceeds 2.5% of a service area's total recorded revenue requirement for the prior calendar year, Cal-Am will file an advice letter within 30 days that amortizes the balance through a volumetric surcharge, if it is an under-collection, or a volumetric surcredit, if it is an over-collection. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.

Discussion

In D.07-08-030, the Commission expressed a policy preference for a revenue adjustment mechanism that focused solely on cost under- and over-recovery caused by conservation policies, rather than a broader WRAM mechanism. Cal-Am and DRA in their comments on the proposed decision stated that they did not have the data necessary to develop the proposed conservation-focused mechanism.

Since the issuance of D.07-08-030, the parties have again requested the Commission consider, as part of a Pilot Program scheduled to be in place for

¹³ While Cal-Am will track revenues in the WRAM account in each service area by customer class for analysis purposes, implementation of a surcharge or surcredit will be calculated using the WRAM balance for all customer classes in each service area.

approximately two years, the WRAM and MCBA mechanisms. Therefore, we assess the specifics of these mechanisms for the Los Angeles district Pilot Program.

The conservation rate design being proposed is expected to have a measurable but not substantial impact on sales during the Pilot Program. This is seen in our earlier discussion of the structure of the conservation rate design and is also apparent in the proposed balancing account recovery and refund procedures, which have an annual review, with a 2.5% annual revenue requirement threshold.

As a safeguard, the parties have also provided a provision in the settlement that would allow for a review and midcourse correction if the impacts of the WRAM and MCBA mechanisms go well beyond conservation impacts and instead produce a disparate impact on ratepayers or shareholders. This provision is found in Section III.3., and it would cause the parties to meet and discuss adjustments. We find that following this discussion, the parties should individually or jointly file a petition to modify this decision.

One disparate impact that could occur in the Pilot Program period would be a severe economic downturn in one or more of the Los Angeles service areas that causes a significant decrease in revenues. This could occur from a high rate of home foreclosures and/or business slowdowns or shutdowns. We find this would clearly be a disparate impact as the WRAM mechanism would shield shareholders from all financial consequences of the economic downturn while requiring ratepayers to bear the full cost. Since Cal-Am will be tracking sales levels by customer class and service area, any disparate impact can be quickly seen and addressed.

Given the expected modest balancing account impacts, the safeguards discussed above, and the limited time period of the Pilot Program, we find it reasonable to adopt the proposed WRAM and MCBA mechanisms. We expect that the usage information collected and evaluated during the Pilot Program will allow a conservation focused mechanism to be given consideration in the next GRC filing.

3.2.3. Procedural Process to Address Return on Equity Adjustment

In Phase 1 of this proceeding, the Commission examined the issue of whether a downward adjustment to Cal-Am's Los Angeles district return on equity should be made if a WRAM mechanism was adopted in Phase 2. The initial proposed decision recommended a 50 basis point downward adjustment be adopted. The Commission removed consideration of both the WRAM and a return on equity adjustment from this proceeding in D.07-08-030, stating these issues should be examined in a generic proceeding for all water utilities (I.07-01-022). Subsequently, the parties filed a petition to modify D.07-08-030 that requested the WRAM be considered here, but did not address the related return on equity adjustment issue. In the settlement filed on March 25, 2008, the parties provide a procedural process for consideration of a return on equity adjustment for the WRAM in this settlement.

Section XIV of the settlement provides that if the Commission adopts in Phase 1B of I.07-01-022 a generic basis point adjustment to return on equity for water utilities that have WRAM/MCBA mechanisms that are similar to those approved for California Water Service Company and Park Water Company in D.08-02-036, then the same generic return on equity adjustment should be applied to the WRAM/MCBA adopted here. Further, the return on equity

ORDER

IT IS ORDERED that:

- 1. The March 25, 2008 settlement attached at Appendix A is adopted.
- 2. California-American Water Company (Cal-Am) is directed to file a Tier 1 advice letter, in accordance with General Order (GO) 96-B, and make effective on not less than five days notice, revised tariff schedules reflecting the adopted conservation rate design and rates and the adopted Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) mechanisms, as well as the schedule of recovery for the balances under these mechanisms.
- 3. During the Pilot Program, Cal-Am shall collect and analyze the data necessary for Commission consideration of a proposal to move to monthly billing. Cal-Am shall present a proposal for this in its next Los Angeles district general rate case (GRC) filing.
- 4. Cal-Am shall meet and confer with all interested parties in the next 90 days to determine the types of data collection necessary in order for the Commission to consider further conservation rate design proposals for non-residential customers in the next GRC proceeding.
- 5. Cal-Am shall track and prepare a report on the usage of the top 100 residential customers in each service area during the Pilot Program. This report shall be in the same format as the report made for the Monterey district, as shown in Exhibit 63.
- 6. Cal-Am shall make every effort to implement the conservation rate design adopted here as soon as possible.

- 7. Cal-Am shall include in its next GRC filing a discussion of the feasibility, as well as the costs and benefits, of revenue adjustment mechanisms that are focused solely on conservation impacts.
- 8. If the Commission issues a decision regarding a return on equity adjustment in I.07-01-022 that is not consistent with the generic adjustment described in the settlement, Cal-Am shall meet and confer with all interested parties within 30 days and then, jointly or separately, file a petition to modify this decision within 15 days after the meeting.
- 9. The WRAM/MCBA balancing accounts adopted here shall be subject to true-up to the date of a final decision on a return on equity adjustment.
- 10. Cal-Am shall provide, upon request, drafts of its Comprehensive Planning Study and Condition-Based Assessment of Buried Infrastructure reports to any city with residents who are customers of Cal-Am as of July 15, 2008, and shall provide those cities a 30 day period for review and submission of written comments before Cal-Am finalizes the reports.
- 11. In consultation with DRA and other interested parties, Cal-Am shall develop a comprehensive monitoring and data collection system for use in analyzing customer response to the proposed conservation rates and conservation programs. Cal-Am shall schedule a meeting every four to six months to discuss with interested parties the results of the customer response data it is tracking and whether there should be any changes in conservation outreach programs in response to the results.

A.06-01-005 ALJ/CMW/jt2

12. Application 06-01-005 is closed.

This order is effective today.

Dated June 12, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

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6487-W

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6484-W

Request:

This advice letter filing is to request recovery of the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) balances as of December 31, 2011 in accordance with pages 8 and 9 of the settlement agreement adopted by the California Public Utilities Commission (Commission) in D.08-06-002, which states;

- 1. The WRAM and MCBA accounts for each service area will always be considered together for purposes of determining the need for additional revenue recovery from, or for refund to, ratepayers in that service area, and will be netted prior to any refund or recovery.
- California-American Water will track revenues in the WRAM account in each service area by customer class for analysis purposes, but implementation of a surcharge or surcredit will be done considering the net balance of the WRAM and MCBA accounts for all customer classes in each service area.
- 3. If the annual report shows that the combined over- or under-collection for the WRAM or the MCBA in any service area exceeds 2.5% of the service area's total recorded revenue requirement for the prior calendar year, California-American Water will file an advice letter within 30 days that amortizes the balance in all of the WRAM and MCBA accounts in the service area.
- 4. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.
- 5. Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.

California American Water submitted its annual WRAM and MCBA report on April 3, 2012. In that report, California reported the following balances for the accounts from January 1, 2011 through December 31, 2011;

Table 1: WRAM/MCBA Balances for the period 1/1/11 through 12/31/11

Service Area	2011 WRAM Over(Under) Collection	2011 MCBA Over(Under) Collection	2011 WRAM/ MCBA
Baldwin Hills	(\$753,033)	\$405,148	(\$347,885)
Duarte	(\$885,575)	\$1,213,851	\$328,276
San Marino	(\$2,546,100)	\$2,683,099	\$136,999

Background:

On June 12, 2008 the Commission issued Ordering Paragraph 1 of D.08-06-002 which adopted a settlement agreement between California American Water, the Division of Ratepayer Advocates (DRA) and the City of Duarte to establish a Pilot Program for a conservation rate structure in the Baldwin Hills, Duarte and San Marino service areas of the Los Angeles district.

The March 25, 2008 settlement attached as Appendix A is adopted.

Advice Letter 943 May 2, 2012 Page 3 of 6

As part of the amended settlement, California American Water was to establish a WRAM and MCBA as outlined below from page 6 of the agreement, dated March 24, 2008;

Decoupling for California-American Water will be accomplished through both of the following mechanisms:

- 1. A Water Revenue Adjustment Mechanism (WRAM) for each service area in the Los Angeles District.
- 2. A Modified Cost Balancing Account (MCBA) for each service area. MCBAs will replace existing cost balancing accounts for purchased power, and purchased water (pump taxes are tracked in the purchased water balancing account for each service area).
- 3. Together, these decoupling mechanisms will ensure recovery of the adopted fixed costs recovered through the quantity charge, and the actual variable costs for purchased power, purchased water and pump taxes. The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption.
- 4. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

The WRAM will track the difference between the total quantity charge revenues authorized by the Commission ("Total Adopted Quantity Revenues"), and the total revenues actually recovered through the quantity charge based on actual sales ("Total Actual Quantity Revenues"), excluding:

- 1. Revenue from Private Fire Protection Service... and;
- 2. Revenue from the "Other" class of general metered customers.

Recovery of the WRAM and MCBA Balances:

A comparison of the WRAM and MCBA balances to 2011 recorded operating revenue by region is provided in Tables 2 and 3 below.

Table 2: WRAM and MCBA Balances to 2011 Operating Revenue

Service Area	Net 2011 WRAM/MCBA Balance at	Prior Remaining Balance at	Combined 2011 and Prior Net	2011 Recorded Operating	% to Operating
	12/31/11	12/31/11	Balances	Revenue	Revenue
Baldwin Hills	(\$347,885)	(\$149,889)	(\$497,774)	\$5,319,451	9.36%

For Baldwin Hills, the 2010 under-collection of \$241,009 was nearly offset by the 2009 outstanding over-collection of \$241,218 at December 31, 2010. California American Water received approval to net these balances out and halt the surcredit that was currently in place to refund the 2009 balance. However, due to timing differences, the surcredit remained in effect until August 2011, resulting in an under-collected balance of \$149,889. California American Water proposes to consolidate this with the 2011 balance. The combined total comes to 9.36% of recorded 2011 revenue, which requires a volumetric surcharge over a two-year period beginning in 2012 under current Commission recovery guidelines.

Advice Letter 943 May 2, 2012 Page 4 of 6

Table 3: WRAM and MCBA Balances to 2011 Operating Revenue

Service	Net 2011	2011	% to	Prior	Combined
Area	WRAM/MCBA	Recorded	Operating	Remaining	2011 and Prior Net
	Balance at	Operating	Revenue	Balance at	Balances
	12/31/11	Revenue		12/31/11	To be Re-amortized &
					Recovered Within
					Original Recovery
					Period
Duarte	\$328,276	\$6,031,018	5.44%	(\$1,616,826)	(\$1,288,550)
San Marino	\$136,999	\$12,324,247	1.11%	(\$2,287,990)	(\$2,150,991)

For Duarte and San Marino, California American Water is filing to apply the 2011 over-collected net balances towards the current recovery of the 2009 and 2010 under-collections to reduce the outstanding balance, with the new net balance re-amortized to still be recovered within the previously authorized periods for 2009 and 2010.

Related Filings:

The Commission is currently reviewing California American Water's request in its statewide General Rate Case (GRC) in A.10-07-007 to shorten the amortization periods for WRAM and MCBA balances due to recent changes to general accounting principles. Should decisions issued under either proceeding amend the current balances and recovery procedures, California American Water will modify any active surcharge and recovery period accordingly. However, until such a determination is made, California American Water will continue to abide by the current standards and settlements in effect.

The actions requested in this advice letter are not now the subject of any formal complaint with the California Public Utilities Commission or action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

Tier Designation:

These tariffs are submitted pursuant to General Order No. 96-B and this advice letter is designated as a Tier 1 filing.

Effective Date:

California American Water requests that the tariffs discussed above, be made effective May 9, 2012.

Service List:

In accordance with Section 4.3 of General Order 96-B, a copy of this advice letter has been served upon all interested and affected parties as shown in Exhibit A.

Protest and Responses:

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter.

Advice Letter 943 May 2, 2012 Page 5 of 6

A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds may include the following:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material errors or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission.).

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102 water division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Recipients: David P. Stephenson Director – Rates & Regulation	E-Mail: dave.stephenson@amwater.com	Mailing Address: 4701 Beloit Drive Sacramento, CA 95838 Fax: (916) 568-4260
Sarah E. Leeper Vice President – Legal, Regulatory	sarah.leeper@amwater.com	333 Hayes Street San Francisco, CA 94102 Fax: (415) 863-2960
Suzette Halterman Financial Analyst I	suzette.halterman@amwater.com	4701 Beloit Drive Sacramento, CA 95838 Fax: (916) 568-4260

Advice Letter 943 May 2, 2012 Page 6 of 6

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

If you have not received a reply to your protest within 10 business days, contact this person at (916) 568-4222.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ David P. Stephenson

David P. Stephenson Director - Rates & Regulation

				TAW_R	_COCDR1#031Atta	achment 26 of 27
		AMERICAN WATER COMPANY		Revised	C.P.U.C. SHEET NO.	6485-W
1033 B Ave			CANCELLING	Revised	C.P.U.C. SHEET NO.	6155-W
		Los Ange	No. LA-1 (Conti eles District Tarift METERED SEI	Area		
				an Araba (Araba) and Araba (Ar		
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	b.	Duarte i. For the Duarte service area, the net under-collection in the interest, as of December 31, remain effective through May	e WRAM and Mo 2011. The surc	CBA of \$1,2	.88,550, including	
	C.	San Marino i. For the San Marino service a recover the net under-collect including interest, as of Dece ccf and will remain effective	tion in the WRAN ember 31, 2011.	I and MCBA The surcha	A of \$2,150,991,	(N)
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(TO BE INSERTED BY	UTILITY)	ISSUED BY	(TO BE INSERT	ED BY C.P.U.C.)
ADVICE LETTER NO.	943	D. P. STEPHENSON	DATE FILED	MAY - 2 2012
		NAME	EFFECTIVE	MAY - 9 2012
DECISION NO.	D. 08-06-002	DIRECTOR – Rates & Regulation	RESOLUTION	

TITLE

TAW_R_COCDR1#031Attachment Page 27 of 27

Revised C.P.U.C. SHEET NO.

CALIFORNIA-AMERICAN WATER COMPANY

1033 B Avenue, Suite 200 CORONADO, CA 92118

CANCELLING

Revised

C.P.U.C. SHEET NO.

6161-W

Schedule No. LA-1-LIRA (Continued)
Los Angeles District Tariff Area
LOW INCOME RATEPAYER ASSISTANCE PROGRAM

SPECIAL CONDITIONS APPLICABLE TO ALL CUSTOMERS (Continued):

Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) Surcharges:

a. Baldwin Hills

(D) (N)

- i. For the Baldwin Hills service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$497,774, including interest, as of December 31, 2011. The surcharge is \$0.1561 per ccf and will remain effective for 24 months beginning May 9, 2012.
- b. Duarte
 - i. For the Duarte service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$1,288,550, including interest, as of December 31, 2011. The surcharge is \$0.2388 per ccf and will remain effective through May 31, 2014.
- c. San Marino
 - i. For the San Marino service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$2,150,991, including interest, as of December 31, 2011. The surcharge is \$0.1883 per ccf and will remain effective through May 31, 2014.

(N)

(Continued)

(TO BE INSERTED BY	UTILITY)	ISSUED BY	(TO BE INSERT	ED BY C.P.U.C.)
ADVICE LETTER NO.	943	D. P. STEPHENSON	DATE FILED	MAY - 2 2012
		NAME	EFFECTIVE	MAY - 9 2012
DECISION NO	D 08-06-002	DIRECTOR - Rates & Regulation	RESOLUTION	

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. Verdouw

Other Participating Employees: Ed Rex

Question:

32. *Identify* all states in which a *TAWC Parent or Affiliate* or any other investorowned utility has requested or recommended approval of a "purchased power and chemicals charge" or similar tariff rider, providing in each case the regulatory agency, authority, or commission involved, the date of the request, and the docket number or reference.

Response:

Please see the attached schedule.

Tennessee American Water Company Attachment to TAW_R_COCDR1#32_073012

Purchased Power Tariff Rider

New Jersey X * BPU Docket No. WR0603C New York X * Case 11-W-0200 Indiana X Cause No. 43187 Iowa X RPU-2011-0001 Tennessee Docket No. 12-00049 Pennsylvania X PUC Docket No. 12-00049 West Virginia X Case No. 10-0920-W-42T California X *	American Water STATE	Requested and <u>Authorized</u>	Requested and Not <u>Authorized</u>	Requested and <u>withdrawn</u>	Docket or Case No.	Date Case referenced in prior col. filed
ork X X See Request Pending X firginia X ***	v Jersey			×	BPU Docket No. WR06030257	3/31/2006
ssee Request Pending X X **	/ York	*			Case 11-W-0200	4/29/2011
isee Request Pending X X **	ana			×	Cause No. 43187	10/10/2007
Request Pending ${\bf x}$ nia ${\bf x}$ ${\bf x}$				×	RPU-2011-0001	4/29/2011
nia X X nia X X X X X X X X X X X X X X X X X X X	nessee	Request Pending			Docket No. 12-00049	6/1/2012
nia × **	ısylvania			×	PUC Docket No.R-2011-22322430	4/29/2011
*	t Virginia		×		Case No. 10-0920-W-42T	6/22/2010
	ornia	*			Dec. 08-06-002 (Appl. 06-01-005)	1/9/2006

Both California and New York provide revenue adjustment tariff riders referenced as "WRAM/MCBA" in California and "RPCRC" in New York A component of these revenue adjustment tariff riders is the true up of water production costs e.g. purchased power. Please see the response to TAW_R_COCDR1#31_073012 for details of these tariff riders.

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. VerDouw

Other Participating Employees: Ed Rex

Question:

33. *Identify* any statutory provision authorizing the approval or adoption of a "purchased power and chemicals charge" or similar tariff rider in any state in which such a charge has been approved or has been sought by a TAWC Parent or Affiliate or by any other investor-owned utility.

Response:

The information requested is publically available. Having said that, attached please find the most recent version that TAW has in its files of the requested statutes or regulations for Arizona, Florida, Texas and Wyoming.

In addition, the House in the State of Ohio recently passed H.B. 379 which includes provisions for the recovery of costs for chemical feed systems. This Bill will now be taken up by the Ohio Senate.

Lastly, also attached are Regulations for the States of Illinois and New Jersey that provide for Tariff Riders for the recovery of changes in purchased water costs and purchased sewage treatment and disposal costs. These have been provided as they represent examples of regulatory solutions to establishing rates for the recovery of operating costs that are similar to purchased power and chemicals in that they are large and volatile in nature and generally outside the utility's control.

ARIZONA

ARS TITLE PAGE NEXT DOCUMENT PREVIOUS DOCUMENT

40-370. Water utility surcharges to recover operating costs; notice; definition A. Subject to the limitations provided in subsection D, the commission shall authorize water utilities to recover increases in specific operating costs by means of a surcharge on water sales and to reduce rates when those specific operating costs decrease. The operating costs that may be considered in this procedure are limited to specific, readily identifiable costs that are subject to the control of another person, including the cost of purchasing electricity or gas, the cost of purchasing water from another utility, municipality or district and the payment of ad valorem taxes or any similar tax or assessment levied on the water utility. The surcharge shall not exceed ten per cent of current rates.

B. The water utility shall file written notice of a surcharge or rate decrease pursuant

to this section with the commission, clearly advising the commission of:

1. The specific operating cost being considered for the rate decrease or recovery by the surcharge.

2. The amount of the operating cost being considered for the rate decrease or

recovery by the surcharge.

3. The timing and method of cost recovery or rate reduction.

C. The water utility shall also deliver to each customer with the customer's next bill for service a notice of the proposed surcharge or rate reduction. This notice to customers shall include the following information:

1. The information prescribed by subsection B.

2. The customer's right to comment on the proposed surcharge or rate reduction.

3. The address and telephone number of the commission.

D. A surcharge imposed by this section is effective thirty days after the date on which the water utility files the written notice with the commission, unless within that time the commission in its discretion adjusts or denies the surcharge or determines that further investigation of the surcharge is required. The commission shall notify the water utility in writing of a decision to adjust or deny the surcharge or to further investigate the appropriateness of the surcharge. If the commission determines that further investigation of the surcharge is required, the commission may conduct a hearing regarding the appropriateness of the surcharge. If the commission does not issue a decision within one hundred twenty days after the date the water utility files the written notice, the surcharge is effective without further action.

the written notice, the surcharge is effective without further action.

E. For purposes of this section, "water utility" means a public service corporation that is subject to the commission's jurisdiction and that engages in supplying water utility

service in this state.

FLORIDA

Select Year: 2012 Go



The 2012 Florida Statutes

Title XXVII RAILROADS AND OTHER REGULATED **UTILITIES**

Chapter 367 WATER AND WASTEWATER **SYSTEMS**

View Entire Chapter

367.081 Rates; procedure for fixing and changing.—

- (1) Except as provided in subsection (4) or subsection (6), a utility may only charge rates and charges that have been approved by the commission.
- (2)(a)1. The commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the commission shall consider the value and quality of the service and the cost of providing the service, which shall include, but not be limited to, debt interest; the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service. However, the commission shall not allow the inclusion of contributions-inaid-of-construction in the rate base of any utility during a rate proceeding, nor shall the commission impute prospective future contributions-in-aid-of-construction against the utility's investment in property used and useful in the public service; and accumulated depreciation on such contributions-inaid-of-construction shall not be used to reduce the rate base, nor shall depreciation on such contributed assets be considered a cost of providing utility service.
- 2. For purposes of such proceedings, the commission shall consider utility property, including land acquired or facilities constructed or to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates unless a longer period is approved by the commission, to be used and useful in the public service, if:
 - Such property is needed to serve current customers;
- Such property is needed to serve customers 5 years after the end of the test year used in the commission's final order on a rate request as provided in subsection (6) at a growth rate for equivalent residential connections not to exceed 5 percent per year; or
- Such property is needed to serve customers more than 5 full years after the end of the test year used in the commission's final order on a rate request as provided in subsection (6) only to the extent that the utility presents clear and convincing evidence to justify such consideration.

Notwithstanding the provisions of this paragraph, the commission shall approve rates for service which allow a utility to recover from customers the full amount of environmental compliance costs. Such rates may not include charges for allowances for funds prudently invested or similar charges. For purposes of this requirement, the term "environmental compliance costs" includes all reasonable expenses and fair return on any prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the United States Environmental Protection Agency, the Department of Environmental Protection, a water management district, or any

other governmental entity with similar regulatory jurisdiction.

- (b) In establishing initial rates for a utility, the commission may project the financial and operational data as set out in paragraph (a) to a point in time when the utility is expected to be operating at a reasonable level of capacity.
- (3) The commission, in fixing rates, may determine the prudent cost of providing service during the period of time the rates will be in effect following the entry of a final order relating to the rate request of the utility and may use such costs to determine the revenue requirements that will allow the utility to earn a fair rate of return on its rate base.
- (4)(a) On or before March 31 of each year, the commission by order shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. The commission by rule shall establish the procedure to be used in determining such indices and a procedure by which a utility, without further action by the commission, or the commission on its own motion, may implement an increase or decrease in its rates based upon the application of the indices to the amount of the major categories of operating costs incurred by the utility during the immediately preceding calendar year, except to the extent of any disallowances or adjustments for those expenses of that utility in its most recent rate proceeding before the commission. The rules shall provide that, upon a finding of good cause, including inadequate service, the commission may order a utility to refrain from implementing a rate increase hereunder unless implemented under a bond or corporate undertaking in the same manner as interim rates may be implemented under s. 367.082. A utility may not use this procedure between the official filing date of the rate proceeding and 1 year thereafter, unless the case is completed or terminated at an earlier date. A utility may not use this procedure to increase any operating cost for which an adjustment has been or could be made under paragraph (b), or to increase its rates by application of a price index other than the most recent price index authorized by the commission at the time of filing.
- (b) The approved rates of any utility which receives all or any portion of its utility service from a governmental authority or from a water or wastewater utility regulated by the commission and which redistributes that service to its utility customers shall be automatically increased or decreased without hearing, upon verified notice to the commission 45 days prior to its implementation of the increase or decrease that the rates charged by the governmental authority or other utility have changed. The approved rates of any utility which is subject to an increase or decrease in the rates or fees that it is charged for electric power, the amount of ad valorem taxes assessed against its used and useful property, the fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program, or the regulatory assessment fees imposed upon it by the commission shall be increased or decreased by the utility, without action by the commission, upon verified notice to the commission 45 days prior to its implementation of the increase or decrease that the rates charged by the supplier of the electric power or the taxes imposed by the governmental authority, or the regulatory assessment fees imposed upon it by the commission have changed. The new rates authorized shall reflect the amount of the change of the ad valorem taxes or rates imposed upon the utility by the governmental authority, other utility, or supplier of electric power, or the regulatory assessment fees imposed upon it by the commission. The approved rates of any utility shall be automatically increased, without hearing, upon verified notice to the commission 45 days prior to implementation of the increase that costs have been incurred for water quality or wastewater quality testing required by the Department of Environmental Protection. The new rates authorized shall

reflect, on an amortized basis, the cost of, or the amount of change in the cost of, required water quality or wastewater quality testing performed by laboratories approved by the Department of Environmental Protection for that purpose. The new rates, however, shall not reflect the costs of any required water quality or wastewater quality testing already included in a utility's rates. A utility may not use this procedure to increase its rates as a result of water quality or wastewater quality testing or an increase in the cost of purchased water services, sewer services, or electric power or in assessed ad valorem taxes, which increase was initiated more than 12 months before the filing by the utility. The provisions of this subsection do not prevent a utility from seeking a change in rates pursuant to the provisions of subsection (2).

- (c) Before implementing a change in rates under this subsection, the utility shall file an affirmation under oath as to the accuracy of the figures and calculations upon which the change in rates is based, stating that the change will not cause the utility to exceed the range of its last authorized rate of return on equity. Whoever makes a false statement in the affirmation required hereunder, which statement he or she does not believe to be true in regard to any material matter, is guilty of a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.
- (d) If, within 15 months after the filing of a utility's annual report required by s. <u>367.121</u>, the commission finds that the utility exceeded the range of its last authorized rate of return on equity after an adjustment in rates as authorized by this subsection was implemented within the year for which the report was filed or was implemented in the preceding year, the commission may order the utility to refund, with interest, the difference to the ratepayers and adjust rates accordingly. This provision shall not be construed to require a bond or corporate undertaking not otherwise required.
- (e) Notwithstanding anything herein to the contrary, a utility may not adjust its rates under this subsection more than two times in any 12-month period. For the purpose of this paragraph, a combined application or simultaneously filed applications that were filed under the provisions of paragraphs (a) and (b) shall be considered one rate adjustment.
- (f) The commission may regularly, not less often than once each year, establish by order a leverage formula or formulae that reasonably reflect the range of returns on common equity for an average water or wastewater utility and which, for purposes of this section, shall be used to calculate the last authorized rate of return on equity for any utility which otherwise would have no established rate of return on equity. In any other proceeding in which an authorized rate of return on equity is to be established, a utility, in lieu of presenting evidence on its rate of return on common equity, may move the commission to adopt the range of rates of return on common equity that has been established under this paragraph.
- (5) An application for a rate change must be accompanied by a fee as provided by s. <u>367.145</u>, except that no fee shall be required for an application for a rate change made pursuant to subsection (4).
- (6) The commission may withhold consent to the operation of any rate request or any portion thereof by a vote to that effect within 60 days after the date of filing of the rate request, or within a shorter period established by rule of the commission. The order shall state a reason or statement of good cause for the withholding of consent. The commission shall provide a copy of the order to the utility and all interested persons who have requested notice. Such consent shall not be withheld for a period longer than 8 months following the date of filing. The new rates or all or any portion thereof not consented to may be placed into effect by the utility under a bond, escrow, or corporate undertaking subject to refund at the expiration of such period upon notice to the commission and upon filing the appropriate tariffs. The commission shall determine whether the corporate undertaking may be filed in

lieu of the bond or escrow. The utility shall keep accurate, detailed accounts of all amounts received because of such rates becoming effective under bond, escrow, or corporate undertaking subject to refund, specifying by whom and in whose behalf such amounts were paid. In its final order relating to such rate request, the commission shall direct the utility to refund, with interest at a fair rate to be determined by the commission in such manner as it may direct, such portion of the increased rates which are found not to be justified and which are collected during the periods specified. The commission shall provide by rule for the disposition of any funds not refunded, but in no event shall such funds accrue to the benefit of the utility. The commission shall take final action on the docket and enter its final order within 12 months of the official date of filing.

- (7) The commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. No rate case expense determined to be unreasonable shall be paid by a consumer. In determining the reasonable level of rate case expense the commission shall consider the extent to which a utility has utilized or failed to utilize the provisions of paragraph (4)(a) or paragraph (4)(b) and such other criteria as it may establish by rule.
- (8) A utility may specifically request the commission to process its petition for rate relief using the agency's proposed agency action procedure, as prescribed by commission rule. The commission shall enter its vote on the proposed agency action within 5 months of the official filing date. If the commission's proposed action is protested, the final decision shall be rendered by the commission within 8 months of the date the protest is filed. At the expiration of 5 months following the official filing date, if the commission has not taken action or, if the commission's action is protested by a party other than the utility, the utility may place its requested rates into effect under bond, escrow, or corporate undertaking subject to refund, upon notice to the commission and upon filing the appropriate tariffs. The utility shall keep accurate records of amounts received as provided by subsection (6).

History.—s. 1, ch. 71-278; s. 5, ch. 74-195; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 53, ch. 78-95; ss. 10, 25, 26, ch. 80-99; ss. 2, 3, ch. 81-318; ss. 8, 15, ch. 82-25; s. 26, ch. 83-218; s. 3, ch. 84-149; s. 3, ch. 85-85; s. 25, ch. 87-225; ss. 7, 26, 27, ch. 89-353; s. 3, ch. 90-166; s. 4, ch. 91-429; s. 85, ch. 93-213; s. 184, ch. 94-356; s. 978, ch. 95-148; s. 1, ch. 99-319.

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25-30.425 Pass Through Rate Adjustment.

The verified notice to the Commission of an adjustment of rates under the provisions of Section 367.081(4)(b), F.S., shall be made in the following manner:

- (1) Prior to an adjustment in rates because of an increase or decrease in purchased utility service, the utility shall file:
- (a) A certified copy of the order, ordinance or other evidence whereby the rates for utility service are increased or decreased by the governmental agency or by a water or wastewater utility regulated by the Commission, along with evidence of the utility service rates of that governmental agency or water or wastewater utility in effect on January 1 of each of the three preceding years.
- (b) A statement setting out by month the charges for utility services purchased from the governmental agency or regulated utility for the most recent 12-month period.
- (c)1. A statement setting out by month the gallons of water or wastewater treatment purchased from the governmental agency or regulated utility for the most recent 12-month period. If wastewater treatment service is not based on a metered flow, the number of units by which the service is measured shall be stated.
- 2. A statement setting out by month gallons of water and units of wastewater service sold by the utility for the most recent 12-month period.
- (d) A statement setting out by month the gallons of water or wastewater treatment purchased from any other government entity or utility company.
 - (e) A statement setting out by month the gallons of water pumped or wastewater treated by the utility filing the verified notice.
 - (f) If the total water available for sale is in excess of 110% of the water sold, a statement explaining the unaccounted for water.
- (2) Prior to an adjustment in rates because of an increase or decrease in the charge for electric power the utility shall file with the Commission:
- (a) A certified copy of the order, ordinance or other evidence which establishes that the rates for electric power have been increased or decreased by the supplier, along with evidence of the electric power rates of the supplier in effect on January 1 of each of the three preceding years.
- (b) A schedule showing, by month, the charges for electric power and consumption for the most recent 12 month period, the charges that would have resulted had the new electric rates been applied, and the difference between the charges under the old rates and the charges under the new rates.
 - (c) A statement outlining the measures taken by the utility to conserve electricity.
- (3) Prior to an adjustment in rates because of an increase or decrease in ad valorem taxes the utility shall file with the Commission:
- (a) A copy of the ad valorem tax bills which increased or decreased and copies of the previous three years' bills; if copies have been submitted previously, a schedule showing the tax total only is acceptable; and
- (b) A calculation of the amount of the ad valorem taxes related to that portion of the water or wastewater plant not used and useful in providing utility service.
- (4) Prior to an adjustment in rates because of an increase or decrease in the costs of water quality or wastewater quality testing required by the Department of Environmental Protection (DEP), or because of an increase or decrease in the fees charged by DEP in connection with the National Pollutant Discharge Elimination System Program, the utility shall file with the Commission:
 - (a) A copy of the invoice for testing;
 - (b) Calculation of the amortized amount.
 - (5) In addition to subsections (1), (2), (3), and (4) above, the utility shall also file:
- (a) A schedule of proposed rates which will pass the increased or decreased costs on to the customers in a fair and nondiscriminatory manner and on the basis of current customers, and a calculation showing how the rates were determined;
- (b) A statement, by class of customer and meter size, setting out by month the gallons of water and units of wastewater service sold by the utility for the most recent 12 month period. This statement shall not be required in filings for the pass-through of increased regulatory assessment fees or ad valorem taxes;
 - (c) The affirmation reflecting the authorized rate of return on equity required by Section 367.081(4)(c), F.S.;
 - (d) A copy of the notice to customers required by subsection (7) of this rule;
 - (e) Revised tariff sheets reflecting the increased rates;
 - (f) The rate of return on equity that the utility is affirming it will not exceed pursuant to Section 367.081(4)(c), F.S.; and
 - (g) The utility's DEP Public Water System identification number and Wastewater Treatment Plant Operating Permit number;

- (6) The amount authorized for pass through rate adjustments shall not exceed the actual cost incurred and shall not exceed the incremental increase or decrease for the 12-month period. Foregone pass through decreases shall not be used to adjust a pass through increase below the actual cost incurred.
- (7) In order for the Commission to determine whether a utility which had adjusted its rates pursuant to Section 367.081(4)(b), F.S., has thereby exceeded the range of its last authorized rate of return, the Commission may require a utility to file the information required in Rule 25-30.437, F.A.C., for the test year specified.
- (8) Prior to the time a customer begins consumption at the adjusted rates, the utility shall notify each customer of the increase authorized and explain the reasons for the increase.
- (9) The utility shall file an original and five copies of the verified notice and supporting documents with the Division of Economic Regulation. The rates shall become effective 45 days after the official date of filing. The official date of filing for the verified notice to the Commission of adjustment in rates shall be at least 45 days before the new rates are implemented.

Specific Authority 350.127(2), 367.121(1)(c), (f) FS. Law Implemented 367.081(4), 367.121(1)(c), (g) FS. History—New 6-10-75, Amended 4-5-79, 4-5-81, 10-21-82, Formerly 25-10.179, Amended 11-10-86, 6-5-91, 4-18-99.

TEXAS

72nd Leg., 1st C.S., ch. 3, Sec. 4.03, eff. Sept. 1, 1991; Acts 1993, 73rd Leg., ch. 402, Sec. 1, eff. Aug. 30, 1993; Acts 1995, 74th Leg., ch. 400, Sec. 4, eff. Sept. 1, 1995; Acts 2001, 77th Leg., ch. 965, Sec. 3.10, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 966, Sec. 10.06, eff. Sept. 1, 2001.

Amended by:

Acts 2005, 79th Leg., Ch. <u>1106</u>, Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. <u>1021</u>, Sec. 9.02, eff. September 1, 2011.

Acts 2011, 82nd Leg., R.S., Ch. <u>1163</u>, Sec. 180, eff. September 1, 2011.

Sec. 13.188. ADJUSTMENT FOR CHANGE IN ENERGY COSTS. (a)

Notwithstanding any other provision in this chapter, the commission by rule shall adopt a procedure allowing a utility to file with the commission an application to timely adjust the utility's rates to reflect an increase or decrease in documented energy costs in a pass through clause. The commission, by rule, shall require the pass through of documented decreases in energy costs within a reasonable time. The pass through, whether a decrease or increase, shall be implemented on no later than an annual basis, unless the commission determines a special circumstance applies.

- (b) Notwithstanding any other provision to the contrary, this adjustment is an uncontested matter not subject to a contested case hearing. However, the executive director shall hold an uncontested public meeting:
- (1) on the request of a member of the legislature who represents the area served by the water and sewer utility; or
- (2) if the executive director determines that there is substantial public interest in the matter.
- (c) A proceeding under this section is not a rate case and Section 13.187 does not apply.

Added by Acts 2007, 80th Leg., R.S., Ch. <u>1430</u>, Sec. 2.07, eff. September 1, 2007.

Sec. 13.189. UNREASONABLE PREFERENCE OR PREJUDICE AS TO RATES OR SERVICES. (a) A water and sewer utility as to rates or services

Page 1

C

Texas Administrative Code <u>Currentness</u>
Title 30. Environmental Quality
Part 1. Texas Commission on Environmental
Quality
Chapter 291. Utility Regulations
<u>Subchapter B.</u> Rates, Rate-Making, and
Rates/Tariff Changes

 \rightarrow § 291.21. Form and Filing of Tariffs

- (a) Approved tariff. A utility may not directly or indirectly demand, charge, or collect any rate or charge, or impose any classifications, practices, rules, or regulations different from those prescribed in its approved tariff filed with the commission or with the municipality exercising original jurisdiction over the utility, except as noted in this subsection. A utility may charge the rates proposed under Texas Water Code (TWC), § 13.187(a) (relating to Statement of Intent to Change Rates) after the proposed effective date, unless the rates are suspended or the commission or a judge sets interim rates. The regulatory assessment required in TWC, § 5.235(n) does not have to be listed on the utility's approved tariff to be charged and collected but must be included in the tariff at the earliest opportunity. A person who possesses facilities used to provide water utility service or a utility that holds a certificate of public convenience and necessity to provide water service that enters into an agreement in accordance with TWC, § 13.250(b)(2), may collect charges for wastewater services on behalf of another retail public utility on the same bill with its water charges and shall at the earliest opportunity include a notation on its tariff that it has entered into such an agreement. A utility may enter into a contract with a county to collect solid waste disposal fees and include those fees on the same bill with its water charges and shall at the earliest opportunity include a notation on its tariff that it has entered into such an agreement.
- (b) Requirements as to size, form, identification, minor changes, and filing of tariffs.
 - (1) Tariffs filed with applications for certificates of convenience and necessity.

- (A) Every public utility shall file with the commission the number of copies of its tariff required in the application form containing schedules of all its rates, tolls, charges, rules, and regulations pertaining to all of its utility service when it applies for a certificate of convenience and necessity to operate as a public utility. The tariff must be on the form the commission prescribes or another form acceptable to the commission.
- (B) Every water supply or sewer service corporation shall file with the commission the number of copies of its tariff required in the application form containing schedules of all its rates, tolls, charges, rules, and regulations pertaining to all of its utility service when it applies for a certificate of convenience and necessity to operate as a retail public utility.
- (2) Minor tariff changes. Except for an affected county, a public utility's approved tariff may not be changed or amended without commission approval. An affected county may change rates for water or wastewater service without commission approval but shall file a copy of the revised tariff with the commission within 30 days after the effective date of the rate change.
 - (A) The executive director may approve the following minor changes to tariffs:
 - (i) service rules and policies;
 - (ii) changes in fees for customer deposits, meter tests, return check charges, and late charges, provided they do not exceed the maximum allowed by the applicable sections;
 - (iii) implementation of a purchased water or sewage treatment provision, a temporary water rate provision in response to mandatory reductions in water use imposed by a court, government

agency, or other authority, or water use fee provision previously approved by the commission;

- (iv) surcharges over a time period determined by the executive director to reflect the change in the actual cost to the utility for sampling costs, commission inspection fees, or at the discretion of the executive director, other governmental requirements beyond the utility's control;
- (v) addition of the regulatory assessment as a separate item or to be included in the currently authorized rate;
- (vi) addition of a provision allowing a utility to collect wastewater charges in accordance with <u>TWC</u>, § 13.250(b)(2) or § 13.147(d);
- (vii) rate adjustments to implement authorized phased or multi-step rates or downward rate adjustments to reconcile rates with actual costs;
- (viii) addition of a production fee charged by a groundwater conservation district as a separate item calculated by multiplying the customer's total consumption, including the number of gallons in the base bill, by the actual production fee per thousand gallons; or
- (ix) implementation of an energy cost adjustment clause.
- (B) The addition of an extension policy to a tariff or a change to an existing extension policy does not qualify as a minor tariff change because it must be approved or amended in a rate change application.
- (3) Tariff revisions and tariffs filed with rate changes. The utility shall file three copies of each revision or in the case of a rate change, the number required in the application form. Each revision must be accompanied by a cover page that contains a list of pages being revised, a

statement describing each change, its effect if it is a change in an existing rate, and a statement as to impact on rates of the change by customer class, if any. If a proposed tariff revision constitutes an increase in existing rates of a particular customer class or classes, then the commission may require that notice be given.

- (4) Rate schedule. Each rate schedule must clearly state the territory, subdivision, city, or county in which the schedule is applicable.
- (5) Tariff sheets. Tariff sheets must be numbered consecutively. Each sheet must show an effective date, a revision number, section number, sheet number, name of the utility, the name of the tariff, and title of the section in a consistent manner. Sheets issued under new numbers must be designated as original sheets. Sheets being revised must show the number of the revision, and the sheet numbers must be the same.
- (c) Composition of tariffs. A utility's tariff, including those utilities operating within the corporate limits of a municipality, must contain sections setting forth:
 - (1) a table of contents;
 - (2) a list of the cities and counties, and subdivisions or systems, in which service is provided;
 - (3) the certificate of convenience and necessity number under which service is provided;
 - (4) the rate schedules;
 - (5) the service rules and regulations, including forms of the service agreements, if any, and customer service inspection forms required to be completed under § 290.46(j) of this title (relating to Minimum Acceptable Operating Practices for Public Drinking Water Systems) if the form used deviates from that specified in § 290.47(d) of this title (relating to Appendices);
 - (6) the extension policy;
 - (7) an approved drought contingency plan as required by § 288.20 of this title (relating to Drought Contingency Plans for Municipal Uses

by Public Water Suppliers); and

- (8) the form of payment to be accepted for utility services.
- (d) Tariff filings in response to commission orders. Tariff filings made in response to an order issued by the commission must include a transmittal letter stating that the tariffs attached are in compliance with the order, giving the application number, date of the order, a list of tariff sheets filed, and any other necessary information. Any service rules proposed in addition to those listed on the commission's model tariff or any modifications of a rule in the model tariff must be clearly noted. All tariff sheets must comply with all other sections in this chapter and must include only changes ordered. The effective date and/or wording of the tariffs must comply with the provisions of the order.
- (e) Availability of tariffs. Each utility shall make available to the public at each of its business offices and designated sales offices within Texas all of its tariffs currently on file with the commission or regulatory authority, and its employees shall lend assistance to persons requesting information and afford these persons an opportunity to examine any of such tariffs upon request. The utility also shall provide copies of any portion of the tariffs at a reasonable cost to reproduce such tariff for a requesting party.
- (f) Rejection. Any tariff filed with the commission and found not to be in compliance with this section must be so marked and returned to the utility with a brief explanation of the reasons for rejection.
- (g) Change by other regulatory authorities. Tariffs must be filed to reflect changes in rates or regulations set by other regulatory authorities and must include a copy of the order or ordinance authorizing the change. Each utility operating within the corporate limits of a municipality exercising original jurisdiction shall file with the commission a copy of its current tariff that has been authorized by the municipality.
- (h) Purchased water or sewage treatment provision.
 - (1) A utility that purchases water or sewage treatment may include a provision in its tariff to pass through to its customers changes in such

- costs. The provision must specify how it is calculated and affects customer billings.
- (2) This provision must be approved by the commission in a rate proceeding. A proposed change in the method of calculation of the provision must be approved in a rate proceeding.
- (3) Once the provision is approved, any revision of a utility's billings to its customers to allow for the recovery of additional costs under the provision may be made only upon issuing notice as required by paragraph (4) of this subsection. The executive director's review of a proposed revision is an informal proceeding. Only the commission, the executive director, or the utility may request a hearing on the proposed revision. The recovery of additional costs is defined as an increase in water use fees or in costs of purchased water or sewage treatment.
- (4) A utility that wishes to revise utility billings to its customers pursuant to an approved purchased water or sewer treatment or water use fee provision to allow for the recovery of additional costs shall take the following actions prior to the beginning of the billing period in which the revision takes effect:
 - (A) submit a written notice to the executive director; and
 - (B) mail notice to the utility's customers. Notice may be in the form of a billing insert and must contain the effective date of the change, the present calculation of customer billings, the new calculation of customer billings, and the change in charges to the utility for purchased water or sewage treatment or water use fees. The notice must include the following language: "This tariff change is being implemented in accordance with the utility's approved (purchased water) (purchased sewer) (water use fee) adjustment clause to recognize (increases) (decreases) in the (water use fee) (cost of purchased) (water) (sewage treatment). The cost of these charges to customers will not exceed the (increased) (decreased) cost of (the water use fee) (purchased) (water) (sewage treatment)."

- (5) Notice to the commission must include a copy of the notice sent to the customers, proof that the cost of purchased water or sewage treatment has changed by the stated amount, and the calculations and assumptions used to determine the new rates.
- (6) Purchased water or sewage treatment provisions may not apply to contracts or transactions between affiliated interests.
- (i) Effective date. The effective date of a tariff change is the date of approval by the executive director unless otherwise stated in the letter transmitting the approval or the date of approval by the commission, unless otherwise specified in a commission order or rule. The effective date of a proposed rate increase under TWC, § 13.187 is the proposed date on the notice to customers and the commission, unless suspended and must comply with the requirements of § 291.8(b) of this title (relating to Administrative Completeness).
- (j) Tariffs filed by water supply or sewer service corporations. Every water supply or sewer service corporation shall file, for informational purposes only, one copy of its tariff showing all rates that are subject to the appellate jurisdiction of the commission and that are in force for any utility service, product, or commodity offered. The tariff must include all rules and regulations relating to or affecting the rates, utility service or extension of service or product, or commodity furnished and shall specify the certificate of convenience and necessity number and in which counties or cities it is effective.

(k) Surcharge.

- (1) A surcharge is an authorized rate to collect revenues over and above the usual cost of service.
- (2) If specifically authorized for the utility in writing by the executive director or the municipality exercising original jurisdiction over the utility, a surcharge to recover the actual increase in costs to the utility may be collected over a specifically authorized time period without being listed on the approved tariff for:
 - (A) sampling fees not already included in

rates;

- (B) inspection fees not already included in rates:
- (C) production fees or connection fees not already included in rates charged by a groundwater conservation district; or
- (D) other governmental requirements beyond the control of the utility.
- (3) A utility shall use the revenues collected pursuant to a surcharge only for the purposes noted and handle the funds in the manner specified according to the notice or application submitted by the utility to the commission, unless otherwise directed by the executive director. The utility may redirect or use the revenues for other purposes only after first obtaining the approval of the executive director.

(l) Temporary water rate.

(1) A utility's tariff may include a temporary water rate provision that will allow the utility to increase its retail customer rates during periods when a court, government agency, or other authority orders mandatory water use reduction measures that affect the utility customer' use of water service and the utility's water revenues. Implementation of the temporary water rate provision will allow the utility to recover from customers revenues that the utility would otherwise have lost due to mandatory water use reductions in accordance with the temporary water rate provision approved by the commission. If a utility obtains a portion of its water supply from another unrestricted water source or water supplier during the time the temporary water rate is in effect, the rate resulting from implementation of the temporary water rate provision must be adjusted to account for the supplemental water supply and to limit over-recovery of revenues from customers. A temporary water rate provision may not be implemented by a utility if there exists an available, unrestricted, alternative water supply that the utility can use to immediately replace, without additional cost, the water made unavailable because of the action requiring a mandatory reduction of use of the affected water supply.

(2) The temporary water rate provision must be approved by the commission in a rate proceeding before it may be included in the utility's approved tariff or implemented as provided in this subsection. A proposed change in the temporary water rate must be approved in a rate proceeding. A utility that has filed a rate change within the last 12 months may file a request for the limited purpose of obtaining a temporary water rate provision.

(3) A utility may request a temporary water rate provision using the formula in this paragraph to recover 50% or less of the revenues that would otherwise have been lost due to mandatory water use reductions through a limited rate proceeding. The formula for a temporary water rate provision under this paragraph is:

TGC = temporary gallonage charge

cgc = current gallonage charge

r = water use reduction expressed as a decimal fraction (the pumping restriction)

prr = percentage of revenues to be recovered expressed as a decimal fraction (i.e.

TGC = cgc + [(prr)(cgc)(r)/(1.0-r)]

- (A) The utility shall file a temporary water rate application prescribed by the executive director and provide customer notice as required in the application, but is not required to provide complete financial data to support its existing rates. Notice must include a statement of when the temporary water rate provision would be implemented, the classes of customers affected, the rates affected, information on how to protest the rate change, the required number of protests to ensure a hearing, the address of the commission, the time frame for protests, and any other information that is required by the executive director in the temporary water rate application. The utility's existing rates are not subject to review in the proceeding and the utility is only required to support the need for the temporary rate. A request for a temporary water rate provision under this paragraph is not considered a statement of intent to increase rates subject to the 12-month limitation in § 291.23 of this title (relating to Time between Filings).
- (B) The utility shall establish that the projected revenues that will be generated by the temporary water rate provision are required by the utility to pay reasonable and necessary expenses that will be incurred by the utility during the time mandatory water use reductions are in effect.

- (4) A utility may request a temporary water rate provision using the formula in paragraph (3) of this subsection or any other method acceptable to the commission to recover up to 100% of the revenues that would otherwise have been lost due to mandatory water use reductions.
 - (A) If the utility requests authorization to recover more than 50% of lost revenues, it shall submit financial data to support its existing rates as well as the temporary water rate provision even if no other rates are proposed to be changed. The utility shall complete a rate application and provide notice in accordance with the requirements of § 291.22 of this title (relating to Notice of Intent To Change Rates). The utility's existing rates are subject to review in addition to the temporary water rate provision.
 - (B) The utility shall establish that the projected revenues that will be generated by the temporary water rate provision are required by the utility to pay reasonable and necessary expenses that will be incurred by the utility during the time mandatory water use reductions are in effect; that the rate of return granted by the commission in the utility's last rate case does not adequately compensate the utility for the foreseeable risk that mandatory water use reductions will be ordered; and that revenues generated by existing rates do not exceed reasonable cost of service.

- (5) The utility may place the temporary water rate into effect only after:
 - (A) the temporary water provision has been approved by the commission and included in the utility's approved tariff in a prior rate proceeding;
 - (B) there is an action by a court, government agency, or other authority requiring mandatory water use reduction measures that affect the utility's customers' use of utility services; and
 - (C) issuing notice as required by paragraph(7) of this subsection.
- (6) The utility may readjust its rates using the temporary water rate provision as necessary to respond to modifications or changes to the original order requiring mandatory water use reductions by reissuing notice as required by paragraph (7) of this subsection. The executive director's review of the proposed implementation of an approved temporary water rate provision is an informal proceeding. Only the commission, the executive director, or the utility may request a hearing on the proposed implementation.
- (7) A utility that wishes to place a temporary water rate into effect shall take the following actions prior to the beginning of the billing period in which the temporary water rate takes effect:
 - (A) submit a written notice, including a copy of the notice received from the court, government agency, or other authority requiring the reduction in water use, to the executive director; and
 - (B) mail notice to the utility's customers. Notice may be in the form of a billing insert and must contain the effective date of the implementation and the new rate the customers will pay after the temporary water rate is implemented. The notice must include the following language: "This rate change is being implemented in accordance with the temporary water rate provision approved by the Texas Commission on Environmental

Quality to recognize the loss of revenues due to mandatory water use reduction ordered by (name of entity issuing order). The new rates will be effective on (date) and will remain in effect until the mandatory water use reductions are lifted or expired. The purpose of the rate is to ensure the financial integrity of the utility. The utility will recover through the rate (the percentage authorized by the temporary rate) % of the revenues the utility would otherwise have lost due to mandatory water use reduction by increasing the volume charge from (\$ per 1,000 gallons to \$ per 1,000 gallons)."

- (8) A utility shall stop charging a temporary water rate as soon as is practical after the order that required mandatory water use reduction is ended, but in no case later than the end of the billing period that was in effect when the order was ended. The utility shall notify its customers of the date that the temporary water rate ends and that its rates will return to the level authorized before the temporary water rate was implemented.
- (9) If the commission initiates an inquiry into the appropriateness or the continuation of a temporary water rate, it may establish the effective date of its decision on or after the date the inquiry is filed.
- (m) Multiple system consolidation. Except as otherwise provided in subsection (o) of this section, a utility may consolidate its tariff and rate design for more than one system if:
 - (1) the systems included in the tariff are substantially similar in terms of facilities, quality of service, and cost of service; and
 - (2) the tariff provides for rates that promote water conservation for single-family residences and landscape irrigation.
- (n) Regional rates. The commission, where practicable, shall consolidate the rates by region for applications submitted with a consolidated tariff and rate design for more than one system.
- (o) Exemption. Subsection (m) of this section does not

apply to a utility that provided service in only 24 counties on January 1, 2003.

- (p) Energy cost adjustment clause.
 - (1) A utility that purchases energy (electricity or natural gas) that is necessary for the provision of water or sewer service may request the inclusion of an energy cost adjustment clause in its tariff to allow the utility to adjust its rates to reflect increases and decreases in documented energy costs.
 - (2) A utility that requests the inclusion of an energy cost adjustment clause in its tariff shall file an application with the executive director. The utility shall also give notice of the proposed energy cost adjustment clause by mail, either separately or accompanying customer billings, or by hand delivery to all affected utility customers at least 60 days prior to the proposed effective date. Proof of notice in the form of an affidavit stating that proper notice was mailed to affected customers and stating the dates of such mailing shall be filed with the commission by the applicant utility as part of the application. Notice must be provided on the notice form included in the commission's application package and must contain the following information:
 - (A) the utility name and address, a description of how the increase or decrease in energy costs will be calculated, the effective date of the proposed change, and the classes of utility customers affected. The effective date of the proposed energy cost adjustment clause must be the first day of a billing period, which should correspond to the day of the month when meters are typically read, and the clause may not apply to service received before the effective date of the clause;
 - (B) information on how to submit comments regarding the energy cost adjustment clause, the address of the commission, and the time frame for comments; and
 - (C) any other information that is required by the executive director in the application form.

- (3) The executive director's review of the utility's application is an uncontested matter not subject to a contested case hearing. However, the executive director shall hold an uncontested public meeting on the application if requested by a member of the legislature who represents the area served by the utility or if the executive director determines that there is substantial public interest in the matter.
- (4) Once an energy cost adjustment clause has been approved, documented changes in energy costs must be passed through to the utility's customers within a reasonable time. The pass through, whether an increase or decrease, shall be implemented on at least an annual basis, unless the executive director determines a special circumstance applies. Anytime changes are being made using this provision, notice shall be provided as required by paragraph (5) of this subsection.
- (5) Before a utility implements a change in its energy cost adjustment clause as required by paragraph (4) of this subsection, the utility shall take the following actions prior to the beginning of the billing period in which the implementation takes effect:
 - (A) submit written notice to the executive director, which must include a copy of the notice sent to the customers, proof that the documented energy costs have changed by the stated amount; and
 - (B) mail either separately or accompanying customer billings, or hand deliver notice to the utility's affected customers. Notice must contain the effective date of change and the increase or decrease in charges to the utility for documented energy costs. The notice must include the following language: "This tariff change is being implemented in accordance with the utility's approved energy cost adjustment clause to recognize (increases) (decreases) in the documented energy costs. The cost of these charges to customers will not exceed the (increase) (decrease) in documented energy costs."
- (6) The executive director may suspend the

adoption or implementation of an energy cost adjustment clause if the utility has failed to properly complete the application or has failed to comply with the notice requirements or proof of notice requirements. If the utility cannot clearly demonstrate how the clause is calculated, the increase or decrease in documented energy costs or how the increase or decrease in documented energy costs will affect rates, the executive director may suspend the adoption or implementation of the clause until the utility provides additional documentation requested by the executive director. If the executive director suspends the adoption or implementation of the clause, the adoption or implementation will be effective on the date specified by the executive director.

- (7) Energy cost adjustment clauses may not apply to contracts or transactions between affiliated interests.
- (8) A proceeding under this subsection is not a rate case, and <u>TWC</u>, § 13.187 does not apply.

Source: The provisions of this § 291.21 adopted to be effective October 9, 1990, 15 TexReg 4019; amended to be effective January 10, 1996, 21 TexReg 114; amended to be effective September 20, 1996, 21 TexReg 8728; amended to be effective February 4, 1999, 24 TexReg 738; amended to be effective October 19, 2000, 25 TexReg 10367; amended to be effective August 29, 2002, 27 TexReg 7924; amended to be effective May 5, 2005, 30 TexReg 2528; amended to be effective September 28, 2006, 31 TexReg 8106; amended to be effective July 10, 2008, 33 TexReg 5327.

30 TAC § 291.21, 30 TX ADC § 291.21

Current through June 30, 2012

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WYOMING



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Wyoming Rules and Regulations <u>Currentness</u>
Public Service Commission
Board or Commission Rules General Agency

Substitute Chapter 2. General Regulations

→ → Section 249. Electric, Gas, and Water Public Utility Commodity Purchase Pass-On Procedure.

Pursuant to <u>W.S. § 37-3-106</u> and the rate filing requirements of this Chapter, a public utility may file an application to pass on to its utility customers in rates, known commodity or commodity related cost increases or decreases. A public utility shall file an application to pass on projected or estimated commodity related cost increases or decreases under this section in accordance with filed tariffs that comply with Section 250.

- (a) Pass-on applications for public utilities subject to an explicit Commission authorized rate of return may be authorized, subject to public notice, opportunity for hearing and refund, if the evidence of record shows:
 - (i) That allowing the recovery of the costs would be in the public interest and the pass-on is for prudently incurred wholesale utility commodity cost increases or decreases not under this Commission's jurisdiction or other 2-30 commodity related costs explicitly requested and supported by the public utility and deemed appropriate by the Commission such as interstate or intrastate transmission or transportation costs, storage costs, fuel costs, hedging costs, or other commodity related costs.
 - (ii) That the pass-on only includes actual or projected increases in commodity or commodity related costs and will not result in the public utility's normalized rate of return on rate base exceeding that last authorized by the Commission. If the public utility is exceeding its authorized rate of return on rate base, the Commission may initiate a rate investigation on its own motion to have the public utility show why its base rates should not be adjusted, or may take any other duly authorized action to assure rates and earnings remain just and reasonable.
- (b) A pass-on application filed under subsection (a) shall:
 - (i) Include documentation showing the public utility's normalized annual earnings and rate of return on rate base, comparing the rate of return on rate base to that last authorized by the Commission.
 - (ii) If the public utility files pass-on applications more often than annually, such documentation shall be filed at least annually and shall accompany a pass-on application. If the public utility files such applications less often than annually, such documentation shall accompany each application. The appropriate form and level of detail of the required supporting documentation shall be determined by the Commission on a case-by-case basis, in consideration of the public utility's size, complexity, nature of operations, corporate structure, and other relevant factors. The public utility shall be responsible for providing sufficiently detailed, reliable, and supportable documentation that accurately portrays its earnings.
- (c) Public utilities not subject to an explicit Commission authorized rate of return shall submit documentation showing its recent level of normalized annual earnings compared to any financial parameters established by the Commission as a measure of the public utility's earnings. Pass-on applications for these public utilities may be authorized, subject to public notice, opportunity for hearing and refund, if the evidence of record shows:
 - (i) That allowing the recovery of the costs would be in the public interest and the pass-on is for prudently incurred

wholesale utility commodity cost increases or decreases not under this Commission's jurisdiction or other commodity related costs explicitly requested and supported by the public 2-31 utility and deemed appropriate by the Commission such as interstate or intrastate transmission or transportation costs, storage costs, fuel costs, hedging costs, or other commodity-related costs.

- (ii) That the pass-on only includes actual or projected increases in commodity or commodity related costs and will not result in the public utility's normalized annual earnings exceeding that last authorized by the Commission. If the public utility is exceeding its authorized earnings, the Commission may initiate a rate investigation on its own motion to have the public utility show why its base rates should not be adjusted, or may take any other duly authorized action to assure rates and earnings remain just and reasonable.
- (d) A pass-on application filed under subsection (c) shall:
 - (i) Include documentation showing the public utility's normalized annual earnings, comparing the earnings to the financial parameters last authorized by the Commission.
 - (ii) If the public utility files pass-on applications more often than annually, such documentation shall be filed at least annually and shall accompany a pass-on application. If the public utility files such applications less often than annually, such documentation shall accompany each application. The appropriate form and level of detail of the required supporting documentation shall be determined by the Commission on a case-by-case basis, in consideration of the public utility's size, complexity, nature of operations, corporate structure, and other relevant factors. The public utility shall be responsible for providing sufficiently detailed, reliable, and supportable documentation that accurately portrays its earnings.
- (e) The pass-on shall be allocated to all retail rate classes and contract customers on an equal or proportionate basis. The Commission may consider special circumstances related to the allocation of costs to contract customers. Exceptions to the equal or proportionate class allocation may be permitted if specifically requested and justified and found by the Commission to be in the public interest.
- (f) All pass-on rates shall be filed as a cumulative rate rider or surcharge separate from base rates, which may be blended into and consolidated with base rates in general rate case proceedings or as otherwise ordered by the Commission.
- (g) As part of all pass-on filings under this rule, including all balancing account applications under Section 250, the public utility shall provide supporting documentation that the gas, electric or water commodity costs included in the pass-on application are the most reasonable option practically available to the public utility for safe, adequate and reliable service to retail customers, including, but not limited to:
 - (i) Documentation demonstrating the efforts taken by the public utility to serve its customers result in the most reasonable rate available consistent with safe, adequate and reliable service. A public utility may file integrated resource plans or commodity acquisition plans for Commission review and such plans, after acknowledgment by the Commission, shall comply with this requirement.
 - (ii) Physical hedging costs the public utility seeks to include in its pass-on rates, such as diversified contract terms and conditions, storage management, or other measures shall be documented in the application.
 - (iii) Financial hedging costs the public utility seeks to include in its pass-on rates, such as costs related to futures contracts, price caps, financial derivatives, swap agreements, collars, and other measures to achieve price stability or reduce price volatility shall be documented in the application.

(iv) Records of all physical and financial hedging costs incurred by the public utility for purposes of securing its commodity portfolio shall be maintained by the public utility and a written summary of such costs included in the supporting documentation supplied with the pass-on application. All records of such costs shall be available for audit by the Commission at any time.

Date Filed 09-08-2009

WY Rules and Regulations PSC GEN Ch. 2 s 249, WY ADC PSC GEN Ch. 2 s 249

Current through March 31, 2012

END OF DOCUMENT

REGULATIONS -- STATES OF ILLINOIS AND NEW JERSEY

PURCHASED WATER AND PURCHASED SEWAGE AND TREATMENT AND DISPOSAL

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Ill. Admin. Code tit. 83, Ch. I, Subch. E, Pt. 655, Refs & Annos

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 655. Purchased Water and Sewage Treatment Surcharges

AUTHORITY: Implementing Section 9-220.2 and authorized by Section 10-101 of the Public Utilities Act [220 ILCS 5/9-220.2 and 10-101].

SOURCE: Adopted at 25 Ill. Reg. 16277, effective December 19, 2001.

83 Ill. Adm. Code Ch. I, Subch. E, Pt. 655, Refs & Annos, 83 IL ADC Ch. I, Subch. E, Pt. 655, Refs & Annos

This document is Current through January 27, 2012

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83 Ill. Adm. Code 655.10

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Ill. Admin. Code tit. 83, § 655.10

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.10 Applicability

- a) A purchased water/sewage treatment surcharge shall be applied to water/sewer bills of customers of water/sewer utilities in the applicable rate zone for utilities having a purchased water/sewage treatment surcharge rider and information sheet in effect and on file with the Illinois Commerce Commission (Commission).
- b) A purchased water/sewage treatment surcharge shall be applied, during the effective month, in accordance with the provisions of this Part.
- c) Each purchased water/sewage treatment surcharge shall be determined in accordance with Section 655.40 of this Part.

83 ILAC § 655.10, 83 IL ADC 655.10

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Ill. Admin. Code tit. 83, § 655.20

West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.20 Definitions

"Act" means the Public Utilities Act [220 ILCS 5].

"Base period" means the remaining months in the reconciliation year that includes the effective month.

"Billing unit" means the unit of billing for water billed to the customer by the utility, for example, thousands of gallons or hundreds of cubic feet.

"Commercial customer" means any customer that is not a residential customer or multi-unit residential customer.

"Effective month" means any month during which the water/sewage treatment surcharge shall be in effect.

"Equivalent billing units" means the number of 5/8-inch meters equivalent in flow to a larger meter.

"Information sheet" means a tariff sheet supplemental to the rider filed in accordance with this Part that establishes the initial or modified amount of a purchased water/sewage treatment surcharge.

"Large commercial customer" means a commercial customer with an annual water use of 100,000 gallons or more.

"Multi-unit residential customer" means a dwelling unit used primarily as a residence and located in a master metered building containing more than one such dwelling unit.

"Purchased water/sewage treatment surcharge" means the amount added to a customer's bill in accordance with Section 655.40 of this Part.

"Rate zone" means the service areas to which a particular base rate or purchased water/sewage treatment surcharge applies, but does not include areas that have different base rates or purchased water/sewage treat-

ment surcharges, even though such areas may be served by the utility.

"Reconciliation year" means the calendar year for which actual water and sewage costs and revenues attributable to the purchased water/sewage treatment surcharge are to be reconciled.

"Residential customer" means a customer serviced at an individually metered premises used primarily as a residence.

"Small commercial customer" means a commercial customer with an annual water use below 100,000 gallons.

83 ILAC § 655.20, 83 IL ADC 655.20

This document is Current through January 27, 2012

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West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.30 Recoverable Purchased Water/Sewage Treatment Costs

- a) Costs recoverable through the purchased water/sewage treatment surcharge shall include the following:
- 1) The cost of purchased water from an entity other than the utility (including wheeling or delivery charges); and
- 2) The cost of purchased sewage treatment from an entity other than the utility.
- b) Recoverable purchased water/sewage treatment costs shall be offset by the revenues derived from transactions at rates not subject to the purchased water/sewage treatment surcharge to the extent that costs incurred in connection with such transactions are recoverable costs under subsection (a) above. Subsection (a) shall apply to transactions subject to rates contained in tariffs on file with the Commission, in contracts entered into pursuant to such tariffs, and in any other contracts providing for purchased water/sewage treatment.
- c) Revenues from penalty charges approved by the Commission that relate to purchased water/sewage treatment shall offset recoverable costs as determined under Section 655.40 of this Part.
- d) The determination of costs recoverable from customers through the purchased water/sewage treatment surcharge shall not include water used in, and/or sewage treated for, facilities either owned or leased by the utility.

83 ILAC § 655.30, 83 IL ADC 655.30

This document is Current through January 27, 2012

83 Ill. Adm. Code 655.40

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Ill. Admin. Code tit. 83, § 655.40

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West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Name Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.40 Determination of Purchased Water/Sewage Treatment Surcharge

- a) For the recovery of purchased water costs, the water surcharge shall consist of a monthly fixed charge and a variable charge.
 - 1) The monthly fixed charge shall recover costs that do not vary with the quantity of water purchased. Such fixed charges would include items such as depreciation for existing facilities and capital-related costs for new and existing facilities when such costs are billed by the supplier as a fixed monthly or annual amount. If there are no fixed charges from the supplier, all costs shall be recovered as a variable charge.
 - A) Fixed costs shall be distributed among customers on an equivalent meter basis. A 5/8-inch disk meter shall equal one equivalent billing unit. Equivalent billing units for meters of other sizes shall be based upon the following ratios:

Meter Size	
	Ratio
5/8" disk	1.0
3/4" disk	1.5
1" disk	2.5
1 1/2" disk	5.0
2" disk	8.0
3" disk	15.0
4" disk	25.0
6" disk	50.0
8" disk	80.0
10" disk	115.0
12" disk	168.0
3" turbine	17.5
4" turbine	30.0
6" turbine	62.5
8" turbine	90.0

	10" turbine	145.0
B) The fixed charge shall be	e calculated using the following	
$FC = \underline{FSC} + \underline{Rf} + \underline{Of}$		
EBU		
Where:		
	FC=	Monthly fixed charge per equivalent billing unit to be billed to customers during the base period.
	FSC=	Estimated fixed charge from the suppli- er during the base period.
	Rf=	Utility-determined reconciliation component for the fixed charge.
	Of=	Commission-ordered adjustment component for the fixed charge.
	EBU=	Estimated equivalent billing units for the base period.
ponent and the adjustment of	component and shall be charged	antity of water purchased plus the reconciliation com- to all customer classes based on the quantity of water ble charge shall be calculated using the following for-
$VC = \underline{VSC + Rv + Ov}$		
VBU		
Where:		
and the second second		
en en en en en en en en en en en en en e	VC=	Variable charge per variable billing unit to be billed to customers during the base period.
	VSC=	Estimated variable charge from the supplier during the base period.

Rv =

Utility-determined reconciliation com-

ponent for the variable charge.

Ov=

Commission-ordered adjustment com-

ponent for the variable charge.

VBU=

Variable billing units for water to be billed to customers during the base peri-

od expressed in 1,000 gallon or 100 cu-

bic feet increments.

b) For the recovery of purchased sewage treatment costs, if the utility's cost for purchased sewage treatment does not vary based on the strength of waste treated, the sewage treatment surcharge shall consist of a monthly charge.

1) If all customers are residential, multi-unit residential, or small commercial customers, divide the total expected cost plus the reconciliation component and the adjustment component by the estimated monthly average number of customers for the base period and divide that amount by the number of months in the base period to obtain the monthly charge. For the purposes of subsection (b)(1), each multi-unit residential customer shall be counted as 85% of a residential customer. The charge for purchased sewage treatment will be calculated using the following formula:

SCm = PST + R + O

NC x M

Where:

SCm=

Monthly charge per residential customer

or smallcommercial customer for purchased sewage treatment to be billed during the base period. (The monthly charge for each multi-unit residential

customer shall equal SCm x .85.)

PST=

Estimated cost of purchased sewage

treatment charges from the supplier for

the base period.

R=

Utility-determined reconciliation com-

ponent.

O=

Commission-ordered adjustment com-

ponent.

NC=

Estimated monthly average number of customers for the base period (each multi-unit residential customer is counted as .85 of one residential customer).

M=

Number of months in the base period.

- 2) If the system serves one or more large commercial customers, the sewage treatment surcharge shall be calculated in the following manner.
 - A) The sewage treatment surcharge for large commercial customers shall be computed by obtaining an average cost of sewage treatment per 1,000 gallons or per 100 cubic feet of water used by all customers. The large commercial customers shall have a minimum monthly bill equal to the residential monthly sewage treatment surcharge as determined under subsection (b)(2)(B). Any over-recovery of revenue resulting from the imposition of the minimum bill to large commercial customers shall result in a reduction of the cost of the large commercial rate so that the total revenue recovered equals the target revenue from large commercial customers.
 - B) The residential sewage treatment surcharge shall be a flat rate equal to the average cost per 1,000 gallons or per 100 cubic feet of water used multiplied by the total average monthly estimated water usage of the residential customer class divided by the number of residential customers. For purposes of subsection (b)(2), each multi-unit residential customer shall be counted as 85% of a residential customer.
 - C) The multi-unit residential sewage treatment surcharge shall be equal to the residential sewage treatment surcharge multiplied by .85.
 - D) The charges for purchased sewage treatment shall be calculated using the following formulae:

SCbu = PST + R + O

BU

CRSCbu = SCbu - AMC

 $RMSC = SCbu \times RAMU$

NCr

Where:

SCbu=

Average charge for purchased sewage treatment per billing unit of water to be billed to residential and commercial customers during the base period.

PST=

Estimated cost of purchased sewage treatment charges from the supplier for the base period.

R= Utility-determined reconciliation com-

ponent.

O= Commission-ordered adjustment com-

ponent.

BU= Number of billing units to be billed to

customers during the base period.

CRSCbu= Large commercial rate sewage treat-

ment charge for purchased sewage treatment per billing unit of water to be

billed.

AMC= Billing adjustment for the large com-

mercial minimum charge.

RMSC= Residential monthly sewage treatment

charge. (The multi-unit residential monthly sewage treatment charge is

equal to RMSC x .85.)

RAMU= Total residential average estimated

monthly water usage for the base peri-

od.

NCr= Number of residential and multi-unit

residential customers (each multi-unit residential customer being equal to .85

of one residential customer).

c) If the utility's cost varies based on the strength of waste treated, the appropriate formula for determination of the purchased sewage treatment surcharge will be included in the utility's purchased sewage treatment rider.

83 ILAC § 655.40, 83 IL ADC 655.40

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West's Illinois Administrative Code Currentness

Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

See Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.50 Annual Reconciliation

- a) At the time that the utility files its annual reconciliation, the utility shall file a petition pursuant to 83 Ill. Adm. Code 200 seeking approval of its annual reconciliation. The annual reconciliation shall be verified by an officer of the utility.
 - b) The utility shall provide the following schedules for each surcharge being reconciled:
 - 1) A schedule showing the costs recoverable through the applicable surcharge during the reconciliation year,
 - 2) A schedule showing the revenues arising from the applicable surcharge during the reconciliation year, and
 - 3) A schedule showing the reconciliation components determined by the utility (Rf, Rv, and R, as applicable) to be recovered or refunded throughout the April 1 through December 31 period following the filing of the annual reconciliation. The reconciliation components shall be treated as an addition to, or an offset against, actual purchased water/purchased sewage treatment costs.
 - A) The calculation of the utility-determined reconciliation components shall include the effects of the reconciliation components and adjustment components from prior reconciliation years that were effective in the year being reconciled.
 - B) The utility-determined reconciliation components shall include the total of the following items:
 - i) Refunds, directly billed supplier surcharges, unamortized balances of adjustments in effect as of the utility's implementation date, and other separately designated adjustments;
 - ii) For the initial reconciliation year, the cumulative difference between actual recoverable purchased water/sewage treatment costs and surcharge recoveries for the period preceding the initial effective month; and

- iii) The unamortized portion of any reconciliation components and/or adjustment components included in prior determinations of the purchased water/sewage treatment surcharge.
- C) The reconciliation components shall not include costs associated with unaccounted for water or any storm water inflow or infiltration in contravention of an Order of the Commission directing that such costs not be reflected in rates.
- D) If a utility determines the need to amortize a positive reconciliation component over a period longer than nine months, the utility must receive authority from the Commission's Manager of the Accounting Department to recover such costs over a longer period. The utility shall make the request in writing to the Manager of the Accounting Department. The Manager of the Accounting Department must approve the request for a longer amortization period in writing. The Manager of the Accounting Department shall consider the dollar amount of the positive reconciliation component and the impact of the positive reconciliation component on customer bills when granting or denying a utility's request for an amortization period longer than nine months.
- c) Costs and revenues associated with the purchased water/sewage treatment surcharge shall be subject to adjustment components (Of, Ov, and O, as applicable) as required by an Order of the Commission. Any difference determined by the Commission shall be credited or charged, as appropriate, along with any interest at the effective rates established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the adjustment component shall be applied from the end of the reconciliation year until the adjustment component is refunded or charged.
- d) The initial reconciliation year shall begin on the effective date of the purchased water/sewage treatment surcharge and end on December 31 of the calendar year in which the surcharge was initiated. Each subsequent reconciliation year shall begin on January 1 and shall end on December 31.
- e) The utility will file its annual reconciliation no later than the March 15 following the December 31 end of the reconciliation period. The utility-determined reconciliation component from the annual reconciliation shall become effective on the April 1 following the end of the reconciliation year.
- f) When the utility files its annual reconciliation, the utility shall provide two copies of the following items, for each surcharge being reconciled, one copy to the Commission's Manager of the Water Department and one copy to the Commission's Manager of the Accounting Department:
 - 1) Copies of all workpapers pertaining to the reconciliation;
 - Copies of all invoices supporting the costs for the applicable purchased water/sewage treatment surcharge;

- 3) Copies of the applicable general ledger or equivalent documentation supporting the recovery of the purchased water/sewage treatment surcharge;
- 4) A worksheet showing an independent calculation of the purchased water/sewage treatment surcharge. For fixed charges, the worksheet shall show the total fixed charge obtained by multiplying the monthly fixed charge by the number of customer months. For variable charges, the worksheet shall show the total variable charge obtained by multiplying the units delivered by the variable charge rate; and
- 5) A detailed worksheet showing the calculation of any reconciliation component based upon the annual reconciliation and the effect of the reconciliation component amount on the purchased water/sewage treatment surcharge rate.

83 ILAC § 655.50, 83 IL ADC 655.50

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83 Ill. Adm. Code 655.60

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Title 83: Public Utilities

Chapter I: Illinois Commerce Commission

Subchapter E: Water Utilities

Part 655. Purchased Water and Sewage Treatment Surcharges (Refs & Annos)

→ → 655.60 Implementation

- a) A utility proposing a purchased water/sewage treatment surcharge under this Part shall file a purchased water/sewage treatment surcharge rider in accordance with the requirements of Section 9-201 of the Act [220 ILCS 5/9-201].
- b) The amount of any new or modified purchased water/sewage treatment surcharge shall be shown on an information sheet supplemental to the purchased water/sewage treatment surcharge rider, which shall be filed in accordance with this Section.
- c) The utility shall provide supporting documentation and workpapers with the filing of each information sheet.
- d) The utility shall file the information sheet and supporting data for the purchased water/sewage treatment surcharge no later than the 20th day of the month preceding the effective month. An information sheet and supporting data filed after that date, but prior to the first day of the effective month, shall be accepted only if it corrects an error or errors from a timely filed information sheet for the same effective date. Any other information sheet and supporting data shall be accepted only if submitted as a special permission request to become effective on less than 45 days' notice under the provisions of Section 9-201(a) of the Act [220 ILCS 5/9-201(a)].
- e) The purchased water/sewage treatment surcharge shall be presented as a separate line item on the customer bills.
- f) The revenues resulting from each purchased water/sewage treatment surcharge shall be recorded in a separate revenue subaccount.
- g) A utility that presently has in place a separate charge for the recovery of purchased water/sewage treatment costs shall, within 180 days after December 19, 2001 (on or before June 17, 2002), file with the Commission tariff sheets proposing to initiate a new purchased water/sewage treatment surcharge rider consistent with this Part and cancel the presently effective separate charge. Such tariff sheets shall reflect the utility's proposal for disposition of reconciliation balances, if any, accrued under the separate charge in effect when

the tariff sheets are filed.

h) A utility shall provide notice as required by Section 9-201(a) of the Act after the filing of each information sheet. The utility also shall post notice of such filing in accordance with the requirements of 83 III. Adm. Code 255. Unless filed as part of a general rate increase, notice of the filing of a purchased water/sewage treatment surcharge rider also shall be given in the manner required by this subsection for the filing of information sheets.

83 ILAC § 655.60, 83 IL ADC 655.60

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- (b) Each provision violated shall constitute a separate and distinct violation, for which a separate penalty may be assessed.
- (c) Each day that the violation continues shall constitute a separate and distinct violation, for which a separate penalty may be assessed.
- (d) Any penalty assessed under this subchapter may be recovered with costs and, if applicable, interest charges, in a summary proceeding under the "penalty enforcement law," N.J.S.A. 2A:58-1 et seq.
- (e) For any violation of this subchapter, the Board and/or the Department may commence a civil action in Superior Court for appropriate relief, including, without limitation, an injunction, and the reasonable costs of preparing and litigating the case.
- (f) Use by the Board or the Department of any of the remedies provided for in this subchapter shall not preclude use of any other remedy available under this subchapter or any other applicable law.

New Rule, R.2006 d.367, effective October 16, 2006. See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

SUBCHAPTER 7. PURCHASED WATER AND WASTE-WATER ADJUSTMENT CLAUSES

14:9-7.1 Scope, applicability, and general provisions

- (a) This subchapter provides for Board approval of purchased water adjustment clauses (PWACs) and purchased wastewater adjustment clauses (PSTACs), as these terms are defined at N.J.A.C. 14:9-7.2. A PWAC or PSTAC allows a utility to include in rates the costs of fluctuations in purchased water or purchased wastewater treatment, without the necessity of a full base rate case.
- (b) To be eligible for a PWAC or a PSTAC, a utility shall meet the following requirements, as applicable:
 - 1. For a water utility, the utility's purchased water costs, as defined at N.J.A.C. 14:9-7.2, exceed 10 percent of its total operating and maintenance expenses; and
 - 2. For a wastewater utility, the utility's purchased wastewater treatment costs, as defined at N.J.A.C. 14:9-7.2, exceed 10 percent of its total operating and maintenance expenses.
- (c) The Board approves a PWAC or PSTAC for one year, based on estimates of a utility's cost of purchased water or purchased wastewater treatment, and expected total volume of water or wastewater.
- (d) At the end of each year, a utility with an approved PWAC or PSTAC shall:

1. Submit to the Board a year-end true up schedule to reconcile the previous year's actual and estimated costs of purchased water or purchased wastewater treatment; and

2. Submit a petition for an adjusted PWAC or PSTAC for the upcoming year.

Amended by R.1996 d.207, effective May 6, 1996. See: 28 N.J.R. 1190(a), 27 N.J.R. 2405(b). Added (b).

Amended by R.2001 d.133, effective May 7, 2001. See: 33 N.J.R. 367(a), 33 N.J.R. 1392(b).

In (b), deleted "regular" preceding "rate relief". Repeal and New Rule, R.2006 d.367, effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

14:9-7.2 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise. Additional definitions that apply to this subchapter can be found at N.J.A.C. 14:3-1.1 and 14:9-

"Base cost of purchased wastewater treatment" means the cost of contractually purchased wastewater treatment, as established in the most recent base rate case or through a PSTAC that has been approved through the procedures in N.J.A.C. 14:9-7.7. Purchased wastewater treatment cost shall be stated as a cost per 1,000 gallons or per 1,000,000 gallons, unless otherwise specifically approved by the Board.

"Base cost of purchased water" means the cost to a water utility of purchasing water through a contract. The base cost of purchased water is established in the most recent base rate case or adjustment clause case for that water utility. Base cost shall be stated as a cost per 1,000 gallons or cost per 1,000,000 gallons unless otherwise specifically approved by the Board.

"Base water consumption" means the amount of water consumed by customers of a particular water utility, as established in the most recent base rate Board Order, or adjustment clause Board Order that applies to that water utility. Base consumption is determined by subtracting unaccounted for water from the total amount of water that arrives from the purveyor to the utility water intake.

"Deferred accounting" means the deferral by a utility of accounting, on its books and records, for the amount of its over or under recovery of purchased water or wastewater treatment costs under a PWAC or PSTAC. A utility may request authorization for deferred accounting through a petition filed under N.J.A.C. 14:9-7.6.

"Flat rate basis" means the calculation of costs, rates and/or tariffs based on a method other than a metered basis, as defined in this section.

"Metered basis" means the calculation of costs, rates and/ or tariffs based on the flow of water or wastewater through a meter.

"New cost of purchased wastewater treatment" means the base cost of purchased wastewater treatment, as defined in this section, plus the increase or decrease in the wastewater treatment purveyor's charges to the utility since the base cost was last approved by the Board.

"New cost of purchased water" means the base cost of purchased water, as defined in this section, plus the increase or decrease in the water purveyor's charges to the utility since the base cost was last approved by the Board.

"Operating and maintenance expenses" means the amount a utility uses to pay for day-to-day operations including, but not limited to, wages, maintenance, office supplies, etc.

"Purchased wastewater treatment adjustment clause" or "PSTAC" means the provision in a wastewater utility's tariff that authorizes the utility to adjust its rates to compensate for an increase or decrease in the cost of wastewater treatment purchased from a wastewater treatment purveyor.

"Purchased water" means water that a water utility buys from a water purveyor.

"Purchased water adjustment clause" or "PWAC" means the provision in a water utility's tariff that authorizes the utility to adjust its rates to compensate for an increase or decrease in the cost of water purchased from a water purveyor.

"True up schedule" means a detailed list which reconciles the actual recovery of costs under the PWAC or PSTAC that is in effect for a particular water or wastewater utility, for a specific period of time, with the Board approved criteria for recovery of such costs, and specifies when this reconciliation will occur.

"Wastewater treatment purveyor" means either of the following:

- 1. A governmental entity, including a utility authority or commission, that is empowered by law to charge for the treatment of wastewater; or
- 2. A private entity, whose rates for the sale of wastewater treatment are regulated by the Board.

"Water utility using a flat rate basis" means any water utility whose rates and tariffs are not designed on a meter flow basis.

"Water utility using a metered basis" means any water utility whose rates and tariffs are designed on a meter flow basis.

Amended by R.1996 d.207, effective May 6, 1996. See: 28 N.J.R. 1190(a), 28 N.J.R. 2405(b).

Added "PWAC rate case expenses" and amended "base cost of purchased water", "purchased water adjustment clause" and "truing up schedule".

Amended by R.2001 d.133, effective May 7, 2001. See: 33 N.J.R. 367(a), 33 N.J.R. 1392(b).

In "Base consumption", inserted references to Board Orders; in "Deferred accounting treatment", inserted "of" following "water utility"; in "Water utility", deleted "the" following "subject to", substituted "by" for "of" preceding "the Board", and substituted "that" for "which" preced-

ing "purchases water"; in "Water utility using a metered basis", inserted "flow" following "meter".

Amended by R.2006 d.367, effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Rewrote the introductory paragraph and definitions "Base cost of purchased water", "New Cost of purchased water" and "Purchased water adjustment clause"; deleted definitions "Base consumption", "Public entity", "PWAC rate case expenses", "Revenue tax factor", "Truing up schedule", "Water purveyor" and "Water utility"; added definitions "Base cost of purchased wastewater treatment", "Base water consumption", "Flat rate basis", "Metered basis", "New cost of purchased wastewater treatment", "Operating and maintenance expenses", "Purchased wastewater treatment adjustment clause", "Purchased water", "True up schedule" and "Wastewater treatment purveyor"; and substituted definition "Deferred accounting" for "Deferred accounting treatment" and rewrote the definition.

Case Notes

Purchased Water Adjustment Clause; water company entitled to base rate increase to recover costs associated with New Jersey Water Supply Authority contract. In Matter of Shorelands Water Company for Approval of Increase in Rates, 93 N.J.A.R.2d (BRC) 27.

14:9-7.3 Initial PWAC or PSTAC

- (a) A water or wastewater utility with purchased water costs or wastewater treatment costs may file a petition with the Board for approval of an initial purchased water adjustment clause or purchased wastewater treatment clause, provided the utility meets all of the following criteria:
 - 1. The utility's purchased water cost, or purchased wastewater treatment cost, exceeds 10 percent of the utility's operating and maintenance expenses;
 - 2. The Board has approved the utility's base rates through a rate case and order during the three years prior to submittal of the petition for an initial PWAC or PSTAC; and
 - 3. The utility has received notice of an increase or decrease in the cost of purchased water from its water purveyor, or in the cost of purchased wastewater treatment from its wastewater treatment purveyor.
- (b) To obtain Board approval of an initial PWAC or PSTAC, a utility shall submit a petition that meets the requirements of N.J.A.C. 14:9-7.6. The utility shall submit the petition as soon as possible after the utility receives notice of a change in its purchased water or purchased wastewater treatment costs, and no later than 45 days after receiving such notice. The Board may extend this deadline for just cause.
- (c) No initial purchased water adjustment clause shall be approved unless a water utility, within the prior three years, has had its base rates set by the Board in a decision and order which established base level data against which the new cost of purchased water can be measured. All succeeding adjustment clauses shall reflect the incremental or decremental cost of purchased water.
- (d) The Board shall process a petition for approval of a PWAC or PSTAC in accordance with the rules of procedure regarding petitions at, N.J.A.C. 14:1-5, the rules regarding

contested cases at N.J.A.C. 14:1-8 and the Uniform Administrative Procedure Rules at N.J.A.C. 1:1,

(e) An initial PWAC or PSTAC shall remain in effect until the utility's next rate case, provided that the utility submits an annual year-end true up and an annual petition for adjustment of the PWAC or PSTAC amount, in accordance with N.J.A.C. 14:9-7.4.

Amended by R.1996 d.207, effective May 6, 1996. See: 28 N.J.R. 1190(a), 28 N.J.R. 2405(b).

Rewrote the section.

Amended by R.2001 d.133, effective May 7, 2001.

See: 33 N.J.R. 367(a), 33 N.J.R. 1392(b).

In (a), rewrote the second sentence and inserted "by the Board" preceding "for just cause" in the third sentence; in (c), substituted "The" for "Said" at the beginning of the second sentence; in (d), substituted "result from" for "are results of" preceding "a true up" in the first sentence, substituted "in" for "at" preceding "its discretion" and inserted ", whichever is the most appropriate refund under the specific circumstances" following "by check" in the second sentence.

Amended by R. 2006 d. 367, effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Section was "Petitions for purchased water adjustment clauses; truing up schedules; time for filing." Rewrote (a); added new (b), (d) and (e); recodified former (b) as new (c); and deleted former (c) through (e).

Case Notes

Purchased Water Adjustment Clause; water company entitled to base rate increase to recover costs associated with New Jersey Water Supply Authority contract. In Matter of Shorelands Water Company for Approval of Increase in Rates, 93 N.J.A.R.2d (BRC) 27.

14:9-7.4 Year-end true up schedule

- (a) Once a purchased water adjustment clause has been in effect for one year, a utility shall submit a true up schedule to the Board. The true up schedule shall compare:
 - 1. The actual cost of purchased water or of wastewater treatment for the previous year; and
 - 2. The estimated costs of purchased water or of wastewater treatment for the previous year, upon which the PWAC or PSTAC for the previous year was based.
- (b) The utility shall file the true up schedule within 45 days after the end of the year covered by the PWAC or PSTAC, regardless of whether the utility files a petition for approval of an adjustment of the PWAC or PSTAC for the following year.
- (c) If the utility files a petition for approval of an adjustment of a PWAC or PSTAC for the following year, the utility may file the year-end true up schedule for its previous year's PWAC or PSTAC in conjunction with the utility's petition for the adjustment (see N.J.A.C. 14:9-7.6), or in conjunction with the filing of a base rate case.
- (d) If the year-end true up schedule indicates that the utility recovered more under the PWAC or PSTAC than was necessary to reflect its cost of purchased water or wastewater treatment during the preceding year, the following shall apply:

- 1. The utility shall submit, as part of its true up schedule, a calculation of the interest for the year on the over recovery, in accordance with N.J.A.C. 14:3-13; and
 - 2. Either or both of the following shall apply:
 - i. The Board may require an adjustment that will reduce the utility's revenue under its PWAC or PSTAC for the following year; and/or
 - ii. The Board may require that the utility provide a refund to customers. The Board may, in its discretion, require that refunds be provided through a bill credit, refund check, or other appropriate means.
- (e) A utility that is required to provide a refund under this section shall certify to Board staff that the refund was provided, the date upon which it was provided, and the total amount of the refund.

New Rule, R.2006 d.367, effective October 16, 2006. See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Former N.J.A.C. 14:9-7.4, Petition for purchased water adjustment clauses; content; procedures, recodified to N.J.A.C. 14:9-7.6.

14:9-7.5 Billing

If a utility has a Board approved purchased water adjustment clause or purchased wastewater treatment adjustment clause, the utility shall list and identify any rate adjustment authorized through the clause separately on customer bills.

New Rule, R.2006 d.367, effective October 16, 2006. See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Former N.J.A.C. 14:9-7.5, Formula for determination of base costs by a water utility using a flat rate basis, recodified to N.J.A.C. 14:9-7.7.

14:9-7.6 Petition contents

- (a) This section sets forth the content requirements for a petition for:
 - Approval of an initial PWAC or PSTAC;
 - 2. Approval of a year-end true up schedule; and
 - 3. Approval of an adjustment to a PWAC or PSTAC for a year following the year of the initial PWAC or PSTAC.
- (b) A petition submitted under this subchapter shall include the following:
 - 1. A copy of the contracts for purchased water or purchased wastewater, which formed the basis for the utility's most recent base rate case or adjustment clause case, whichever is later;
 - 2. Copies of the present and proposed purchased water or wastewater contracts, including price and detailed financial statements of associated expenses;
 - 3. The actual number and classes of customers that the utility serves:

- As approved in the utility's most recent base rate case or adjustment clause case, whichever is later; and
 - As of the end of the most recent calendar year;
- 4. The actual volume of water or wastewater treatment purchased:
 - As approved in the utility's most recent base rate i. case or adjustment clause case, whichever is later; and
 - As of the end of the most recent calendar year;
- 5. An estimate of the cost per unit of volume of water or wastewater treatment that the utility will purchase under contracts during the upcoming year if the Board approves the PWAC or PSTAC. The utility shall develop this estimate using the methodology approved by the Board in the utility's most recent base rate case or adjustment clause case, whichever is later;
- 6. A proposed tariff sheet, entitled "Purchased Water Adjustment Clause" or "Purchased Wastewater Treatment Adjustment Clause" that shows all rate schedules in the tariff that will be affected by the clause, if approved, and how each rate schedule will be affected;
- 7. A copy of each Board Order that approves rates, which was issued as a result of the utility's most recent base rate case or its most recent adjustment clause case;
 - 8. A detailed description of all of the following:
 - The utility's efforts to investigate the basis for any cost increase proposed by its purveyor;
 - The utility's findings and results of the investigation conducted under i above;
 - iii. The utility's efforts to negotiate with the purveyor to ensure that the charges are such that they will not hamper the utility's efforts to ensure that its rates are just and reasonable;
- 9. A list of expenditures that a utility must make to conduct a rate case in accordance with Board procedures, including, but not limited to, consulting, legal and accounting fees; costs of the public notice, room rental, court reporter and transcripts for the public hearing; the cost of any necessary changes to customer invoices; and other traditional rate case expenses; and
- 10. At the utility's discretion, the utility may include a request for compression or deferred accounting.
- (c) The Board shall not accept or consider a request for deferred accounting of PWAC or PSTAC amounts except in the context of an adjustment clause proceeding. The amount that the Board will permit the utility to defer may be adjudicated in a subsequent filing of an adjustment clause or base rate case.

- (d) If the Board approves deferred accounting, the utility shall pay interest on the deferred amount in accordance with N.J.A.C. 14:3-13.2.
- (e) A utility shall serve a copy of each petition subject to this section, and all supporting exhibits, upon Rate Counsel simultaneously with the filing of the petition with the Board.
- (f) In reviewing a petition subject to this subchapter, the Board may consider such additional relevant information or financial analysis as it deems appropriate.

Amended by R.1996 d.207, effective May 6, 1996. See: 28 N.J.R. 1190(a), 28 N.J.R. 2405(b).

Rewrote (a).

Amended by R.2001 d.133, effective May 7, 2001.

See: 33 N.J.R. 367(a), 33 N.J.R. 1392(b).

In (a)5, substituted "The" for "Said" and "that" for "which" in the second sentence; rewrote (a)6; in (a)7, substituted "shall" for "will" in the third sentence; and in (e), substituted "of the petition" for "thereof" preceding "with the Board".

Recodified from N.J.A.C. 14:9-7.4 and amended by R.2006 d.367,

effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Section was "Petition for purchased water adjustment clauses; content; procedures". Rewrote the section. Former N.J.A.C. 14:9-7.6, Formula for determination of costs by a water utility using a metered basis, combined with former N.J.A.C. 14:9-7.5 as new 14:9-7.7.

Determining the customer charge under a 14:9-7.7 PWAC or PSTAC

- (a) This section sets forth the procedure by which a water or wastewater utility shall calculate the amount the utility is authorized to collect from each customer under its PWAC or PSTAC. The utility shall present this calculation to the Board for its review and approval as part of a petition submitted under N.J.A.C. 14:9-7.5.
- (b) To determine the customer charge under a PWAC or PSTAC, a utility shall apply the equation in Table B below, for all customers charged for service on a flat rate basis, and the equation in Table C below for all customers charged on a metered basis.

Table B

Determining PWAC or PSTAC Customer Charge - Flat Rate Basis Utility's base cost of purchased water or wastewater at time of petition submittal

- +/- New cost of purchased water or wastewater
- +/- Rate case expenses
- +/- Amount of costs and expenses compressed or deferred, if any
- Revenue tax factor, that is, the multiplier applied to recoup the Gross Receipts and Franchise Taxes at the rate established in the utility's last base rate or adjustment clause case
- Total allowable expenses
- Number of customers by class
- PWAC or PSTAC charge per customer for the upcoming year

Table C

Determining PWAC or PSTAC Customer Charge -- Metered Basis

Base cost of purchased water or wastewater

+/- New cost of purchased water or wastewater

+/- Rate case expenses

+/- Amount of costs and expenses compressed or deferred, if any

x Revenue tax factor, that is, the multiplier applied to recoup the Gross Receipts and Franchise Taxes at the rate established in the utility's last base rate or adjustment clause case

Total allowable expenses

Base water consumption or base wastewater treatment

 PWAC or PSTAC charge per thousand gallons for the upcoming year

Amended by R.1996 d.207, effective May 6, 1996. See: 28 N.J.R. 1190(a), 28 N.J.R. 2405(b).

Rewrote section.

Recodified from N.J.A.C. 14:9-7.5 and amended by R.2006 d.367, effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Section was "Formula for determination of base costs by a water utility using a flat rate basis". Section combined with former N.J.A.C. 14:9-7.6, Formula for determination of costs by a water utility using a metered basis. Added (a) and (b); rewrote existing table as "Table B"; and incorporated and rewrote table from former N.J.A.C. 14:9-7.6 as "Table C".

Case Notes

Purchased Water Adjustment Clause; water company entitled to base rate increase to recover costs associated with New Jersey Water Supply Authority contract. In Matter of Shorelands Water Company for Approval of Increase in Rates, 93 N.J.A.R.2d (BRC) 27.

Waste disposal rates; reasonableness of additional disposal and transportation costs; refunds for put-or-pay penalty charges; no refunds for failure to invoke Force Majeure clause; interim rate determined. In Matter of Petition of Bridgewater Resources, Inc., 92 N.J.A.R.2d (BRC) 27.

SUBCHAPTER 8. COMBINED DOMESTIC WATER AND FIRE SUPPRESSION SERVICE

14:9-8.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise. Additional definitions that apply to this subchapter can be found at N.J.A.C. 14:9-1.2, and 14:3-1.1.

"Customer's water system" means all water facilities on the customer's side of the meter, or on the customer's side of the water service, which are owned or controlled by the customer.

"DCA" means the Department of Community Affairs.

"Domestic water service" means potable water service supplied by a water utility that meets or exceeds New Jersey Safe Drinking Water rules, found at N.J.A.C. 7:10-1.3.

"Fire suppression service" means potable water supplied for use in a fire suppression system inside a structure, such as an automatic sprinkler system. "Multi-use service" means water service that is supplied to a structure through one water line extending from the water main to the structure, and which is used inside the structure for both domestic water service and fire suppression service.

14:9-8.2 Required water tariff filings and amendments

- (a) A water utility that is required under N.J.A.C. 14:1-11 to file a tariff with the Board after October 16, 2006 shall ensure that the tariff complies with this subchapter.
- (b) A water utility that has filed a tariff prior to October 16, 2006, which is in effect as of October 16, 2006, shall submit an amendment to the tariff, or a new tariff page(s), that complies with this subchapter. The water utility shall submit the amendment or new tariff page(s) by January 14, 2007.
- (c) If a residential customer or builder requests fire suppression service and that service is provided from a multi-use line of two inches or less, the customer's meter may be placed on the domestic branch of the customer's service to properly measure domestic water use.

14:9-8.3 Multi-use service

- (a) Each water utility that provides multi-use service, as defined at N.J.A.C. 14:9-8.1, shall include in its tariff the language required in this section. The water utility shall place the language in the tariff in the location required in this section.
- (b) The following language shall be located in the tariff in a Terms of Payment section governing multi-use service, or in a general Terms of Payment section:
- "A water utility may terminate a customer's multi-use service for non-payment of a valid water bill for multi-use service, in accordance with the Board's rules governing discontinuance of service at N.J.A.C. 14:3-3.6."
- (c) The following language shall be located in the tariff in a Conditions section that governs multi-use service:

"By applying for multi-use service, the customer or builder certifies that:

- 1. The customer or builder has hydraulically calculated the demand for the customer's or builder's water system, based on the simultaneous domestic demand and fire sprinkler demand. The customer or builder shall make this calculation in accordance with the Uniform Construction Code; and
- 2. The customer or builder will ensure that the system is installed in accordance with the Uniform Construction Code at N.J.A.C. 5:23; and
- 3. The customer will, prior to installation of the meter, obtain a construction permit in accordance with the Uniform Construction Code from the enforcing agency having jurisdiction over the system.

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Lew Keathley

Other Participating Employees: None

Question:

34. Provide separate accountings for total purchased power expenses and chemicals expenses for each month since October 1, 2009.

Response:

Below are the total purchased power expenses and chemical expenses per month since October 1, 2009.

Fuel and Power

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January		173,045.47	217,388.81	202,712.44
February		190,834.49	196,987.48	170,064.61
March		183,087.19	242,745.70	202,084.06
April		181,445.71	188,713.19	199,955.83
May		191,632.94	196,473.38	228,590.70
June		224,051.80	246,747.75	275,804.77
July		271,516.20	310,762.09	
August		254,696.94	258,778.97	
September		255,456.80	230,875.76	
October	187,308.06	280,686.91	269,782.70	
November	179,605.45	182,045.16	163,385.20	
December	157,022.17	198,646.49	215,985.95	

Chemicals

	<u>2009</u>	<u>2010</u>	<u> 2011</u>	<u>2012</u>
January		71,858.67	83,087.44	79,965.90
February		66,850.42	62,480.79	64,128.30
March		52,515.48	93,555.03	68,260.35
April		69,924.82	90,768.44	72,995.56
May		87,329.41	76,739.26	81,717.94

June		79,604.10	85,765.37	84,610.66
July		97,464.14	86,928.76	
August		113,848.06	133,859.88	
September		116,584.48	96,180.87	
October	84,940.92	90,575.96	79,405.47	
November	69,267.10	66,376.96	67,289.85	
December	77,179.36	76,772.81	82,996.06	

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Lew Keathley

Other Participating Employees: Kevin Rogers, Don Petry

Question:

35. For each calendar year period commencing January 1, 2006, provide separate accountings for increases or decreases from the prior calendar year in purchased power expenses and chemicals expenses.

Response:

Below are the fuel and power and chemical increases or decreases from the prior calendar year since January 1, 2006.

	Fuel and Power					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Fuel and Power	2,231,924	2,276,874	2,626,285	2,382,233	2,587,146	2,738,627
Change from Prior Year	643,229	44,949	349,411	(244,052)	204,913	151,481
		С	hemicals			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Chemical	989,613	1,091,507	1,113,328	1,265,535	989,705	1,039,057
Change from Prior Year	154,213	101,894	21,821	152,206	(275,829)	49,352

TENNESSEE AMERICAN WATER COMPANY DOCKET NO. 12-00049 FIRST DISCOVERY REQUEST OF THE CITY OF CHATTANOOGA

Responsible Witness: Gary M. VerDouw

Other Participating Employees: Ed Rex

Question:

36. Provide all **Documents** constituting, adopting, approving, referring to, or relating to a "pension tracker" or similar tariff rider in any state other than Tennessee, as referred to by Mr. VerDouw in his direct testimony beginning on page 59.

Response:

Please see the attachments which relate to American Water companies in the states of California (Decision 10-06-038 dated June 24, 2010), Missouri (Case No. WR-2007-0216, dated October 4, 2007) and New York (Case No. 91-M-0890, dated September 7, 1993). In addition, Ohio American Water Company (which was purchased by Aqua Ohio, Inc. on May 1, 2012) had a pension tracker approved in Case No. 09-0391-WS-AIR, dated May 5, 2010).

ALJ/LRR/oma

Date of Issuance 6/29/2010

Decision 10-06-038 June 24, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authorization to increase its Revenues for Water Service in its Larkfield District by \$648,100 or 23.38% in the year 2010; and by \$140,200 or 4.07% in the year 2011 and to increase its Revenues for Water Service in its Los Angeles District by \$7,886,200 or 41.29% in the year 2010; and \$1,100,000 or 4.09% in the year 2011 and to increase its Revenues for Water Service in its Sacramento District by \$17,537,800 or 51.29% in the year 2010; and \$5,339,800 or 10.25% in the year 2011.

Application 09-01-013 (Filed January 23, 2009)

And Related Matters.

Application 09-05-008 Application 09-07-002

DECISION ADOPTING THE 2010 AND 2011 REVENUE REQUIREMENT AND RATES FOR CALIFORNIA-AMERICAN WATER COMPANY IN THE LARKFIELD, LOS ANGELES, AND SACRAMENTO DISTRICTS, AND RESOLVING THE DRY CREEK DEVELOPERS SPECIAL FACILITIES FEE AND PENSION BALANCING ACCOUNT ISSUES

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DECISION ADOPTING THE 2010 and 2011 REVENUE REQUIREMENT AND RATES FOR CALIFORNIA-AMERICAN WATER COMPANY IN THE LARKFIELD, LOS ANGELES, AND SACRAMENTO DISTRICTS, AND RESOLVING THE DRY CREEK DEVELOPERS SPECIAL FACILITIES FEE AND PENSION BALANCING ACCOUNT ISSUES

1. Summary

This decision authorizes a revenue requirement for the Larkfield, Los Angeles, and Sacramento districts of California-American Water Company. The revenue requirement for the Larkfield District of California-American Water Company is \$3,079,900, a 7.23% increase for the 12 months beginning July 1, 2010. The revenue requirement for the Los Angeles District is \$25,850,700, a 26.99% increase beginning January 1, 2010. The revenue requirement for the Sacramento District is \$45,438,300, a 24.27% increase for the 12 months beginning July 1, 2010.

The overall increases include the purchased water, purchased power and pump taxes expense of \$474,500 for the Larkfield District, \$8,735,700 for the Los Angeles District and \$4,498,500 for the Sacramento District. The costs for purchased water, purchased power and pump taxes is a direct pass through to customers and was estimated in California-American Water Company's general rate case application, but calculated for this decision based on current costs. The purchased water, purchased power and pump taxes expense accounts for 15.4%, 33.8% and 9.9% of the overall revenue requirement in the Larkfield, Los Angeles and Sacramento districts respectively.

Under the adopted rates the average residential customer with average water use will experience a bill increase of 3.06% in the Larkfield District, 3.99%, 36.78% and 17.61% in the Los Angeles District sub-systems of Baldwin Hills, Duarte and San Marino, respectively, and 19.21% to 21.11% in the Sacramento District. The range of rate increase percentages in the Sacramento District

represents the difference between metered and unmetered customers. The rates for all districts will be adjusted for 2011 and 2012 consistent with the existing water company rate case plan (Decision 07-05-062).

This decision adopts the partial settlement, available online at http://docs.cpuc.gov/efile/MOTION/111662.pdf, between

California-American Water Company and the Division of Ratepayer Advocates. In addition, this decision adopts California-American Water Company's California Corporate Franchise Tax and the Domestic Production Activity Deduction calculation methodologies. The rates in this decision reflect the impacts of

Decision 10-06-003 issued on June 4, 2010, in response to Cal Am's petition to modify Decision 09-07-021. This decision also grants California-American Water Company's motion to strike portions of the opening brief of the City of Duarte.

This proceeding is closed.

2. Background

The Commission regulates water service provided by Class A water utilities pursuant to Article XII of the California Constitution and the Public Utilities Code.¹ For Class A water utilities, Pub. Util. Code § 455.2, as implemented in Decision (D.) 04-06-018 and updated in D.07-05-062, provides for a general rate case proceeding every three years.

California-American Water Company (Cal Am) is a Class A water company with seven districts: Coronado, Felton, Larkfield, Los Angeles,

¹ A Class A utility is defined as an investor-owned water utility with over 10,000 service connections.

Monterey, Sacramento, and Village. This general rate case proceeding involves the Larkfield, Los Angeles and Sacramento districts.

The Larkfield Water Company was constructed and granted a certificate of public convenience and necessity in 1959. It was merged into Citizens Utilities Company of California (Citizens) in 1995, which was then acquired by American Water Works, Inc., Cal Am's parent company, in 2002.² The Larkfield District provides water service to an unincorporated portion of Sonoma County about four miles north of the City of Santa Rosa, California. The service area includes the Larkfield and Wikiup subdivisions which lie along the eastern boundary of U.S. Highway 101 and the community of Fulton which is located west of U.S. Highway 101. An interconnected distribution system serves the three areas of the district which provides water to approximately 2,400 customers. The mix of water provided to Larkfield District customers consists of well water and water purchased from the Sonoma County Water Agency.

There are approximately 28,000 customers in the Los Angeles District. The district has three physically separated subsystems, the largest being San Marino. The other two are the neighboring Duarte subsystem and the geographically farther Baldwin Hills subsystem.³ The district is served by wells and irrigation water utilizing Cal Am's groundwater rights and by purchases from municipal wholesalers. The San Marino and Duarte subsystems use primarily groundwater while the Baldwin Hills subsystem uses approximately 50% purchased water

² The transaction was authorized by the Commission in D.01-09-057.

³ The San Marino service area is ten miles northeast of downtown Los Angeles in the San Gabriel Valley, and the Baldwin Hills service area is centrally located in an unincorporated area of Los Angeles County southwest of downtown Los Angeles and just a few miles east of the Los Angeles International Airport.

from the Metropolitan Water District and the West Basin Municipal Water District.

In 1928 the North Sacramento Light and Water Company was purchased by Public Utilities California Corporation. The name was changed to Citizens Utilities Company of California (Citizens) in 1949. Over the years, through a series of mergers and acquisitions Citizens grew to encompass the ten distinct water systems that now comprise the Sacramento District.

In January 2002 Cal Am's parent company, American Water Works, Inc., acquired Citizens. The Sacramento District provides water service to areas north, east and south of the City of Sacramento. It also includes an area west of the City of Roseville in Placer County and the smaller communities of Isleton and Walnut Grove located southwest of the City of Sacramento. The ten water systems are now operated as one. The ten systems are Antelope, Arden, Isleton, Lincoln Oaks, Parkway, Rosemont, Security, Suburban, Walnut Grove and West Placer. The Sacramento District serves almost 58,000 customers.

3. Procedural Background

On January 23, 2009, Cal Am filed its general rate case Application (A.) 09-01-013. A protest to the application was timely filed by Mark West Community Services Committee on February 13, 2009, and by the Division of Ratepayer Advocates (DRA) on January 30, 2009. A prehearing conference was held on March 25, 2009. By ruling on July 13, 2009, the Administrative Law Judge (ALJ) granted motions by the City of Duarte and the City of Bradbury for party status.

On April 23, 2009, the assigned Commissioner and ALJ issued a scoping memo setting the procedural schedule for A.09-01-013. The Commission held five public participation hearings, in Windsor, Monrovia, Inglewood, Walnut

Grove, and Rancho Cordova on June 4, 8, 9, 10, and 11, 2009, respectively. There were afternoon and evening sessions at all locations except Walnut Grove where only an evening session was held. All public participation hearings were well attended, except for Englewood where only one person was present. The discussion was robust, with most speakers expressing concern over rate increases in light of the poor economy and its impact on ratepayers. At the Monrovia public participation hearing, in addition to the comments on the size of the rate increase, many parties expressed concern over the Los Angeles District's regionalized rate structure for the San Marino, Duarte and Baldwin Hills systems.

An August 10, 2009 ALJ ruling consolidated A.09-01-013 with A.09-05-008, the application for an order authorizing the adjustment of the Dry Creek special facilities fees. On August 19, 2009, an ALJ ruling consolidated these proceedings with A.09-07-002, Cal Am's application for a balancing account to track pension and other post-retirement benefit costs.

Evidentiary hearings were scheduled for November 2 – 6, 2009. Settlement negotiations were started on October 20, 2009, and continued through November 5, 2009. At a brief evidentiary hearing on November 6, 2010, the parties informed the ALJ that most items had been settled and the parties were willing to forego extensive evidentiary hearings, have the witnesses' prepared testimony and other exhibits received into the record without cross examination, and submit the case on briefs. The ALJ directed the parties to submit the settlement agreement no later than December 4, 2009, in order to maintain the proceeding schedule. Cal Am and DRA requested one week extensions of time for submitting the settlement on December 4 and December 11, 2009. The ALJ

granted both requests and set the final deadline for submission of the settlement agreement as December 18, 2009.

On January 19, 2010, opening briefs were filed by Cal Am, DRA, the Mark West Area Community Services Committee and the Cities of Duarte and Bradbury. Reply briefs were filed on February 3, 2010. The case was submitted on February 3, 2010.

4. The Settlement

On December 18, 2009, Cal Am and DRA filed a joint motion for adoption of the settlement agreement addressing most issues in the proceeding.

The settlement describes in detail the parties' initial positions, areas of disagreement and the final resolution of each item. Settlement was achieved a number of ways; the parties agreed on a particular issue at the outset, new or corrected information was provided altering one party's initial position, or a compromise position was agreed upon by the parties. The settlement includes all but two disputed issues relating to taxes; the California Corporate Franchise Tax and the Domestic Production Activities Deduction tax calculations. Those issues are discussed and resolved later in the decision. The following section summarizes the final settlement.

4.1. Number of Customers and Water Production

Cal Am and DRA agree on the average number of customers in each district for each of the years in the rate case cycle.

Although DRA and Cal Am both use the New Committee Method to estimate consumption, DRA disagrees with Cal Am's application of the methodology to calculate sales figures in all three districts. The parties also initially disagreed on how to calculate non-revenue water in the Larkfield District and the Duarte system of the Los Angeles District. Non-revenue water is the

difference between production water delivered from various sources in a distribution system and the metered water sales. Ultimately the parties use the DRA estimate for Larkfield and agree on 13% non-revenue water for the Duarte system of the Los Angeles District.

The table below presents the parties' settlement on the number of customers and the total water production based on water sales and supply in each district for the years 2010 and 2011.

Table 1

Year/Item	Larkfield	Los Angeles	Sacramento
2010 Customers	2,411	27,800	57,812
2011 Customers	2,431	27,843	57,942
2010 Water Production in Kccf*	558.8	10,846.0	20,243.4
2011 Water Production in Kccf	563.0	10,859.6	20,187.0

^{* 100,000} Cubic Feet

4.2. Revenues

The parties agree that all metered revenues should be determined based on the Commission's standard rate design. The parties also agree that the latest tariff rates should be used when calculating present rate revenues and the present rate revenue figures should be updated for the final tables included in this decision to reflect tariff changes authorized since the application was filed.

The table below presents the parties' settlement on total present revenues for each district. The table also provides the parties' positions on proposed revenues for 2010, which vary because of the parties' disagreement on how to calculate the California Corporate Franchise Tax and Domestic Production Activities Deduction. The tax calculation issues are discussed later in this decision.

Table 2

Item	Larkfield	Los Angeles	Sacramento
Settled Present Revenues	\$2,872,300	\$20,356,200	\$36,565,300
Cal Am Proposed Revenues	\$3,051,000	\$23,820,000	\$45,720,000
DRA Proposed Revenues	\$3,029,000	\$23,520,000	\$45,080,100

The settlement recommends that the Commission order Cal Am to file its upcoming statewide general rate case, which is due July 1, 2010, under the Rate Case Plan, in two phases, with a Phase I addressing revenue requirement and a Phase II addressing rate design issues raised in this proceeding.

The settling parties recommend that in Phase I, the recommended revenue requirement phase of Cal Am's upcoming statewide general rate case, Cal Am will report on certain items. Some of the reportable items were required by D.08-11-023 for the Larkfield District and D.08-06-002 for the Los Angeles District.

The reportable items for the Larkfield District are:

- Consider 5-tier increasing block rates, collect data on multi-unit apartment buildings and making metered-consumption data on apartment building customers available to DRA;
- Meet and confer to determine data needed to consider further conservation rate design proposals for non-residential customers;
- Track billing and usage data for analyzing customer response to conservation rates and programs and meet regularly to discuss data;
- Meet to discuss pilot program adjustments if disparate impact on ratepayers or shareholders result;
- Demonstrate due diligence in obtaining least-cost mix for water sources; and

 Begin monthly billing of customers after notifying the Director of Division of Water and Audits, follow applicable rules and guidance provided by the Division of Water and Audits and notify customers of the billing change.

Among the reportable items for the Los Angeles District are:

- Data related to moving the district to monthly billing;
- Meet and confer to determine data needed to consider further conservation rate design proposals for non-residential customers;
- Report on the top 100 residential users in each service area;
- Feasibility, costs and benefits of water revenue adjustment mechanisms focused on conservation impacts;
- Develop a monitoring and data collection program to analyze customer response to conservation rates and programs and meet regularly to discuss data;
- Meet to discuss pilot program adjustments if disparate impacts on ratepayers or shareholders result; and
- Demonstrate due diligence in obtaining least-cost mix for water sources.

In the settlement, the parties recommend that the Commission direct Cal Am to include updates and analyses on the above referenced meet and confer sessions and data collection in the recommended revenue requirement Phase I of the upcoming general rate case. The parties also recommend that Cal Am be required to include in the recommended Phase I any rate design ideas it is considering for inclusion in the recommended Phase II.

The settling parties recommend that the current rate design be maintained for this proceeding, but that Cal Am should propose rate design changes based on analysis developed between now and the proposed Phase II rate design portion of the next general rate case.

On April 1, 2010, Cal Am submitted a request to delay filing the rate design portion of its upcoming statewide general rate case until the end of the year. On April 13, 2010, the Executive Director granted Cal Am a limited extension to August 1, 2010, to serve the rate design portion of its upcoming statewide general rate case. The extension letter stated that the procedure and schedule for finalization and consideration of Cal Am's rate design proposal will be addressed in the general rate case proceeding.

4.3. Operating Expenses

The following table depicts the parties' settlement on operating expenses for each of the districts. The parties differ on the amount of customer account uncollectibles for each district because of the parties' disagreement on how to calculate the California Corporate Franchise Tax and Domestic Production Activities Deduction. The tax calculation issues are discussed in Section 9 of this decision and the final uncollectibles amount are calculated based on the method adopted in this decision.

Table 3

Item	Larkfield	Los Angeles	Sacramento
Payroll	\$322,700	\$1,738,900	\$3,146,100
Purchased Water	\$322,100	\$4,494,100	\$2,280,000
Purchased Power	\$82,900	\$2,026,400	\$2,218,500
Water Treatment	\$34,200	\$139,300	\$633,700
Chemicals			
Cal Am	\$21,900	\$170,700	\$327,700
Uncollectibles			
DRA	\$21,700	\$168,600	\$323,100
Uncollectibles			
Misc. Source of	\$22,100	\$17,100	\$179,500
Supply			
Misc. Transmission	\$68,000	\$368,800	\$484,700

and Distribution			
Other Operating	\$61,700	\$156,600	\$499,200
Expenses			

4.4. Maintenance Expenses

The parties agree to a level of tank painting costs for 2010 and also agree that Cal Am should file a Tier 2 advice letter for the additional amortization of related tank painting expenses completed in 2010. For other maintenance expenses, the parties agree to use the inflation adjusted historical five-year average suggested by Cal Am, adjusted downward somewhat as recommended by DRA. The following table includes the maintenance expenses for each district for 2010 and 2011.

Table 4

Item	Larkfield	Los Angeles	Sacramento
2010 Tank Painting	\$8,100	\$62,800	\$126,200
2011 Tank Painting	\$8,100	\$62,800	\$126,200
2010 Capped Tank Painting Costs	\$109,000	\$846,500	\$769,000
2011 Capped Tank Painting Costs	\$11,300	\$85,800	\$77,300
Other Maintenance Expense	\$35,800	\$568,700	\$902,000

4.5. Administrative and General Expenses

The following tables depict the parties' settlement on Administrative and General Expense items. There are multiple items within this expense category and in some cases their treatment is based on specific expenses for individual districts or shared costs among the districts. The tables represent the expenses according to the method of allocation to the districts. The pension and benefit, and conservation expense items are discussed separately as the settlement includes provisions that require individual treatment.

Table 5 (Shared Expenses)

Item	Larkfield, Los Angeles, Sacramento
Consulting Fees	\$30,000
Legal Fees	\$586,500
Shared Service Center Labor ⁴	\$169,400
Company Labor	\$167,300
Witness Training	\$17,200
Miscellaneous ⁵	\$301,400
Cost of Capital Application	\$137,900

Table 6 (Individual District Expenses)

Item	Larkfield	Los Angeles	Sacramento
Insurance other than Group	\$51,500	\$328,800	\$590,200
Outside Services	\$1,800	\$36,600	\$37,000
Annual Rate Case Expense	\$20,100	\$217,500	\$467,200
Misc. General Expenses	\$119,100	\$915,000	\$1,831,900
Administrative and General Rents	\$26,200	\$55,100	\$23,900
Other Administrative and General	\$3,800	\$8,900	\$97,100

⁴ The Shared Service Center of American Water Works Service Company provides accounting, financial, rate case and other support to the operating and non-operating companies within the parent company at cost, based on the time spent to perform the requested services.

⁵ The miscellaneous expense includes the costs for printing the proposed and final application, printing and mailing notices to all customers at an approximate cost of \$0.75 per customer and fees to publish notices in local newspapers.

4.5.1. Employee Pension and Benefits

The request for pension and benefits balancing accounts in A.09-07-002 which was consolidated with the general rate case replaces Special Request #9 in Cal Am's original application. According to the settlement, parties agree that Cal Am will establish two balancing accounts per district to track and recover variations in pension and other post retirement benefits other than pension. The balancing accounts will be used to track the difference between the level of expenses authorized in rates and the actual costs. Cal Am's recovery for ratemaking purposes is capped at the minimum level of Benefit Plan expense calculated according to the Employee Retirement Income Security Act (ERISA) minimum funding levels. For the post retirement benefits other than pension, Federal Accounting Standard 106 will be used to calculate the minimum funding level.

The parties agree that for ratemaking purposes, Cal Am should not change the method of Benefit Plans' accounting for a period of five years after the establishment of the balancing accounts. The proposed effective date of the balancing accounts is the effective date of this decision and the balancing accounts should track only prospective costs accumulated as of the date the balancing accounts are effective. The parties agree that balancing accounts should be subject to a reasonableness review and recovered via a separate application, an advice letter filing or in a general rate case application. The settlement provides that Cal Am will be allowed recovery only if the amount of under or over collection exceeds 2%. The table below provides the agreed-upon total pension and benefit expenses for the three districts.

Table 7

Item	Larkfield	Los Angeles	Sacramento
Pension and Benefits	\$168,400	\$812,600	\$1,249,500

4.5.2. Conservation Programs

Cal Am agrees to specific recommendations of DRA for the conservation programs in all three districts. The recommendations are:

- A reduced conservation budget;
- Reduced spending for the weather-based irrigation controller Pilot Project;
- One-way balancing account treatment for all conservation programs; and
- Produce and submit a report on conservation program activities to the Division of Water and Audits and provide a copy to DRA at the time of Cal Am's next general rate case filing.

The parties agree that Cal Am should have the flexibility to shift funds among programs in each district within the total settled conservation amount for each district. The exception to this provision is Best Management

Practice 7 – Public Outreach and Education, which would be capped at the settled amount for each district.⁶ If Cal Am's spending on any program exceeds the levels recommended by DRA, then Cal Am will include a detailed explanation and justification with documentation for the expenditures in its conservation report to the Commission. The settlement includes specific elements that should be included in the conservation report as justification for any excess expenditure.

⁶ The capped annual amounts for Public Outreach and Education for the Larkfield, Los Angeles and Sacramento Districts are \$2,225, \$22,500 \$28,550 respectively, for each of 2010 and 2011.

The table below provides the conservation budget for each district for 2010 and 2011.

Table 8

Item/Year	Larkfield	Los Angeles	Sacramento
Conservation Budget 2010	\$49,551	\$303,439	\$474,532
Conservation Budget 2011	\$49,551	\$303,439	\$474,532

4.6. Allocated Expenses

Allocated expenses are those allocated according to the Commission's four-factor allocation methodology because they are not easily, directly assignable to a specific operating division. The parties agree on the allocated expenses and the following table summarizes the totals for the three districts.

Table 9

Item	Larkfield	Los Angeles	Sacramento
Allocated General Office	\$193,200	\$2,281,800	\$4,602,800
Acquisition Premium	\$74,600	\$683,100	\$1,771,700

4.7. Utility Plant

4.7.1. Recurring Projects

Recurring capital expenditure projects are normal expenses required to ensure the operational reliability of the water system. The expenditures include mains, valves, pumps, hydrants, tools and office equipment, among other things. The parties agree to a five-year historical average for the Sacramento District and specific dollar amounts for each project in the Larkfield District. The parties did not differ on the expenditure amounts for the Los Angeles District's recurring projects. The parties also agree that the total dollar amount for each district may be used flexibly within each district and among the projects. The cost of the individual recurring projects is contained in Section H of the settlement. The

following table provides the total recurring project dollar amounts for each district for 2009, 2010 and 2011.

Table 10

Item/Year	Larkfield	Los Angeles	Sacramento
Recurring Projects 2009	\$293,870	\$3,224,754	\$3,143,313
Recurring Projects 2010	\$517,400	\$2,723,086	\$5,808,523
Recurring Projects 2011	\$468,602	\$2,320,725	\$6,667,939

4.7.2. Larkfield District Investment Projects

Cal Am requested major capital improvements for 2010-2011 in its Larkfield District related to its source of supply facilities, and its transmission and distribution main pipeline network. Cal Am withdrew two of its original capital improvement project requests for the Larkfield District with the intent of including them in the next general rate case. The table below provides the total dollar amount for each capital improvement project included in the settlement for the Larkfield District. Two projects include specific recommendations and are discussed individually.

Table 11

Item	Amount
Installation of 6" Main - Wikiup	\$173,429
Water Treatment Plant Drainage Improvements	\$110,000
Water Treatment Plant Production Improvements	\$221,936
Faught Road Well	\$147,082
Well #6	\$211,237

4.7.2.1. Faught Road Well

The parties agree the Larkfield District has a water supply deficit and the Faught Road Well is needed. The parties agree that the prior expenditure of \$147,082 (included in Table 9) for this project should be treated as Construction Work in Progress. Also part of the settlement is an agreement that Cal Am may seek recovery of costs beyond the \$147,082 once the project is used and useful, via Tier 3 advice letter or in its next general rate case filing.

The parties further recommend that the Commission approve a developer special facilities fee in the Larkfield District for the Faught Road Well. The precise amount would be determined using actual costs divided by the actual number of customers served. The daily pumping capacity of the Faught Road Well is divided by 300 gallons per day (which is the assumed usage of Larkfield residents) to arrive at the number of customers served. The actual total cost would be divided among the number of customers served. The current estimate, subject to change, is \$3,426 per customer.

4.7.2.2. Well #6

The parties agree that the \$211,237 associated with Well #6 (see Table 11) is specifically related to the monitoring well. The monitoring well currently provides useful information regarding the status of the aquifer, water quality and engineering evaluation for a future groundwater production well. The parties agree to recovery for a portion of the land where the monitoring well is located and the cost of the preliminary engineering, permitting and construction of the monitoring well would be allowed into rate base in 2009. DRA states that its agreement to allow recovery of certain costs associated with the monitoring well are not to be interpreted as approval of the need for a future production well.

The parties agree to defer the issue of construction of Well #6 until such time as Cal Am can justify the need for an additional well.

4.7.3. Los Angeles District Investment Projects

Cal Am originally requested funding for 20 major capital improvement projects in its Los Angeles District. For 15 of the projects, the parties' positions on need, cost and schedule of the projects did not differ. Cal Am subsequently withdrew its request for one capital project and parties reached settlement on the costs associated with Cal Am's four remaining capital project proposals. The table below provides the total dollar amount for each capital improvement project included in the settlement for the Los Angeles District. Three projects include specific recommendations and are discussed individually.

Table 12

Item	Amount
2,100 Feet of Main in Shenandoah Ave. 2009	\$527,555
Install 10, 100 Feet of 8" Main in Danford Reservoir Gradient	\$1,246,192
Patton Transmission Main 2009 – 2012	\$4,176,738
Patton Well and Treatment Facility 2009 – 2010	\$2,880,865
Fireflow Improvement 2010 – 2011	\$868,534
Pump Equipment Improvement 2009	\$186,300
San Marino – Richardson Well Rehabilitation 2009 – 2011	\$1,384,000
Duarte - Buena Vista Well Rehabilitation 2009 - 2010	\$1,177,889
San Marino – Oak Knoll Circle Well Rehabilitation 2010-2011	\$261,000
Duarte - Lemon Domestic Reservoir Improvement 2011	\$240,000
Baldwin Hills – 1600 Feet of 12" Main in Angeles Vista Blvd.	\$51,012
Baldwin Hills – 1400 Feet of 8" Main in Slauson Ave.	\$482,726
Duarte - 1700 Feet of 8" Main in Oak Shade, Mt. Olive Drive and	\$560,874

Spring Point Road 2010 – 2011	
Duarte - 650 Feet of 8" Main in Pops Road 2010 - 2011	\$246,728
Duarte – 2200 Feet of 8" Main in South Greenback, East Conata St. and South Fieldview Ave. 2010 – 2011	\$714,804
Duarte - 2700 Feet of 8" Main in South Broderick, South Calmia Road and South El Toro 2010	\$33,923
San Marino – 2000 Feet of 8" Main in Del Mar Blvd. 2009	\$59,333
Los Angeles – Purchase Portable Emergency Generator 2009 – 2011	\$158,714
Baldwin Hills - Olympiad Booster Station Upgrade 2009 - 2011	\$2,365,000

4.7.3.1. Danford Reservoir Gradient

DRA originally recommended capping the amount at the level authorized in the prior general rate case for advice letter recovery. Cal Am asserts that the total cost of the Danford Main project is not capped by the prior advice letter authorization because the cap referred only to the total amount included as part of the 2008 costs and that the increased construction cost is attributable to factors outside Cal Am's control.

4.7.3.2. Patton Transmission Main

DRA recommended capping recovery at the original figure authorized in the prior general rate case decision, but Cal Am asserted that the cost increases were due to circumstances outside its control. The parties agree to place \$2,135,000 into rate base in 2009. The figure represents the original advice letter cap from the 2006 general rate case settlement. They agree that the remaining balance should be recognized and placed into rate base in three equal amounts of \$680,579 in 2010, 2011 and 2012, timing that coincides with the annual step rate increases. The phase-in of costs, with no accrued interest, is agreed by the parties to be fair and reasonable in light of the significant cost increase concerns raised by DRA.

Cal Am commits to work more closely with DRA in the future on large scale projects where additional costs may be incurred. DRA agrees that the main was completed and placed into service in June 2009.

4.7.3.3. Patton Well and Treatment Facility

DRA originally recommended adjusting the plant balance to reflect the authorized memorandum account cap from the prior general rate case decision. Cal Am asserts that the scope and size of the treatment facility could not be determined before the well was constructed and completed and water quality testing could be undertaken. For this reason, Cal Am claims the cost overruns are attributable to factors beyond Cal Am's control.

The parties agree to place \$1,642,486 into rate base in 2009 with the remaining amount recognized and placed into rate base when the project becomes used and useful for utility services upon filing a Tier 3 advice letter.

This arrangement is agreed by the parties to be fair and reasonable in light of the significant cost increase concerns raised by DRA.

Cal Am commits to work more closely with DRA in the future on large scale projects where additional costs may be incurred. The parties accept that the Patton Well project will most likely be completed and placed into service during the summer of 2010.

4.7.4. Sacramento District Investment Projects

Cal Am originally requested 30 major capital improvement projects in its Sacramento District. For 19 of the projects the parties' original positions on need and cost of the projects did not differ. Cal Am subsequently withdrew its request for five capital projects and agreed to include two others in its next general rate case. One of Cal Am's withdrawn requests is the Walerga Tank and Booster Project. Cal Am also withdrew its request made in A.09-05-008, which sought an

adjustment to the Dry Creek Developer's Special Facilities Fee related to the Walerga project and was consolidated with this proceeding. The parties reached settlement on the costs associated with the four remaining capital project requests. The table below provides the total dollar amount for each capital improvement project included in the settlement for the Sacramento District. Two projects include specific recommendations and are discussed individually.

Table 13

Item	Amount
Elverta Road Bridge Water Main Replacement	\$306,867
Well Rehabilitation 2009	\$250,170
Parkway Purchased Water	\$1,000,000
Standby Power for Various Well Stations	\$191,955
Distribution Monitoring System Improvement	\$771,720
Walnut Grove Permanent Sewer Connections	\$125,000
Interconnection Suburban Water Dist Arden	\$500,000
Crowder Lane Control System Upgrades - West Placer	\$54,849
Antelope Road Widening	\$19,533
Elverta Tank and Booster	\$127,742
Parkway Small Main and Backyard Main Replacements	\$1,153,003
Suburban Distribution System Supply Improvement	\$5,149,394
Cook Riolo Tank and Booster - Antelope	\$3,899,055
Sacramento Small Main and Backyard Main Replacements	\$2,832,371
Walnut Grove Well 1 Rehabilitation	\$100,000
Sacramento Meter Conversions through 2011	\$21,940,195
Well Rehabilitation 2010 and 2011	\$1,196,625
Mather Tank Study	\$50,000

2009 – 2011 Sacramento Water Treatment Plant Improvements	\$2,176,582
Suburban 12" Pipeline on Bradshaw	\$300,000
Sacramento SCADA* Upgrades	\$768,750
Sacramento Standby Generators	\$242,000
Jackson Well - Construct Jackson Booster Station Tank	\$6,610,920

^{*}Supervisory Control and Data Acquisition

4.7.4.1. Sacramento Meter Conversions

The parties agree on the cost (included in Table 13 above), the number of meters to be installed (approximately 13,545) and the average unit cost per meter (\$1,200). The parties agree that cost increases of 20 percent or more above the settlement-established unit cost will require consultation with and review by DRA.

4.7.4.2. Jackson Booster Station Tank

The parties agree on the need, the cost estimate and the work completion schedule for this project. The parties also agree that the entire cost requested by Cal Am for this project should be included in rate base (less developer funding of \$867,633) and that it should be allowed to earn the full rate of return beginning in 2009.

The parties further recommend that the Commission approve a developer special facilities fee in the Rosemont Service Area of the Sacramento District specifically related to the Jackson Booster Station Tank. The precise amount would be determined using actual costs divided by the number of customers served by the project. The daily pumping capacity of the Jackson Booster Station Tank (2,160,000 gallons) is divided by 503 (the assumed gallons per day used by Rosemont low-density residential customers) to arrive at the number of

customers served, which is estimated to be 4,294. The current estimated cost per customer, subject to change, is \$1,808.⁷

4.7.5. Retirements

The parties agree that retirements should be based on Cal Am's proposed percent of plant addition methodology. The table below provides the agreed-upon plant retirement figures for all three districts for 2010 and 2011.

Table 14

Year/Item	Larkfield	Los Angeles	Sacramento
2010 Retirements	(\$15,600)	(\$169,800)	(\$170,800)
2011 Retirements	(\$16,800)	(\$281,100)	(\$187,500)

4.7.6. Weighted Plant Factor

For the weighted plant factor, the parties agree to use factors that include actual data through December 2008 for all three districts. The table below summarizes the results.

Table 15

Item	Larkfield	Los Angeles	Sacramento
% Plant Weighting Factor	44.67%	37.98%	42.17%

4.8. Depreciation Reserve

The depreciation reserve includes annual accrual, contribution depreciation, retirements and weighted average depreciation factor. The parties agree on the forecasted levels of plant additions and, therefore, agree to the forecasted level for annual accrual. There was no dispute between the parties as

⁷ The cost per customer is based on the total cost of the project (\$7,765,967), not the amount agreed upon in the settlement. The figure in Table 13 (\$6,610,920) is the balance of the project costs that have not already been recovered.

to the contribution depreciation and the settled retirements figures were based on applying the same methodology used in forecasting plant additions. The retirement figures are summarized in Table 14 above. For the weighted average depreciation factor, the parties agree to use the actual data through December 2008. The table below summarizes, for all three districts, the annual accrual and contribution depreciation for 2010 and 2011, and the weighted average depreciation factor.

Table 16

Item/Year	Larkfield	Los Angeles	Sacramento
Annual Accrual 2010	\$470,600	\$2,724,400	\$8,496,700
Annual Accrual 2011	\$480,700	\$2,766,900	\$9,205,100
Contribution Depreciation 2010	\$8,400	\$203,300	\$278,300
Contribution Depreciation 2011	\$9,300	\$206,100	\$295,900
Weighted Aver. Depreciation Factor	58.39%	58.50%	50.61%

4.9. Rate Base

Rate base includes working cash operational, working cash capital, advances and contributions, and deferred taxes. There were no issues between the parties regarding the figures for working cash operational. The parties agree on the calculation for working cash capital and there was no dispute regarding the amounts for advances and contributions. The parties also agree on the calculation of deferred taxes as the result of their agreement on plant additions summarized earlier. The table below summarizes the elements of rate base for all three districts for 2010 and 2011.

Table 17

Item/Year	Larkfield	Los Angeles	Sacramento
Working Cash Operational 2010	\$34,400	\$188,900	\$921,900
Working Cash Operational 2011	\$124,000	\$190,100	\$1,502,200
Working Cash Capital 2010	\$208,300	\$906,800	\$4,126,800
Working Cash Capital 2011	\$212,800	\$1,006,700	\$4,378,500
Advances and Contributions 2010	(\$2,521,900)	(\$3,806,300)	(\$42,280,700)
Advances and Contributions 2011	(\$2,441,000)	(\$3,712,300)	(\$44,705,900)
Deferred Taxes 2010	(\$654,700)	(\$3,625,900)	(\$775,200)
Deferred Taxes 2011	(\$681,900)	(\$3,811,800)	(\$1,688,600)

4.10. Depreciation Expense

Because of the full settlement on the proposed plant additions, the parties agree on the level of depreciation expense for ratemaking purposes. The table below lists the agreed-upon depreciation expense for all three districts.

Table 18

Item	Larkfield	Los Angeles	Sacramento
Depreciation Expense	\$470,600	\$2,724,400	\$8,496,700

4.11. Taxes Other Than Income

Taxes other than income are comprised of payroll taxes, property taxes and franchise fees. The parties agree on the amount of payroll taxes for each district based on their agreement as to total payroll expense, summarized in Table 3 above.

The parties agree to the level of property taxes based on their agreement on projected plant additions for each district, contained in Tables 10, 11, 12, and 13 above. The final agreement on utility plant resolved initial differences in property tax amounts. The property taxes are forecasted based on a historical

ratio of recorded taxes to net plant, less customer contributions and advances. Cal Am applied the historical ratio to projected net plant, less customer advances and contributions. This calculation is similar to that used by county tax authorities and ultimately agreed to by DRA.

Cal Am did not include franchise fees in its revenue requirement request for Larkfield or Los Angeles. For the Larkfield District franchise fees, the parties agree that the franchise fee should be collected as a special surcharge and condition of the tariffs. The parties were unable to reach agreement on the franchise fees for Sacramento, which are subject to the resolution of remaining income tax calculations that are discussed separately in Section 9 of this decision.

The table below summarizes the agreement between the parties for payroll taxes and property taxes for all three districts.

Table 19

Item	Larkfield	Los Angeles	Sacramento
Payroll Taxes	\$24,000	\$123,100	\$231,400
Property Taxes	\$109,600	\$606,100	\$1,546,600

4.12. Income Taxes

The income taxes include state and federal income taxes. Parties were unable to reach agreement on the federal income taxes due to disagreement on how to calculate the California Corporate Franchise Tax deduction and the Domestic Production Activities Deduction. The tax calculations are discussed in Section 9 of this decision.

Parties were able to reach agreement on the present state income taxes as they are not affected by the tax issues that remain in dispute. The table below summarizes the settled present state income tax figures for all three districts.

Table 20

Item	Larkfield	Los Angeles	Sacramento
State Income	\$27,300	\$6,500	\$9,600
Taxes - Present			

4.13. Net to Gross Multiplier for the Los Angeles District

The parties agree to adopt DRA's proposal of 1.6589 for a net to gross multiplier for the Los Angeles District.

4.14. Special Requests

Cal Am submitted a number of special requests in its original application. Cal Am's special request for a balancing account for pension and benefits was withdrawn due to Cal Am filing an application on that item which was consolidated with the general rate case. Some of the special requests were withdrawn altogether when the application was supplemented. The remaining special requests are discussed below.

4.14.1. Rate Design

The parties agree to extend the conservation rate design programs including the Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts for the Larkfield and Los Angeles Districts as set forth in D.08-11-023 and D.08-06-002. The parties also agree to shift \$55,000, which is equal to one half of the non-revenue water costs generated by the Duarte irrigation system, from the revenue collected from all Los Angeles District customers to the portion of the revenue requirement collected specifically from irrigation customers.

4.14.2. Continuance of Los Angeles Distribution System Infrastructure Surcharge Pilot Program

The parties agree that the Distribution System Infrastructure Surcharge should be continued in the Los Angeles District, and that the tariff should be changed to allow the extension. The parties also agree to continue the current 7% general rate case cap and 4% quarterly cap. The proposed Distribution System Infrastructure Surcharge Tariff is Attachment 1 to the settlement and incorporates new annual and case limits and new construction project totals that are also included in the settlement.

4.14.3. Water Quality Memorandum Account

The parties recommend that the Commission approve a memorandum account specifically for tracking the costs associated with Cal Am's compliance with new federal Ground Water Rules. The parties also agree that Cal Am's request for recovery (a Tier 3 advice letter) should include written justification to substantiate that the costs are incremental costs, not costs already covered within base rates.

4.14.4. Larkfield Franchise Fee

Cal Am does not currently pay a franchise fee to Sonoma County for operating the Larkfield District, but it expects to do so in the future. DRA does not dispute this. Cal Am originally sought a special request to allow the fees to be tracked in a memorandum account. The parties ultimately agreed that a memorandum account is unnecessary, but that Cal Am should be authorized to change its tariffs to allow collection of a special condition franchise fee as a surcharge on all customer bills in the Larkfield District.

4.14.5. After Hours Reconnection Fee

The parties agree that Cal Am's after-hours reconnection charges should be increased from \$15.00 to \$50.00 for the Los Angeles District. The after-hours reconnection charges appear in Tariff Rule 11.C.(1).

4.14.6. Water Contamination Cost Memorandum Account

Cal Am proposed memorandum accounts for all three districts to track increased costs associated with providing clean water when contamination occurs and for its efforts to pursue responsible parties. DRA agreed with the proposal for the Sacramento District in which litigation is underway, but opposed establishing a memorandum account for the Larkfield and Los Angeles districts until litigation is underway in those districts. Cal Am ultimately agreed with DRA's position, but points out that a memorandum account for the Raymond Basin in the Los Angeles district was previously approved by the Commission in D.07-08-030.

4.14.7. Recovery of Balances of all Memorandum and Balancing Accounts

The parties agreed that DRA will perform reasonableness reviews before January 1, 2011, for conservation balancing accounts,⁸ credit card memorandum accounts,⁹ expense balancing accounts for purchased water and power and pump taxes,¹⁰ and revenue true up¹¹ for all three districts. The parties also agree that

⁸ Balancing accounts authorized by D.08-05-010.

⁹ Memorandum accounts authorized by Advice Letter 640-A.

¹⁰ Expense balancing account authorized by D.03-06-072.

¹¹ Authorized by Advice Letter 699.

DRA will perform a reasonableness review for the Santa Rosa Groundwater Study in the Larkfield District.¹²

4.15. Condominium Flat Rates

The parties agree that meters will be installed by December 31, 2010, for all customers in condominium-type complexes who pay a flat rate designed to reflect both indoor and outdoor water use as well as a metered rate via homeowners' association dues for outdoor water use. Customers for whom a meter is not installed by December 31, 2010, will be converted to a new flat rate that is half of the rate authorized in this agreement for lots of 4,500 square feet or less.

5. Additional Settled Issues

5.1. Process Improvements

Cal Am commits to establishing a more effective and possibly less formal manner to communicate and share information and to exchange information earlier in the rate case process. Cal Am also agrees to solicit input from and involve the other parties, specifically the Cities of Duarte and Bradbury, more in the deliberations in the upcoming statewide general rate case.

5.2. Cost Overruns

The parties agree that Cal Am should provide quarterly updates to DRA on how certain projects are progressing. This will allow Cal Am to keep DRA informed of developing issues. The parties also agree that Cal Am will provide a project cost variance report in its next general rate case for any capital investment projects over \$100,000 that exceed the authorized budget by 10% or more.

¹² Authorized by D.05-09-020.

5.3. Duarte /Bradbury Irrigation System

The parties agree to seek long term solutions addressing the issues of costs, the irrigation tariff, non-revenue water and system infrastructure in the next general rate case. The parties acknowledge that the related items included in this settlement are not permanent solutions for the issues.

5.4. Regular Briefings

Cal Am agrees to establish a regular briefing schedule with DRA and the Division of Water and Audits on all of the items included in this section.

6. Other Parties' Positions on the Settlement

Only Cal Am and DRA were signatories to the settlement agreement. The Mark West Area Community Services Committee and the Cities of Duarte and Bradbury participated in initial settlement meetings, but ultimately did not sign the settlement agreement. Only the Cities of Duarte and Bradbury filed responses in opposition to the joint motion by Cal Am and DRA for adoption of the settlement agreement.

The Mark West Area Community Services Committee expressed concern over the settlement process, and the perceived exclusion of the parties whose interests were more discrete than Cal Am and DRA. Cal Am represents the shareholders and DRA represents the ratepayers as a whole, while the Mark West Area Community Services Committee and the Cities of Duarte and Bradbury necessarily represent the specific interests of their respective residents who are Cal Am customers. Although all-party settlements are not required, a process that provides all parties an opportunity to participate in the settlement process is. However, it is essential that all parties put forth the effort to be included as well as inclusive in their approach to settlement negotiations.

Cal Am has stated its intention to establish a more effective and less formal manner to exchange information and to solicit more input from and involve the other parties, specifically the Cities of Duarte and Bradbury, in the deliberations in the upcoming statewide general rate case. If this commitment is met future settlement negotiations should address the concerns expressed by the Mark West Area Community Services Committee and the Cities of Duarte and Bradbury regarding the settlement process. If there are problems with the process, the Commission expects parties to notify the assigned ALJ in a timely manner.

6.1. The Mark West Area Community Services Committee

The Mark West Area Community Services Committee recommends rescinding D.86-05-064 because it places the maximum number of rate tiers at three although the settlement approved in D.08-11-023 required Cal Am to consider five tiers in the next general rate case, which is A.09-01-013, this proceeding. Cal Am asked for more time to consider the five-tier rate design and has agreed in the present settlement to consider a five-tier rate design in its next general rate case due to be filed July 1, 2010. Cal Am sought and was granted approval by the Commission's Executive Director to submit its rate design proposal in its upcoming rate case by August 1, 2010. It is not necessary to rescind D.86-05-064, as recommended by the Mark West Area Community Services Committee, in order for Cal Am to consider a five-tier rate design. D.08-11-023 already orders Cal Am to do so.

The Mark West Area Community Services Committee also expresses concern about the source capacity calculation in the Larkfield District which is

based on the recently revised General Order 103-A.¹³ The revised calculations for supply capacity in General Order 103-A result in a larger supply deficit for the Larkfield District, although the number of customers in the Larkfield District has not increased. The scope of this proceeding does not include a review of General Order 103-A. The source capacity was calculated according to the general order in effect during the proceeding, as is required.

The Mark West Area Community Services Committee also commented on Cal Am's request for construction of the Faught Road Well and Well #6 in the Larkfield District and the resolution of these issues in the settlement agreement. The Mark West Area Community Services Committee incorrectly characterized the settlement reached on these two projects. The settlement proposes allowing only \$147,082 of prior expenditures on the Faught Road Well to be treated as Construction Work in Progress and seeks approval of a special facilities fee to recover the remaining costs from new customers. As to Well #6, the settlement only allows recovery of certain expenditures related to the monitoring well constructed in 2006 and defers the issue of the new well until such time as Cal Am can justify the need.

6.2. The Cities of Duarte and Bradbury

The City of Duarte filed an opening brief and response in opposition to the joint motion for adoption of the settlement agreement. The City of Bradbury filed a response that joined, and adopted by reference, the City of Duarte's response and opening brief.

¹³ General Order 103-A, which replaced General Order 103, was issued on September 10, 2009.

The City of Duarte expressed concern with two main areas of the settlement: the proposed percentage of non-revenue water for the Duarte System, and cost overruns for the Danford Reservoir Gradient Main and the Patton Transmission Main, Well and Treatment facility projects in the Los Angeles District. The City of Duarte asserts that the settled upon percentage of non-revenue water for the Duarte system is arbitrary and that the cause of the loss should be addressed prior to imposition of a significant rate increase. The settlement specifically commits to addressing the non-revenue water and other issues in the Duarte system in the next general rate case which is to be filed on July 1, 2010.

Regarding the increased cost of certain projects within the Los Angeles District, the City of Duarte recommends that recovery be capped at the level authorized in the prior general rate case. The explanation of the settlement on these projects is discussed in Section 4 of this decision. We are satisfied with the settlement treatment of these issues.

7. Standard of Review for Settlements

Prior to adopting any settlement, the Commission must be convinced that the parties had a sound and thorough understanding of the application and of all the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet the requirements for considering any settlement. The requirements are set forth in Article 12 of the Commission's Rules,¹⁴ which provides in pertinent part:

All referenced Rules are to the Commission's Rules of Practice and Procedure (http://docs.cpuc.ca.gov/published/RULES_PRAC_PROC/70731.htm).

- (a) Parties may...propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant....
 - The motion shall contain a statement of the factual and legal consideration adequate to advise the Commission of the scope of the settlement and of the grounds on which adoption is urged. Resolution shall be limited to the issues in that proceeding and shall not extend to substantive issues which may come before the Commission in other or future proceedings...
- (b) Prior to signing any settlement, the settling parties shall convene at least one conference with notice and opportunity to participate provided to all parties for the purpose of discussing settlements in the proceeding....
- (c) Settlements should ordinarily not include deadlines for Commission approval...
- (d) The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

In short, the settlement must comport with Rule 12.1(d), which requires a settlement be "reasonable in light of the whole record, consistent with the law, and in the public interest." We address below whether the settlement meets these three requirements. The Commission also takes into consideration a long-standing policy favoring settlements. This policy reduces litigation expenses, conserves scarce Commission resources and allows parties to craft their own solutions reducing the risk of unacceptable outcomes if litigated.¹⁵

¹⁵ D.05-03-022, at 7-8.

This is the standard of review for this settlement. Cal Am and DRA are the only parties to the settlement. The Cities of Duarte and Bradbury filed responses in opposition to the settlement. Cal Am filed an application and submitted testimony explaining its request for rate increases in detail. DRA provided its analysis of the application and the Mark West Area Community Services Committee served testimony. All parties agreed to forego evidentiary hearings, but their witnesses' testimony was received into the record and the parties filed opening and reply briefs. The settlement indicates that most of the differences were resolved by use of more recent data, or clarified information, or ultimately through compromise positions between the parties. The settlement does not violate any statute, Commission decision or rule. Thus, the settlement is consistent with law.

Cal Am represents the interests of its shareholders. DRA represents the interests of Cal Am's ratepayers. Thus, the settling parties fairly represent the affected interests. The Cities of Duarte and Bradbury and the Mark West Area Community Services Committee are parties to this proceeding and are also ratepayers. The Cities of Duarte and Bradbury and the Mark West Area Community Services Committee have expressed their concerns regarding certain portions of the settlement. As proposed in the settlement and discussed in Section 6 above, we find that the settlement adequately addresses the concerns of the Mark West Area Community Services Committee and the Cities of Duarte and Bradbury. Therefore, the settlement is reasonable in light of the whole record.

The settlement results in rates sufficient to provide adequate reliable service to customers at reasonable rates while providing Cal Am with the opportunity to earn a reasonable return. The settlement provides the

Commission with sufficient information to carry out its future regulatory obligations with respect to the parties and their interests. Thus, the settlement is also in the public interest.

As discussed in the preceding paragraphs, the settlement has met the standard of review for settlements in that it is reasonable in light of the whole record, consistent with the law and in the public interest. Therefore, the settlement is adopted.

8. Burden of Proof under Statute and Rate Case Plan

The applicant, Cal Am, bears the burden of proving that its proposed rate increases are "justified." Pursuant to § 454(a), before implementing a rate increase, Cal Am must make a "showing before the Commission," and the Commission must find that the proposed increase is "justified."

In adopting the revised Rate Case Plan, the Commission further articulated the required showing for a water utility's General Rate Case: "The utility's application for a rate increase must identify, explain, and justify the proposed increase." Specifically, the application must include testimony, with supporting analysis and documentation, describing the components of the utility's proposed increase, e.g., results of operations, and plant in service. All significant changes from the last adopted and recorded amounts must be explained, and all forecasted amounts must include an explanation of the forecasting method.

In considering each remaining disputed issue, we evaluate whether Cal Am's showing meets our standards for justifying a rate increase. As set out below, we resolve the two remaining issues in dispute.

9. Disputed Issues

Cal Am and DRA disagree over how to calculate the California Corporate Franchise Tax and Cal Am's Domestic Production Activities Deduction for use when determining Cal Am's Federal Income Tax expense. DRA's testimony initially pointed out discrepancies in how Cal Am calculated both the California Corporate Franchise tax and the Domestic Production Activities Deduction. Some of the disputed items related to the tax calculations were corrected in the settlement. The following sections discuss the remaining tax items in dispute.

9.1. California Corporate Franchise Tax

Cal Am and DRA disagree on the method to calculate the California Corporate Franchise Tax deduction for federal income tax purposes. The issue is whether the California Corporate Franchise Tax deduction calculations should be based on the prior or current year.

DRA states that changes made in September 2000 to the California Revenue and Taxation Code allow more timely and accurate calculations of the California Corporate Franchise Tax deduction. For that reason, DRA recommends that the California Corporate Franchise Tax deduction be based on the current year, rather than the methodology adopted in D.89-11-058.

Cal Am states that the method adopted by the Commission in D.89-11-058, which uses the prior year's California Corporate Franchise Tax deduction as an estimate for the current year, should continue to be used. Cal Am states that no change to how the California Corporate Franchise Tax deduction is calculated should occur without a specific proceeding, especially since it is a long-standing practice that impacts other water utilities.

The long-standing methodology implemented by D.89-11-058, and cited by Cal Am as the basis for its calculations, was developed and used because it was the best method to estimate the California Corporate Franchise Tax deduction at the time. However, the 2000 revision to the California Revenue and Taxation Code § 23151(f)(2) now states:

"... for taxable years beginning on or after January 1, 2000, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 8.4 percent upon the basis of the net income for that taxable year..."

The taxable year for the California Corporate Franchise Tax is defined by § 23041 as "...the fiscal year for which the tax is payable."

Although DRA's argument that changes to the California Revenue and Taxation Code allow for more accurate California Corporate Franchise Tax estimates has merit, in its opening comments on the proposed decision Cal Am notes that this proceeding involves only three of Cal Am's seven districts. Any changes to the current methodology would result in inconsistent tax calculations among Cal Am's various districts. For that reason we adopt Cal Am's position, but require that in the upcoming statewide general rate case, Cal Am provide comparison information on the amount of California Corporate Franchise Tax estimated for each year in its previous three general rate cases and the actual amount of California Corporate Franchise taxes paid for the same time period. The deadline for receipt of the comparison information will be determined by the assigned ALJ.

9.2. Domestic Production Activities Deduction

The calculation of the Domestic Production Activities Deduction is governed by Internal Revenue Service Code Section 199 (Section 199). Section 199 allows a deduction equal to 9% of the lesser of (a) the qualified

¹⁶ Section 199 of the Internal Revenue Service Code was added by Section 102 of the American Jobs Creation Act of 2004, and amended by Section 403(a) of the Gulf Opportunity Zone Act of 2005 and Section 514 of the Tax Increase Prevention and Reconciliation Act of 2005.

production activities income of the taxpayer for the taxable year, or (b) taxable income for the taxable year. The domestic production activities deduction reduces Cal Am's federal income tax based on qualifying production activities income. The qualifying production activities income is the excess of the taxpayer's domestic production gross receipts for the tax year divided by the cost of goods sold, other expenses, losses or deductions which are allocable to the domestic production gross receipts.

Internal Revenue Code § 1.199-1(b)(2)(d) provides that a reasonable method of allocation "...includes whether the taxpayer uses the most accurate information available; the relationship between the gross receipts and the method used; the accuracy of the method chosen as compared with other methods, etc. If the taxpayer has the information readily available and can, without undue burden or expense, specifically identify whether the gross receipts derived from an item are domestic production gross receipts, the taxpayer must use that specific identification to determine domestic production gross receipts." Internal Revenue Code § 1.199-3(1) also provides that, "...potable water production activities include acquisition, collection, and storage of raw water (untreated water), transportation of raw water to a water treatment facility and treatment of raw water at such facility. Gross receipts attributable to any of these activities are included in domestic production gross receipts.

Internal Revenue Code § 1.199-4(iii) states that "Gross receipts from storage of potable water after completion of treatment of potable water, as well as gross receipts attributable to the transmission and distribution of potable water are non-domestic production gross receipts.

One difference between Cal Am's and DRA's calculation of the domestic production gross receipts is that Cal Am includes water purchased and later

resold and water produced (pumped) in its total domestic production gross receipts. The domestic production gross receipts are a primary element for the calculation of the Domestic Production Activities Deduction. DRA's calculation excludes purchased water from the domestic production gross receipts and includes only water produced by Cal Am.

Cal Am's calculation of domestic production gross receipts relies on physical plant assets rather than qualifying production activities. DRA's calculation uses the ratio between the volume of produced water (a qualified production activity) to the total water volume (produced and purchased water). DRA asserts that its methodology is reasonable because the qualified production activity income is proportional to the qualified production activities, meaning that the more water pumped, the higher the allocated production volume. DRA claims this methodology complies with the Internal Revenue Service guidelines because its calculation of the Domestic Production Activities Deduction is based on the income generated by the estimated qualified production activities, such as producing water, not plant assets as proposed by Cal Am.

Cal Am's approach for calculating the Domestic Productions Activities Deduction is the methodology currently used by all of its districts. As previously discussed, any changes to Cal Am's tax calculation methodology would apply to only three of Cal Am's seven districts and result in inconsistent treatment among the districts. For that reason we adopt Cal Am's current methodology and refer the issue to Cal Am's statewide general rate case where any adopted changes will affect all districts equally.

10. Recovery of Balance in Water Quality Memorandum Account

As provided in the settlement, we authorize Cal Am to file a Tier 1 advice letter to establish a water quality memorandum account to track the costs

associated with Cal Am's compliance with new federal Ground Water Rules. A memorandum account allows a utility to track costs arising from events that were not reasonably foreseen in the utility's last general rate case. By tracking these costs in a memorandum account, the utility preserves the right to seek recovery of these costs at a later date without raising retroactive ratemaking issues.

Unless specified otherwise, the Commission's authorization of a memorandum account does not mean that the Commission has decided that the types of costs to be recorded in the memorandum account should be recoverable in addition to rates that have been otherwise authorized, e.g., in a general rate case. Instead the utility must demonstrate that it is appropriate for ratepayers to pay for those categories of costs in addition to otherwise authorized rates, the utility acted prudently when it incurred those costs, and the level of costs is reasonable. Thus, Cal Am is reminded that just because the Commission has authorized a memorandum account does not mean that recovery of the costs in the memorandum account from ratepayers is appropriate.

11. Cal Am's Motion to Strike Portions of the City of Duarte's Opening Brief

On February 3, 2010, Cal Am filed a motion to have portions of the City of Duarte's opening brief stricken from the record arguing it constitutes improperly introduced new testimony.

In its opening brief, filed on January 19, 2010, the City of Duarte recommends that the Commission establish an Audit Report for the Duarte distribution system and develop a construction and finance plan to implement any recommendation from such a report.¹⁷ The recommendations were not part

¹⁷ City of Duarte opening brief, at 8, ln. 10-24.

of testimony entered into the record by the City of Duarte and as such, no party had an opportunity to cross examine sponsoring witnesses or to comment on the proposals. In addition, the City of Duarte's opening brief did not include any analysis supporting the recommendations.

Rule 13.8(d) of the Rules of Practice and Procedure provides:

Direct testimony in addition to the prepared testimony previously served,...will not be accepted into evidence unless the sponsoring party shows good cause why the additional testimony could not have been served with the prepared testimony or should otherwise be admitted....

The City of Duarte included no explanation why the additional testimony could not have been served as prepared testimony. For this reason Cal Am's motion to strike lines 10 through 24 of page 8 of the City of Duarte's opening brief, is granted.

12. Rate Impact of Cal Am's Petition to Modify D.09-07-021

On October 7, 2009, Cal Am filed a petition for modification of D.09-07-021 regarding Cal Am's general office allocation methodology applied to all non-regulated operations. On June 4, 2010, the Commission issued D.10-06-003, granting Cal Am's petition for modification which resulted in changes to the general office allocation methodology that affects all Cal Am's districts. The rates adopted in this proceeding for the Larkfield, Los Angeles and Sacramento districts reflect the impact of D.10-06-003

13. Comments on Proposed Decision

The proposed decision of ALJ Linda A. Rochester in this matter was mailed to the parties in accordance with § 311 of the Public Utilities Code and comments are allowed pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed by Cal Am, Mark West Community

Services Committee, and the Cities of Bradbury and Duarte on June 14, 2010, and reply comments were filed by Cal Am and DRA on June 21, 2010. All comments were considered and changes were made as appropriate. Specifically, significant substantive changes were made to Sections 1, 4.14.1, 9.1 and 9.2, and Ordering Paragraphs 3, 12, and 13.

14. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Linda A. Rochester is the assigned ALJ in this proceeding.

Findings of Fact

- 1. Cal Am and DRA are the only parties to the settlement.
- 2. Cal Am provided an application and exhibits that explained its request for a rate increase in detail.
- 3. DRA provided an analysis of the application indicating that it agreed with some of Cal Am's estimates and disagreed with others.
- 4. The overall settlement results lie between the initial positions of Cal Am and DRA and the settlement resolves some issues raised by other parties.
 - 5. The settlement does not violate any statute or Commission decision or rule.
 - 6. Cal Am represents the interest of its shareholders.
 - 7. DRA represents the interests of ratepayers.
- 8. The settlement results in rates sufficient to provide adequate reliable service to customers at reasonable rates while providing Cal Am with the opportunity to earn a reasonable return.
- 9. The settlement provides the Commission with sufficient information to carry out its future regulatory obligations with respect to the parties and their interests.

- 10. The parties recommend that the Commission phase Cal Am's next general rate case, with Phase I considering revenue requirement updates and analyses on the meet and confer sessions and data collection referenced in the settlement. The parties also recommend that Cal Am be required to include in Phase I, any ideas it is considering for inclusion in a second Phase II addressing rate design. The extension letter stated that the procedure and schedule for finalization and consideration of Cal Am's rate design proposal will be addressed in the general rate case proceeding.
- 11. On April 13, 2010, the Executive Director granted Cal Am a limited extension to August 1, 2010, to submit its rate design proposal in its upcoming statewide general rate case.
- 12. In past general rate cases, because more accurate information was not available, an estimate was used to calculate test year California Corporate Franchise Tax for federal income tax purposes.
- 13. Changes to California Revenue and Taxation Code may provide more timely and accurate information for the California Corporate Franchise Tax calculation.
- 14. Any changes to the methodology used to calculate Cal Am's California Corporate Franchise Tax adopted in this decision would apply to only three of Cal Am's seven districts, and result in inconsistent tax calculations among the districts. A review of the California Corporate Franchise Tax is more appropriately undertaken in Cal Am's upcoming statewide general rate case due to be filed July 1, 2010.
- 15. Any changes to the methodology used to calculate the Domestic Production Activities Deduction adopted in this decision would apply to only

three of Cal Am's seven districts and result in inconsistent tax calculations among the districts.

- 16. A review of the calculation of the Domestic Production Activities Deduction is more appropriately undertaken in Cal Am's upcoming statewide general rate case due to be filed July 1, 2010.
- 17. When a utility seeks recovery of costs tracked in a memorandum account, the utility must also demonstrate that the costs are not covered by other authorized rates, it is appropriate for ratepayers to pay for those categories of costs in addition to otherwise authorized rates, the utility acted prudently when it incurred those costs, and the level of costs is reasonable.
- 18. D.10-06-003 has been issued in Cal Am's petition to modify D.09-07-021, which impacts the rates in this proceeding.

Conclusions of Law

- 1. Rule 12.1(d) provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.
 - 2. The settlement is reasonable in light of the whole record.
 - 3. The settlement is consistent with law.
 - 4. The settlement is in the public interest.
 - 5. The settlement should be adopted.
- 6. The Executive Director's extension to August 1, 2010, for Cal Am to submit its rate design proposal in its upcoming statewide general rate case should be affirmed.
- 7. Cal Am's methodology for calculation of the California Corporate Franchise Tax should be adopted. The issue of whether to revise Cal Am's

methodology for calculation of the California Corporate Franchise Tax should be undertaken in Cal Am's statewide general rate case to be filed July 1, 2010.

- 8. In its statewide general rate case, Cal Am should provide comparison information regarding the amount of California Corporate Franchise Tax estimated in its previous three general rate cases and the actual amount of California Corporate Franchise Tax paid for the same time periods.
- 9. Cal Am's methodology for calculation of the Domestic Production Activities Deduction should be adopted. The issue of whether to revise Cal Am's methodology for calculating the Domestic Production Activities Deduction should be undertaken in Cal Am's statewide general rate case, due to be filed July 1, 2010.
- 10. Authorization for a memorandum account to track costs associated with Cal Am's compliance with new federal Ground Water Rules should be granted.
- 11. The final rates adopted in this proceeding should reflect the impact of D.10-06-003, the Commission's decision in Cal Am's petition to modify D.09-07-021, which was issued on June 4, 2010.

ORDER

IT IS ORDERED that:

- 1. The joint motion of California-American Water Company and the Division of Ratepayer Advocates to approve the settlement is granted, to the extent set forth in this Order.
- 2. California-American Water Company is authorized to file a Tier 2 advice letter no later than October 15, 2010, to request recovery of the additional

amortization of costs related to expenses for tank painting completed in 2010. The effective date for the annual Step rate increase shall be January 2011.

- 3. California-American Water Company is authorized to file by Tier 1 advice letter the revised tariff schedules attached to this order as Attachments A, B, and C, and to concurrently cancel its present schedules for such service. This filing shall be subject to approval by the Commission's Division of Water and Audits. The effective date of the revised schedule shall be no earlier than July 1, 2010, and shall apply only to service rendered on or after the effective date for the Larkfield and Sacramento districts. For the Los Angeles District, the effective date of the revised schedule shall be January 1, 2010, and California-American Water Company is authorized to file a Tier I advice letter to recover the difference between the interim and final rates from its Los Angeles Districts customers.
- 4. For escalation years 2011 and 2012, California-American Water Company shall file Tier 2 advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules for each district and rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than July 1, 2011 and July 1, 2012, respectively and shall apply to service rendered on and after their effective dates. The proposed, revised revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits. The Division of Water and Audits shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, and if so, reject the filing.
- 5. California-American Water Company shall file its 2010 statewide general rate case no later than July 1, 2010, but may omit its rate design proposal.

California-American Water Company shall serve its rate design proposal in its 2010 statewide general rate case no later than August 1, 2010.

- 6. California-American Water Company shall include in its 2010 statewide general rate case application, updates and analyses on the meet and confer sessions and data collection referenced in the settlement. California-American Water Company shall include in its 2010 statewide general rate case application, any ideas it is considering for inclusion in its rate design proposal.
- 7. California-American Water Company is authorized to file a Tier 1 advice letter to establish a balancing account for each district to track and recover variations in pension expenses. The balancing accounts shall be used to track the difference between the level of expenses authorized in rates and the actual costs. Cal Am's recovery for ratemaking purposes shall be capped at the minimum level of Benefit Plan expense calculated according to the Employee Retirement Income Security Act minimum funding levels. The effective date of the balancing accounts shall be the effective date of this decision and the balancing accounts shall track only costs incurred on or after the effective date of the balancing accounts.
- 8. California-American Water Company is authorized to file a Tier 1 advice letter to establish a balancing account for each district to track and recover variations in post retirement benefits other than pension. The balancing accounts shall be used to track the difference between the level of post retirement benefits other than pension expenses authorized in rates and the actual minimum costs calculated according Federal Accounting Standard 106. The effective date of the balancing accounts shall be the effective date of this decision and the balancing accounts shall track only costs incurred on or after the effective date of the balancing accounts.

- 9. California-American Water Company is authorized to file a Tier 3 advice letter to seek recovery of any costs beyond \$147,082 for the Faught Road Well once the project is used and useful.
- 10. California-American Water Company is authorized to file a Tier 2 advice letter to establish a developer special facilities fee in the Larkfield District for the Faught Road Well. The precise amount of the fee shall be determined using actual costs divided by the number of customers served.
- 11. California-American Water Company is authorized to file a Tier 2 advice letter to establish a developer special facilities fee in the Rosemont Service Area of the Sacramento District specifically related to the Jackson Booster Station Tank. The precise amount of the fee shall be determined using actual costs divided by the number of customers served.
- 12. In its statewide general rate case, to be filed July 1, 2010, California-American Water Company shall provide comparison information regarding the amount of California Corporate Franchise Tax estimated in its previous three general rate cases and the actual amount paid for the same time period. The schedule for submitting the information shall be determined by the assigned Administrative Law Judge.
- 13. A review of California-American Water Company's calculation methodology for the Domestic Production Activities Deduction shall be undertaken in its statewide general rate case, to be filed July 1, 2010. The schedule shall be determined by the assigned Administrative Law Judge.
- 14. California-American Water Company is authorized to file a Tier 1 advice letter to establish a memorandum account specifically for tracking the costs associated with Cal Am's compliance with new federal Ground Water Rules. California-American Water Company is authorized to file a Tier 3 advice letter to

request recovery of those costs. The Tier 3 advice letter shall include written justification to substantiate that the costs are incremental costs, not costs already covered within base rates. Authorization of the memorandum account does not guarantee recovery of expenses booked to this memorandum account that have been otherwise authorized in rates or are imprudent or unreasonable.

- 15. California-American Water Company's application is granted only to the extent specified in this decision and is otherwise denied.
- 16. The rates adopted in this decision reflect the impact of Decision (D.) 10-06-003, the Commission's decision in California-American Water Company's petition to modify D.09-07-021, which was issued on June 4, 2010.
 - 17. Application (A.) 09-01-013, A.09-05-008, and A.09-07-002 are closed. This order is effective today.

Dated June 24, 2010, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners

Rochester Attachment A Rochester Attachment B Rochester Attachment C

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

CASE 91-M-0890 - In the Matter of the Development of a Statement of Policy Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other than Pensions.

STATEMENT OF POLICY AND ORDER CONCERNING THE ACCOUNTING AND RATEMAKING TREATMENT FOR PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Issued and Effective: September 7, 1993

CASE 91-M-0890

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STATE OF NEW YORK PUBLIC SERVICE COMMISSION

COMMISSIONERS:

Peter Bradford, Chairman Lisa Rosenblum Harold A. Jerry, Jr. William D. Cotter Raymond J. O'Connor

CASE 91-M-0890 - In the Matter of the Development of a Statement of Policy Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other than Pensions.

STATEMENT OF POLICY AND ORDER CONCERNING THE ACCOUNTING AND RATEMAKING TREATMENT FOR PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

(Issued and Effective: September 7, 1993)

I. INTRODUCTION

On March 19, 1992, we issued a Notice Soliciting

Comments (Notice) which contained a staff proposal regarding the accounting and ratemaking treatment to be applied to three major and interrelated accounting pronouncements issued by the Financial Accounting Standards Board (FASB). These three Standards are:

^{1.} The FASB is the private sector's independent rulemaking body for the accounting profession. Although the Securities and Exchange Commission (SEC) has statutory authority to establish financial and reporting standards, the FASB's standards are officially recognized as authoritative by the SEC and the American Institute of Certified Public Accountants.

Statement of Financial Accounting Standards (SFAS) No. 87 - "Employers' Accounting for Pensions"

SFAS No. 88 - "Employers' Accounting for Settlements and Curtailments of Defined Benefits Pension Plans and for Termination Benefits"

SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions"

Although the first two pronouncements were generally effective in 1987, 2 we awaited the FASB's issuance of an Exposure Draft on the accounting for Postretirement Benefits Other Than Pensions (OPEB) in the summer of 1989, before beginning the process of developing a generic Statement of Policy on these interrelated accounting principles. All three Standards deal with the complex issues of accounting for, and measurement of, employers' cost of employee benefits received after retirement, but earned during the employees' working career. Since pensions and OPEBs are both forms of deferred compensation, and since the pronouncements are complementary, we are addressing their accounting/ratemaking treatment in one Statement of Policy (Policy).

^{1.} SFAS No. 106 is generally effective for fiscal years beginning in 1993. However, it is not mandatory until fiscal years beginning after December 15, 1994 for employers who have less than 500 plan participants and are non-public enterprises. The Statement of Policy recognizes this delay feature for the small companies.

^{2.} On September 22, 1987, we issued an Order authorizing companies to adopt the provisions of SFAS No. 87 if done in the context of a rate proceeding. Companies could adopt SFAS No. 87 outside a rate proceeding, but only if the differences between pension expense, as calculated under SFAS No. 87, and current rate allowances were deferred for Commission disposition.

II. Overview

After a careful review of all comments submitted in response to the Notice, ¹ we are adopting all three accounting Standards, with some revisions to the provisions specified in the Notice, for accounting and ratemaking purposes effective with this Order and retroactive to January 1, 1993. All affected companies must have their regulatory accounting records in compliance with this Policy by October 1, 1993.

The Statement of Policy² shall be followed in all instances for regulatory accounting and ratemaking purposes unless particular circumstances demonstrate it to be inappropriate or unwarranted. Before special treatment will be allowed, the party seeking divergent treatment must:

(1) demonstrate that the cost or other impact of implementing the

contested provision(s) would be an unjustifiable burden on its

New York utility ratepayers, and (2) submit an alternative plan
that fulfills the objectives of the Policy.

In the broadest sense, the Policy merges two, sometimes competing, objectives into a comprehensive accounting/ratemaking strategy: it blends a desire to recognize generally accepted accounting principles (GAAP) in Commission rate decisions (when

^{1.} Thirty parties responded to Staff's proposal; 25 jurisdictional utilities, 2 of the "Big Six" accounting firms and 3 Intervenors who often participate in rate cases (the New York State Consumer Protection Board (CPB), Multiple Intervenors, and Federal Executive Agencies). A list of the respondents is attached as Appendix B.

^{2.} Attached as Appendix A.

they do not conflict with our regulatory objectives) with the need to introduce accounting changes into rates in a smooth and efficient manner.

In summary, the Policy accomplishes the following primary objectives:

- o adopts the three GAAP pronouncements for accounting and ratemaking purposes. For SFAS Nos. 87 and 88, it utilizes some options of the new accounting rules to recognize pension gains (and losses) faster than most companies heretofore have chosen to do. It also preserves other pension savings and, together with pension gains, directs their use to mitigate increases in future OPEB rate allowances.
- o adopts recognition of OPEB costs in rates as they are earned by employees (accrual accounting). This constitutes a switch from the current pay-as-you-go (cash basis) practice.
- o moderates the rate impact of adopting accrual accounting for OPEB through the use of a phase-in plan and a longterm amortization of the obligation that has built up in the past.

III. Major Provisions of the Statement of Policy

The Policy accomplishes its main objectives through the following features:

- o mitigates the substantial rate impacts related to adopting SFAS No. 106 by:
 - oo establishing a rate phase-in plan for OPEB that allows five-years for rate allowances to reach the full annual SFAS No. 106 expense level;
 - oo amortizing over 20 years the OPEB liability that has built up over approximately the last 2 decades (the transition obligation);
 - oo rededicating excess pension plan assets (where available) to begin funding future OPEB liabilities;

- oo amortizing previously unrecognized pension gains (where available); and
- oo preserving pension expense reductions (past and future) occasioned by the adoption of SFAS No. 87.
- o complies with GAAP by adopting accrual accounting for OPEB and establishing a rate phase-in plan that conforms with FASB guidelines.
- o is consistent with the accounting and ratemaking treatment for pensions and OPEBs adopted by both the Federal Communications Commission (FCC) and the Federal Energy Regulatory Commission (FERC).
- o helps staff monitor OPEB costs by establishing additional reporting requirements, and both requires implementation of cost containment measures for OPEB and allows for incentives if companies reduce annual costs.
- o safeguards customers from inaccurate actuarial and health care cost assumptions, as well as reduced OPEB costs in the event a national health care program is implemented, by requiring utilities to defer the difference between actual costs and rate allowances for OPEB and dedicating OPEB allowances exclusively for that purpose.
- o calls for a re-examination in approximately 5-7 years of the accounting/ratemaking impacts on companies and the results of the Policy's provisions on pension and OPEB funding and expense levels.

Along with other Annual Report changes for 1993, new schedules containing additional reporting requirements for pensions/OPEB will be considered at a later Commission session.

IV. Responses to the Notice - Specific Issues

A. Use of SFAS No. 87 For Rate Purposes

All parties, except New Rochelle, agree that SFAS No. 87 should be adopted for rate purposes. New Rochelle proposes that the tax contribution method be retained and argues that, since it funds only the minimum amount required by ERISA and IRS regulations, the amount is not excessive and its fund balance has not approached the Full Funding Limitations established in the tax regulations.

SFAS No. 87 provides a more objective tool for measuring and evaluating pension expense than the current accounting method does. The tax contribution method espoused by New Rochelle is less desirable under current circumstances because the Federal Internal Revenue Code (IRC) specifies only the minimum and maximum amounts that must/may be funded. This standard is too broad and leaves the company with wide discretion as to the amount it will expense and fund. This situation is exacerbated by the fact that the IRC also allows actuaries to chose any one of several methods to determine the range of funding. As a

^{1.} TDS Telecom (Edwards, Oriskany Falls & Port Byron Telephone Companies) noted that its employee pension plan is a defined contribution plan (DCP) and that this type of plan was not specifically addressed in the Notice. Although the Notice focused on defined benefit pension plans, it is also applicable to DCPs, as is the Policy adopted herein.

Under this method the amount allowed in rates for pensions generally equals the amount the utility deposits in a dedicated external pension trust.

^{3.} Employee Retirement Income Security Act, enacted September 2, 1974.

result, the funding level calculated under the tax contribution method is extremely subjective.

SFAS No. 87 provides a superior method for quantifying and apportioning pension costs among current and future customers. Therefore, we adopt SFAS No. 87 for accounting and rate purposes, subject to the restrictions and other provisions described below and detailed in the attached Statement of Policy.

B. Rate Treatment for Prior Deferrals of SFAS No. 87 Amounts

By our September 22, 1987 order we directed all Class A and B utilities that adopt SFAS No. 87 before issuance of a final Statement of Policy to defer the difference between the allowance in current rates for pension costs and costs recorded according to SFAS No. 87, unless the change is made in the context of a rate proceeding. Several utilities request guidance as to how the balance of the deferrals created by that order will be treated for rate purposes.

The disposition of these deferrals will be determined on a case-by-case basis. Companies should propose a disposition of SFAS No. 87 amounts deferred in accordance with the September 22, 1987 order in the same rate filing in which they address recovery of the effects of adopting SFAS No. 106. Companies that do not file for recovery of the costs covered by this Policy by June 1, 1995, must submit an accounting/ratemaking plan to the Commission

^{1.} This is addressed in Section III, C, 2 of the attached Statement of Policy.

proposing a disposition of these deferred SFAS No. 87 balances by September 1, 1995.

C. Use of SFAS No. 106 for Rate Purposes

All commenting utilities and the two CPA firms favor the adoption of SFAS No. 106 for rate purposes; however, the three Intervenor parties oppose its adoption. The major arguments in opposition are:

- 1. Pay-As-You-Go (PAYGO) is less costly than accrual accounting.
- 2. Adoption of SFAS No. 106 is not required by GAAP because SFAS No. 71 allows regulated utilities to use different accounting if the same treatment is followed for ratemaking.
- 3. The accrual approach will cause intergenerational inequity since customers will pay the costs of employees that are currently providing service and also pay the costs of employees who provided services in the past.

1. PAYGO is Less Costly

while the PAYGO approach may produce lower rates in the short-run, it creates offsetting long-term rate impacts.

Continued use of PAYGO would inevitably result in future customers being required to bear a disproportionately high percentage of the total costs.

The Intervenors' "present value" analyses are flawed because they contain inconsistent assumptions for the discount rates and fund earnings rates. These assumptions are critical because they help quantify future liabilities on the one hand and fund earnings on the other. These assumptions, as used in the

SFAS No. 106 calculations, must be based on consistent and interrelated economic circumstances in order to produce valid results. When these components are made consistent and then applied to the PAYGO proponents' studies, the results show the total impact of PAYGO and accrual, in the long run, to be equivalent. Thus, taking into account the time value of money, accrual accounting (assuming funding) is no more costly than PAYGO in real terms. Further, accrual accounting (i.e., SFAS No. 106) achieves an objective PAYGO cannot match — it evens out OPEB costs over different periods of time and thus provides a fair and systematic cost allocation among current and future utility customers.

2. SFAS No. 71 Permits Utilities to Stay on PAYGO

SFAS No. 71¹ (paragraph 9), permits deferral of current expenses so long as there is a corresponding understanding and commitment by the regulator that the "regulatory asset" thus created has a reasonable probability of recovery in future rate allowances. The Intervenors recommend continued use of PAYGO for rates indefinitely and the establishment of a regulatory asset for all differences between the OPEB costs determined under PAYGO and SFAS No. 106.

The issue of establishing a regulatory asset for the differences between SFAS No. 106 costs and PAYGO rate allowances

^{1.} Statement of Financial Accounting Standards No. 71 - "Accounting for the Effects of Certain Types of Regulation," issued in December 1982.

was reviewed extensively by the EITF. On January 21, 1993, the EITF reached a consensus agreement that

"... a regulatory asset related to SFAS No. 106 costs should not be recorded by the regulator if the regulator continues to include OPEB costs in rates on a PAYGO basis."

Thus, the EITF rejected PAYGO as an acceptable treatment for rate regulated entities primarily because the regulatory body could not provide assurance the resulting long-term regulatory asset would actually be recovered in the future. The EITF also adopted several other provisions that apply only to rate-regulated entities for SFAS No. 106 costs. Our Statement of Policy complies with all provisions of the EITF's ruling.

3. Intergenerational Equity

The inequity referred to by the Intervenors pertains to the benefits earned in the past that have not yet been recognized or paid. The cost of these benefits is commonly referred to as "prior service costs." In accordance with one of the options in SFAS No. 106, the Notice proposes that this amount be amortized over a minimum of 20 years as part of the annual OPEB accrual.

The extent of the intergenerational inequity is overstated by the Intervenor parties since the majority of prior service costs are applicable to employees currently in, and

^{1.} The Emerging Issues Task Force (EITF) of the FASB was formed in 1984 to provide timely financial accounting and reporting guidance on new, often narrow, business transactions. A consensus reached by the EITF is a source of GAAP.

expected to remain in, the companies' workforces for a number of years. The customers who will pay for the prior service costs, if SFAS No. 106 is used, are either the same customers who received the services of the employees to whom the liability relates, or are closer in time to when the service was rendered than future customers will be.

Conclusion

SFAS No. 106 provides a superior method for quantifying and apportioning OPEB costs among current and future customers. We therefore adopt SFAS No. 106 for accounting and rate purposes, effective with this Order, and retroactive to January 1, 1993, subject to the restrictions and other provisions detailed in the attached Statement of Policy.

D. Phase-in Proposal - OPEB

The two CPA Firms strongly support the phase-in plan, characterizing it as a reasonable and practical approach to soften the rate impacts. Twelve utilities find the proposed phase-in acceptable. However, three of these utilities think the minimum rate of phase-in (.25% of operating revenues) is too low and/or the maximum length of the phase-in should be shortened to 4 years. NYT, on the other hand, expresses concern that the Notice's target rate of phase-in (i.e., l% of operating revenues) may be too large for some companies. NYT also proposes that, in order to maintain consistency, the phase-in should be at the incremental rate of 20% each year for 5 years.

Nine utilities oppose phasing-in the revenue requirement impact, reasoning that:

- 1. the Phase-in violates the expense recognition required by SFAS No. 106:
- a phase-in is unnecessary except in extreme cases;
- 3. staff's plan will leave the New York State utility industry in noncompliance with other states which adopt SFAS No. 106 without restrictions;
- 4. the required deferrals may never be recovered, especially in view of the increasing competitive nature of the electric, gas and telecommunications industries; and
- 5. the phase-in method is inherently arbitrary, subjective and does not allow a company's true cost to be reflected in its prices.

The three intervenor parties oppose the phase-in proposal consistent with their overall objection to adopting SFAS No. 106 for rate purposes. MI also states that if SFAS No. 106 is adopted, the first part of the proposed phase-in should be accomplished over 10 years rather than the 5 years proposed in the Notice.

The significant rate impact caused by the adoption of SFAS No. 106 argues strongly for some form of phase-in plan. Moreover, the FASB, through the EITF, has decided that for rate regulated entities the additional cost of adopting SFAS No. 106 should be recognized in rates within about five years of the utility's adoption of SFAS No. 106, with any cost deferrals from the phase-in period being recovered within approximately 20 years from adoption of the Standard.

We concur with the Notice that a phase-in plan is needed to mitigate the impact on customer bills and to allow for a

smooth transition from the PAYGO method. We adopt the phase-in plan proposed in the Notice with the modification that the maximum amortization period for the phase-in related deferrals will be extended from the proposed 10 years to the 20 years allowed by the EITF. 1

Arguments that a phase-in plan for SFAS No. 106 is unnecessary, except in extreme cases, are unfounded. The plan calls for each utility's implementation of this Policy to be examined on a case-by-case basis. We may shorten or ignore the proposed phase-in if we conclude such action is appropriate given the circumstances of a particular utility, the impact on customers and rates, or other valid reasons. The case-by-case review also answers the concerns of those companies which criticized the rate of phase-in as either too fast or slow. We will base the phase-in within the revenue benchmark ranges proposed in the Notice on an as needed basis.

The argument that the proposed plan will result in inconsistencies among New York state utilities and between New York utilities and those of other states is incorrect given the EITF's ruling and the almost universal adoption of that accounting plan. Moreover, it is not uncommon to have a variety of rate plans, all slightly different, for similar items of expense (e.g., Demand Side Management costs). Despite the varied ratemaking approaches we may apply, they are all implemented in

^{1.} The phase-in plan contained in the Notice predates the EITF's ruling.

accordance with our regulatory objectives and, in this instance, pension and OPEB rate elements will be guided by the detailed provisions of the Policy.

The concern that the pension and OPEB deferrals may never be recovered because of competition or deregulation is speculative at this time and for the near future. Moreover, under a deregulated framework, the recovery of such deferrals would be just one of many issues. Should we acquire the necessary legislative authority to deregulate an industry, or a portion thereof, we would review the proper rate treatment of all regulatory assets and liabilities in the context of a global deregulation plan.

Finally, claims that the deferral accounting is

"arbitrary" and "subjective" are also misplaced. The deferrals

in question are in strict compliance with the parameters outlined

by the EITF and they constitute a reasonable ratemaking approach,

considering the major rate impact OPEB poses.

E. Restriction on Selection of Options

SFAS Nos. 87 and 106 provide options that allow employers latitude when determining pension/OPEB costs. Staff thoroughly analyzed these options in order to determine how they could best meet our regulatory objectives and their recommendations were presented in the Notice. Most of the utilities and the CPA firms generally argue that the accounting Standards should be adopted in their entirety and that the

features embodied in the Standards should be left exclusively to management.

It is clearly proper to limit the application of GAAP pronouncements in our ratemaking practices when they conflict with our regulatory objectives. In the instant case, some of the options available in the Standards for calculating the level of component costs could produce results that would be contrary to our objectives of intergenerational equity and of mitigating rate impacts. Further, our restriction of these options for ratemaking purposes does not violate any provision of SFAS Nos. 87, 88 or 106.

The restriction that raised the strongest objection was the proposal to prohibit the use of the "corridor approach" to recognize certain pension/OPEB gains and losses. As a hedge against volatility in the year-over-year level of expense, both SFAS Nos. 87 and 106 allow employers the option to delay recognition of certain gains/losses. The most conservative method allowed by SFAS Nos. 87 and 106 for recognizing these delayed gains and losses, and the one universally adopted by New York utilities, is the "corridor approach." However, since companies may use any method of recognition that would cause a more rapid recognition of these gains and losses than would the corridor approach, employers have significant leeway in the period over which these gains and losses may be recognized.

The "corridor approach" allows employers to accumulate gains/losses until they reach a threshold; 1 once this level is reached, the amount <u>in excess</u> of this corridor is amortized over a period of approximately 20 years. The Notice proposed to prohibit the "corridor approach" and to require instead that the annual pension/OPEB expense calculation reflect a 10-year amortization of the total amount of gains and losses, without any threshold level.

Commentors argue for retaining the "corridor approach" stating that it is a sound mechanism for mitigating the potential volatility in rates that could result from the SFAS Nos. 87 and 106 expense calculations and from the effects of stock market fluctuations on the value of pension and OPEB fund assets.

While extreme volatility of pension and OPEB expense is undesirable for rate purposes, using the "corridor approach" for recognizing gains/losses is an overly conservative mechanism that does not comport with our ratemaking objectives in this instance. We therefore adopt the Notice's proposed 10-year amortization plan for gains/losses and reject the "corridor"

^{1. 10%} of the greater of (1) the market-related value of plan assets, or 2) the projected benefit obligation.

^{2.} For example, Con Edison's 1991 corridor could contain a net gain or loss of \$300 million.

approach" for ratemaking purposes. We will review this decision in the reexamination phase of this Policy, scheduled in 5-7 years. 2

The 10-year amortization plan retains some of the averaging benefits of the "corridor approach," thereby reducing volatility, yet recognizes all gains and losses over a reasonable period of time. Additionally, the elimination of the corridor will not impose unwarranted burdens on companies, and we view the 10-year amortization plan as an improvement in the determination of pension and OPEB expense for rate purposes.

The Notice contains numerous technical provisions concerning the adoption and implementation into rates of SFAS Nos. 87, 88, and 106. We adopt all those provisions to the extent they are not modified by the following:

- companies which initially adopt SFAS No. 87 on or after January 1, 1993 should amortize the transition asset/ obligation over the periods(s) specified in the Policy;
- the Notice's proposal to <u>require</u> the use of a three year market-related value for <u>valuing</u> pension/OPEB plan assets is not adopted; and
- 3. companies which:

^{1.} The Notice stated (Appendix A, page 18) that any gains or losses should be placed in a deferred account and amortized. This is incorrect. No deferral account should be used since the amounts will not yet have been recognized on the company's books. The Notice should have stated that 1/10th of the gains and losses should be recognized as part of the annual pension expense calculation. The unrecognized portion of these gains and losses will not be included in the rate base calculation.

^{2.} We agree with the Notice's recommendation to review the Policy after a reasonable period of time has elapsed and after all parties have gained sufficient experience. We conclude the review should be made in 5-7 years.

- a. on the basis of an established history of amending their pension/OPEB plans, shorten the amortization period of prior service costs arising from plan amendments, or
- b. change the method used to select an assumption or determine the value of plan assets or liabilities, or
- c. select a different option, where there is a choice,

must file notification with the Director of the Office of Accounting and Finance within 30 days of enacting the change(s). However, such notification is not necessary if the cumulative impact on pension and OPEB expense, when combined, is less than .05% of the company's common equity and less than \$5 million.

F. Proposed Deferrals

Due to the unique nature of pension and OPEB costs, the Notice contains provisions requiring the use of deferral accounting procedures, at least through the 5-7 year review. The objectives of these provisions are to:

- protect against inaccurate pension/OPEB projections until sufficient experience is gained to assure their accuracy; and
- monitor pension/OPEB rate allowances that have yet to be paid out as benefits or deposited into an external pension/OPEB trust(s).

Several commentors question the propriety and need for deferral accounting claiming pension/OPEB expense projections are no different than other expense forecasts used in setting rates. They also argue that, if deferral accounting must be adopted, rate base should be adjusted for the deferred balance, rather than accruing a noncash return, and such treatment should be applied equally to both negative and positive deferral balances.

Deferral accounting procedures are needed at least during the 5-7¹ year review period to facilitate a smooth and complete implementation of the phase-in plan and to preserve the impact of the discontinuance of the "corridor approach."²

Moreover, employers will be reviewing and revising pension/OPEB expense levels often for assumption changes, plan amendments and for the effects of implementing this Policy. Deferral accounting will mitigate the volatility in rate and expense differences during the transition period.

Finally, in the event a national health care program is implemented in the near future, OPEB rate allowances may be considerably different from actual costs; deferral accounting will buffer these differences and protect all parties from unforeseen consequences.

The amount of pension/OPEB rate allowances not deposited into an external fund (or paid out in benefits expense) will be accounted for using the internal reserve method. Some commentors argue that these amounts (net of their tax effect) should be deducted from rate base. As stated in the Notice, we considered applying rate base treatment for this item but opted for accruing a carrying charge. The carrying charge method matches the timing

^{1.} The amount deferred during the 5-year phase-in, which constitutes the difference between the rate allowances and actual expense that has not been fully recovered, is likely to require deferral beyond the 5-7 year review period.

This latter feature is especially important for companies which do not file rate proceedings as described in Section III,C,2 of the Policy Statement.

of the interest accrual on funds with the actual receipt/disbursement of those funds. The rate base method cannot provide this degree of accuracy because of regulatory lag.

Moreover, complicated Internal Revenue Code provisions will determine the amount of pension/OPEB contributions that can legally be made to the external trust arrangements. The availability of cash and alternative investment opportunities will also affect the actual level of funding. Since the level of contributions may be difficult to predict during the implementation phase and thereafter, accruing a carrying-charge on the amounts not deposited into an external fund (or paid out in benefits expense) provides a more accurate method of compensating parties for the time value of money.

We do not expect companies to deposit in external funds more than they receive in rates. Therefore, the accrual of carrying-charges will be allowed only on credit balances in the pension and OPEB internal reserves. Companies seeking to accrue a carrying-charge on debit balances must petition for Commission authority or seek such approval in a rate proceeding.

G. Funding

The Notice proposed to require companies to deposit rate allowances for OPEB into tax-effective, external trust fund(s) to the maximum extent they so qualify. The Notice also listed three conditions that would have to be met for such contributions to be judged "tax-effective." Since there are currently few external trust fund arrangements for OPEB that qualify as "tax-effective,"

the Notice proposed that any portion of the OPEB rate allowance not deposited into "tax-effective" external funds would be retained by the company and could be used for regulated utility purposes. The amounts so retained would be accounted for as an internal reserve (similar to depreciation and decommissioning reserves).

About one third of the commenting utilities objected to this requirement claiming that it unnecessarily encumbered their flexibility to effectively manage their OPEB funding assets. Of particular concern was the effect this definition of "tax-effective" would have on their ability to fund the OPEB plans of management and other nonunion employees. The commentors claimed the requirement would preclude the use of VEBA trusts for these employees since, unlike "collectively bargained" VEBAs, the income earned on VEBA trusts for non-union and management employees is taxed when earned.

The objective of prioritizing tax-effective funding was to obtain the most efficient funding vehicles available, not to bias OPEB funding of union employees over that of management or

Voluntary Employees' Benefit Association (VEBA) trusts are external OPEB trust funds for which cash contributions are tax deductible under Internal Revenue Code (IRC) Section 501(c)(9). However, they must meet strict requirements specified in the IRC.

VEBAs established for a company's current and retired employees who are employed (or were employed immediately before retiring) under a collectively bargained labor agreement.

nonunion employees. In view of the limited number of taxadvantage vehicles available for funding OPEB, we are deleting
two of the conditions listed in the Notice's definition of "taxeffective," as that term applies to OPEB funding, and retaining
only the condition that contributions must qualify for a federal
income tax deduction in the tax year the deposit is made.

The Notice proposed the same restrictions on pension fund contributions as those provided on OPEB contributions.

However, for pensions, there are currently sufficient funding vehicles available that meet all three conditions in the Notice's definition of "tax-effective." Therefore, there is no need to revise this requirement for pensions.

H. Settlements and Curtailments

The Notice proposed several main provisions dealing with the settlement/curtailment of pension/OPEB plan benefits. The major provisions require companies to:

- 1. follow SFAS No. 88 and the applicable provisions of SFAS No. 106 to determine gains or losses from the settlement or curtailment of employee pension and OPEB plans and the granting of termination benefits;
- 2. notify the Director of the Office of Accounting and Finance prior to consummation of any such transaction(s);
- defer all gains from settlements, curtailments, etc. on the utility's books for future Commission disposition; and
- 4. file a petition with the Commission if they wish to defer a loss for future rate recognition.

Most commentors either agreed or did not respond to these proposals. However, NYT argued for equal treatment for

both gains and losses and noted that advance notification may not be feasible or practical as the transaction may be part of negotiations with employee labor unions. RTC argued that settlements only reduce the current pension or OPEB expense, not the ultimate liability.

Experience shows that settlements can reduce the ultimate pension/OPEB liability. There will be instances where a settlement of all or part of the benefit plan is appropriate and others where it will not. Utilities should periodically investigate the economic advantages of settling portions of their pension/OPEB liabilities.

In some situations it may not be possible for the utility to notify the Director of the Office of Accounting and Finance in advance of the transaction. Thus the written notification procedures are changed to "... filed within 30 days of the transaction."

The Notice's asymmetric treatment of gains and losses arising from pension/OPEB settlements/curtailments is appropriate because utilities have no incentive to defer gains since shareholders would be the primary beneficiaries of such transactions. Moreover, pension fund assets have been funded primarily (if not exclusively) with ratepayer provided funds, and since large amounts of market and actuarial gains have been

^{1.} For example, in 1989 a jurisdictional company settled part of its pension plan by purchasing annuities. In doing so the company recognized a material gain and the company was no longer liable for the payment of pension benefits to the affected retirees.

excluded from the pension expense calculations, it is equitable that pension gains realized from settlements/curtailments be preserved for ratepayers.

On the other hand, a company that incurs a loss in a settlement/curtailment transaction should be required to demonstrate how the transaction is in the ratepayers' interest. Having different accounting treatment for such gains and losses does not disadvantage companies; rather it adds a regulatory step to the approval process. However, such authorization will be considered only for material amounts and only if the company submits a petition within 60 days of the transaction proposing the accounting and ratemaking treatment to be applied to the net loss. 1

I. <u>Early Retirement Savings</u>

Early retirement programs allow utilities to trim their labor force and to reduce payroll costs. Among other things, however, these programs shift the cost of providing fringe benefits for the early retiree from a current operating cost to the OPEB fund. In the current ratemaking process, companies retain the savings from avoided salaries/wages and fringe

^{1.} The petition must contain a detailed derivation of the net loss, including the derivation of all of the annual costs and savings, both direct and indirect for both pensions and OPEB, related to, or generated by, the action that gave rise to the loss. Such amounts shall be quantified for the period of time commencing with the inception of the action or incident and ending with the projected date of company's next rate change.

benefits until the next rate proceeding. Meanwhile, increased annual pension and OPEB costs are thrust upon future customers.

The Notice tried to correct for this cost shifting by requiring companies to defer the savings from avoided fringe benefit costs related to the early retirees until the early retirements have been recognized in rates. The captured savings would be used to help defray the related OPEB costs which commence being paid from the OPEB fund(s) immediately upon the employee's retirement. However, in order to prevent establishing a disincentive to this type of cost containment program, the Notice did not target wage and salary savings for capture. Several utilities misunderstood this and thought we were proposing to capture all of the savings while not providing for recovery of the associated costs.

In instances where the company is not requesting to defer for subsequent recovery the costs it has/will incur as a result of a broad based early retirement program, the capture of the limited amount of savings, as proposed, is appropriate. However, since broad based early retirement programs may give rise to a loss in the short-term, but over the long-term result in a significant net savings, the company may wish to seek deferral and subsequent recovery of its costs. In instances

^{1.} Notice, page 5

^{2.} The "savings" subject to this capture shall be an amount equal to the revenue requirement reduction applicable to the OPEB (i. e. health care coverage, life insurance, and prescription drug plan(s), etc.) of those employees electing early retirement.

where the early retirement program can be shown to be in the best interests of the ratepayers, companies may petition for recovery of significant program costs. Upon petition, early retirement amounts (both costs and savings) will be accorded appropriate deferral accounting treatment, with recovery decided in subsequent proceedings pursuant to our conventional standards of prudence. 1

Such petitions are to be filed with the Commission within 60 days of the consummation of the transaction and must demonstrate the transaction is in the ratepayers' best interests. The petition should quantify all costs and savings (both direct and indirect) to be incurred/realized as a result of the early retirement program from its inception to the projected effective date of company's next rate change; or beyond that date if ratepayers are receiving long-term benefits from the action. Such petition may include a proposal for the sharing of the net savings resulting from the early retirement program.

J. Use of Pension Surpluses to Offset OPEB Expenses

Jurisdictional utilities were requested to comment on the feasibility of using excess pension fund assets that may

^{1.} See Case 90-E-0775, Consolidated Edison Company of N.Y., Inc., et al., Order Accepting Contracts for Filing and Denying Petition (Issued December 10, 1990), p. 8; Case 27563, Long Island Lighting Company, Opinion and Order Determining Prudent Costs, Opinion No. 85-23 (Issued December 16, 1985).

exist to mitigate the rate impact of adopting SFAS No. 106. Fifteen utilities, plus CPB and MI, responded.

The responding utilities oppose the use of pension assets to fund OPEB, contending the pension liability is continuous and that all money in the fund must be used for pension purposes. They claim the proposal would merely result in the transfer of assets from pensions to other employee benefit costs and will not produce any long-term benefit. They infer that the proposal is an attempt to avoid, or artificially reduce, rate allowances for OPEB. They also pointed out, as did the Notice, that the legal restrictions associated with pension fund withdrawals, VEBAs, and Section 401(h) transfers may encumber the use of pension funds for OPEB purposes. 1

CPB proposes that excess pension assets be used to reduce rates rather than being shifted to cover "highly uncertain OPEB costs." MI supports the concept of using excess pension assets for OPEB but argues that SFAS No. 106 should not be used for rate purposes.

Reducing the long-run cost of employee benefits is not the intent behind the proposal to transfer excess pension funds to OPEB (where a transfer is both practical and legally permissible). Nor is the intent of the proposal to ignore OPEB in rates. Rather, it is intended to strike some balance between a retiree benefit fund that is overfunded and a retiree benefit

^{1.} Like VEBA's, Section 401(h) transfers are one of the few types of tax deductible vehicles available, but they also are subject to strict federal requirements.

fund that is dramatically underfunded. Because the pension funds of some of our jurisdictional companies are considerably in excess of their current accumulated obligations, it is logical to apportion some of this excess to OPEB, if possible.

In the first rate filing submitted after this Policy is issued, jurisdictional companies should describe their efforts to allocate pension plan assets in excess of pension benefits obligations to tax-effectively fund SFAS No. 106 related liabilities. The filings are to include all particulars related to such assignments, such as amounts, dates, investment vehicles used, tax effects, etc. Companies electing not to assign excess pension plan assets are to provide a complete explanation of this decision in the rate proceeding wherein they implement the provisions of this Policy. 1

K. Implementation Plans - Rate Recovery

The Notice provided several methods whereby companies could file to implement the Statement of Policy in rates. There were no comments opposing the implementation methods proposed. However, the date for filing the implementation plan is modified, and another modification is necessary for situations where companies will not be filing for a rate change by the terminal date(s) established by the Policy.

^{1.} Due to strict federal requirements covering these vehicles and options, they may not be a reasonable option for a particular utility. Thus, we are not requiring they be made but they must be given consideration.

The date for submitting an implementation plan is changed from "the date SFAS No. 106 is adopted" to "June 1, 1995" for companies which must adopt SFAS No. 106 in 1993. This change provides time for companies to develop a well conceived ratemaking plan and to gather employee actuarial and demographic data. Although the deadline for filing a rate plan is extended, the deferral and carrying-charge requirements described in the Policy must be applied for regulatory accounting purposes commencing January 1, 1993 (January 1, 1995 for companies that meet the requirements for the delayed implementation).

Companies with pending rate proceedings, may amend their filings to include the effects of implementing the provisions of this new Statement of Policy no later than filing of Briefs on Exception.

Single-issue rate filings for the purposes of implementing SFAS No. 106 will not be accepted. Companies which

For companies which keep their books and records on a fiscal year basis, these deferral and carrying-charge accrual requirements, as they apply to OPEB, are effective commencing with the company's first fiscal year beginning after December 15, 1992.

^{1.} This will leave approximately 3 years to effectuate the OPEB phase-in.

^{2.} Some companies adopted SFAS No. 87 for regulatory accounting purposes prior to January 1, 1993 in accordance with our September 22, 1987 order. Deferrals made prior to January 1, 1993 in accordance with that order are to remain segregated from deferrals made in accordance with this Policy. If this previous deferral, net of any portion which has been accorded rate base treatment, has a credit balance, a carrying-charge shall be accrued on the net balance at a rate, and in the manner, described in Section III,A,7 of the Policy. If the net balance is a debit amount, no interest shall be accrued.

are not required to adopt SFAS No. 106 until fiscal years beginning after December 15, 1994 will have until January 1, 1996 to file a rate and accounting plan.

If a company does not file for a rate change within the time limits specified in the Statement of Policy, the company shall cease to qualify for recording a regulatory asset for the impact of SFAS No. 106. In such a case, all deferrals of SFAS No. 106 costs that have been established in anticipation of rate recovery are to be charged to current period income by the end of the latest authorized filing period.

L. Actions to Control OPEB Costs

The Notice proposed that all utilities be required to take certain actions to control OPEB costs. Most of the responding utilities indicated they have been taking the actions outlined and that no further requirements need to be imposed. Some company commentors believe the decision to initiate cost reductions in their OPEB programs should be left to management and should not be directed by the Commission.

The recommendations contained in the Notice do not force companies to implement any particular action or meddle in management prerogatives. All utilities, including those that adopt SFAS No. 106 without requesting rate treatment, are to demonstrate in their first rate case following adoption of SFAS No. 106 that they have taken the actions to control OPEB that are listed in Section III, C, 4 of the Policy.

M. OPEB Cost Control Incentives

Utilities normally have a financial incentive to control costs between rate changes because they are allowed to retain some/all of the savings achieved beyond the rate allowance granted for the costs. However, the deferral mechanisms adopted herein, although necessary under the circumstances, will capture any efficiencies gained through effective management of the program. Since OPEB is a significant expense, utilities should have incentives to minimize program costs consistent with workforce morale and productivity objectives.

The specific incentives will be based on results that can be clearly demonstrated and supported and on the following considerations: the level of effort involved, ingenuity shown, the long-term nature of the savings, the amount of the annual savings achieved relative to the annual cost, and other pertinent factors identified by the utility.

N. Plans Which Cover More Than Jurisdictional Utility Employees

Many consolidated corporate structures cause jurisdictional companies' employees to be participants in pension/OPEB plans that cover regulated, non-regulated, and/or out-of-state employees. The diverse population covered by these consolidated plans and the multi-jurisdictional arenas with

^{1.} Jurisdictional utilities in this category include Central Hudson, O&R, NFG, Alltel, AT&T-NY, GTE New York, TDS TELCOM, NYSTA, NYT, RTC, Jamaica, Long Island Water, New Rochelle, NY-American and Spring Valley.

their multiple regulatory or statutory requirements could cause administrative problems, if the various authorities have inconsistent standards. Because the Notice proposed restrictions on certain SFAS No. 87 and SFAS No. 106 provisions for ratemaking purposes, some respondents with consolidated employee benefit plans claim this would cause a need for additional accounting records and actuarial studies. This, they argue, would increase costs ultimately borne by New York ratepayers. They propose, instead, that SFAS Nos. 87, 88, and 106 be adopted without any restrictions.

Our accounting and ratemaking decisions strive to avoid duplicate or unnecessary recordkeeping and to minimize ratemaking conflicts with other authorities that have complementary responsibilities. In this instance some conflict appears unavoidable because of the competing interests involved and what may be different price setting philosophies. To achieve the regulatory objectives outlined herein, the commentors' proposal to eliminate all restrictions is rejected. However, if a jurisdictional company which participates in a consolidated group pension/OPEB plan with non-jurisdictional affiliates can demonstrate severe hardship or inequity as a direct result of our Statement of Policy, we will consider a waiver of the identified, onerous provision(s). Any such filing must clearly explain the conflict, justify the exemption sought, and provide an

alternative proposal that <u>clearly</u> satisfies the objectives of the Statement of Policy.

In a related matter, the Notice proposed prohibiting the commingling of OPEB monies provided by New York State ratepayers with funds from other affiliates in a consolidated group. This segregation of New York funds is intended to provide added protection from non-jurisdictional affiliates realizing any financial or other advantage from the steady flow and availability of ratepayer money.²

Accordingly, all funds granted for SFAS No. 106 costs, plus any pension related or other funds or credits the company transfers or is otherwise directed to use for OPEB purposes, are to be used exclusively for the payment of trustee fees, associated income taxes (if any), and for the cost of postretirement benefits paid to or for employees who have worked at and for the jurisdictional company for the qualifying period(s) and under the qualifying conditions. When an external

^{1.} On December 18, 1992 New York Telephone Company (NYT) filed an accounting plan that included full adoption of SFAS Nos. 87, 88 and 106. We will address this request in a separate proceeding. In the interim, NYT may record its pension and OPEB costs in accordance with the provisions of its proposed plan, subject to future reversal and reconciliation, and in accord with our final decision in that proceeding.

AT&T Communications of New York, Inc. may request exemption because it is subject to a reduced form of regulation. However, it must request for exemption from the specific provisions it believes are not applicable.

Consolidated pension plans and pension funds already exist and therefore cannot be treated similarly without substantial administrative and Treasury Department complications. Therefore, existing pension funds are exempt from this prohibition on commingling.

fund is established for the deposit of these funds, no corporation, affiliate, subsidiary, partnership, etc. other than the jurisdictional company is to be allowed to have control over, access to, or the authority to withdraw funds from such account.

CONCLUSION

SFAS Nos. 87, 88 and 106 provide a superior method for determining pension and OPEB expense for rate purposes. For the most part our accounting and ratemaking objectives are compatible with those of the FASB. However, certain restrictions need to be applied to the newly adopted Accounting Statements so that their implementation in rates meets our regulatory objectives. Also, many difficult assumptions and subjective estimates are necessitated by the Statements. Thus, full deferral of rate allowance variations is being instituted to protect companies and ratepayers from potential volatility, at least until the 5-7 year review is completed.

Since the impact of SFAS No. 106 on rates will be material, we are adopting various rate mechanisms, including a phase-in plan and the use of excess pension fund assets, to temper its impact. Finally, utilities should strive to control their OPEB costs to the greatest extent possible. To encourage cost containment we have outlined a plan that allows companies to share in the savings realized from such efforts.

The Commission Orders:

- 1. The attached Statement of Policy concerning the accounting and ratemaking treatment for pensions and postretirement benefits other than pensions is adopted for all jurisdictional utilities that are subject to the Uniform Systems of Accounts, effective with this Order, and retroactive to January 1, 1993.
 - 2. This proceeding is continued.

By the Commission,

(SIGNED)

JOHN J. KELLIHER Secretary

RATEMAKING TREATMENT FOR PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

I. Introduction

This Statement of Policy is provided to efficiently and effectively implement our new policy for the accounting and rate treatment for pensions and postretirement benefits other than pensions (OPEB). Our new policy is rooted in the following three interrelated pronouncements issued by the Financial Accounting Standards Board.

- Statement of Financial Accounting Standards (SFAS) No. 87 "Employers' Accounting for Pensions"
- o SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefits Pension Plans and for Termination Benefits"
- o SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions"

This Statement of Policy (Policy) shall be followed in all instances unless particular circumstances demonstrate it to be inappropriate. However, before special treatment will be granted, a utility must make a strong and clear showing why the Policy should not apply in its particular case and/or how it would cause undue financial or operational harm if adhered to.

Due to the unique nature of the subject matter, the results of this

Policy will be reviewed in five to seven years. Jurisdictional utilities and
other interested parties will be invited to participate and provide staff
with any relevant information and comments.

II. General Policy

SFAS Nos. 87, 88, and 106, subject to certain restrictions, shall be used for accounting and ratemaking purposes for all applicable transactions as of

January 1, 1993. For SFAS No. 106 this effective date applies only to employers who have more than 500 benefit plan participants in the aggregate, or are public enterprises. Absent special permission, all other entities shall not use SFAS No. 106 until fiscal years beginning after December 15, 1994.

III. Provisions

A. Pensions

- Unless otherwise provided, the provisions of this Policy for pensions shall be reflected in rates at the same time as the provisions for OPEB are reflected in rates. The requirements for OPEB are provided below.
- 2. Commencing January 1, 1993, companies shall defer the difference between 1) the rate allowances³ for pensions, less any pension rate allowance the company is directed to use for OPEB purposes, and 2)

projected expense allowed in last rate proceeding projected sales (e.g. Kwh, Therm, or Gallons) X actual sales

For telephone companies it shall be the amount allowed in the company's last rate proceeding.

For companies which keep their regulatory books and records on a fiscal year basis, the applicable date, as it applies to SFAS No. 106, shall be the beginning of the company's first fiscal year beginning after December 15, 1992. For SFAS Nos. 87 and 88, the date will remain January 1, 1993.

^{2.} A public enterprise is defined in SFAS No. 87 as an enterprise (a) whose debt or equity securities are traded in a public market, either on a stock exchange or in the over-the-counter market (including securities quoted only locally or regionally), or (b) whose financial statements are filed with a regulatory agency in preparation for the sale of any class of securities.

^{3.} For the purpose of determining the level of deferrals required by this Statement of Policy for both pensions and OPEB, "rate allowance" for electric, gas and water companies shall be calculated by the following formula:

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- pension expense determined as required by this Statement of Policy. 1
- 3. Companies which initially adopt SFAS No. 87 on or after January 1, 1993 are to amortize the transition amount over the average remaining service period of its employees, or 15 years, whichever is longer.²
- 4. Commencing January 1, 1993, all companies are to recognize, as part of their SFAS No. 87 expense calculation, all gains or losses described in Paragraph 29 of SFAS No. 87, except those not yet reflected in the market-related value of plan assets (if the company uses that method to value plan assets), over a 10-year period calculated on a vintage year basis. For those companies which have already adopted SFAS No. 87 for regulatory accounting and ratemaking purposes, these gains or losses accumulated and unrecognized as of January 1, 1993 are to be considered one vintage year.
- 5. By Order dated September 22, 1987, we authorized utilities to adopt SFAS No. 87 before the effective date of this Policy if the accounting change was made in the context of a rate proceeding or if the company deferred the impact of the change. Companies are to propose a disposition of SFAS No. 87 amounts deferred in accordance with the 1987 Order in the same rate filing in which they address recovery of the effects of adopting SFAS No. 106. Companies which do not file for recovery of the costs covered by this Policy by

For the purpose of calculating this deferral, both the "rate allowance" and "pension expense" shall only include the amount charged to expense accounts (<u>i.e.</u>, not charged to construction, depreciation expense and rate base allowance related to capitalized pension costs.

^{2.} The "transition amount" is the unrecognized net asset or obligation at the date SFAS No. 87 is adopted.

^{3.} This is addressed in Section III, C, 2.

June 1, 1995, must submit an accounting/ratemaking plan to the Commission proposing a disposition of these deferred SFAS No. 87 balances by September 1, 1995.

Deferrals made prior to January 1, 1993 in accordance with our September 22, 1987 order are to remain segregated from deferrals made in accordance with Sections III,A,2 and III,A,7 herein. If the deferral made in accordance with the September 22, 1987 order, net of any portion which has been accorded rate base treatment in a rate proceeding, has a credit balance, interest shall be accrued on that net balance at a rate, and in the manner, described in Section III,A,7 herein. If the net balance is a debit amount no interest shall be accrued.

- 6. Starting with the company's first proceeding in which SFAS No. 106 is considered for rates, the company must report on its efforts to allocate pension plan assets in excess of pension benefit obligations to fund OPEB related liabilities on a tax-effective basis. This must include all particulars related to such assignments including, but not limited to, amounts, dates, investment vehicles used, tax effects, etc. Companies electing not to assign excess pension plan assets must provide a complete explanation of such decisions. All subsequent rate filings shall update this data, until the requirement is rescinded by the Director of the Office of Accounting and Finance either on a case-by-case or generic basis.
- 7. All companies shall make maximum use of tax-effective external

^{1.} The prescribed procedures for implementing SFAS No. 106 into rates are described below.

funding vehicles for deposits of pension funds. 1 Commencing

January 1, 1993, an amount of the recorded pension liability

equivalent to the following shall be classified as (transferred to)

an internal reserve account: 2

- 1. the pension rate allowance, 3 plus
- 2. the actual amount of pension costs that are charged to construction, less
- 3. any pension related funds or credits the company is directed to use for OPEB purposes.

The funds represented by the internal reserve may be commingled with other utility funds and used for regulated utility purposes until such time as the funds are used for payment of pension benefits, deposited into an external pension trust(s), or the Commission orders some other disposition.

For rate purposes, the pension internal reserve shall not be used

^{1.} For the purpose of this Policy, "tax-effective funding vehicle" for pensions is defined as an externally held pension dedicated account or trust arrangement (trust) that: 1) will allow payments to the trust to qualify as a current federal income tax deduction, 2) the income earned on the fund balance accumulates tax free, and 3) the employee is not taxed until the benefit is actually received or not taxed at all. This definition differs from that used for OPEB funding.

^{2.} These entries shall be made no less than monthly and, except for the amounts representing actual charges to construction, shall be based upon amounts that are proportional, and on an annual basis equal, to the annual test period allowances.

^{3.} For the purpose of this calculation the "rate allowance" shall only include the amount charged to expense accounts (<u>i.e.</u>, not charged to construction, depreciation expense and rate base allowance related to capitalized pension costs).

^{4.} The portion of pension costs allocated to capital accounts shall be included in the internal reserve since such costs earn a return by virtue of their inclusion in rate base or construction work in progress and through the rate allowance for depreciation accruals.

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Instead, interest is to be accrued monthly on amounts recorded in the reserve (net of its tax effects) at the company's latest authorized pretax rate of return. Such interest shall be recorded in a separate subaccount in the internal reserve and interest shall be compounded thereon² on a monthly basis using the same pretax rate of return. If the cumulative net-of-tax balance in this reserve (including accrued interest) is a debit, no accrual of interest is to be made for that month.³ Companies shall apply deferred income tax accounting for the difference between book and tax treatment of SFAS No. 87 costs, in accordance with the Commission's Statement of Policy on SFAS No. 109. 4

8. The assumed discount rate used to determine pension and OPEB expense must be based on the rates of return currently available on high-quality bonds, and other market indicators which are of similar duration and risk, whose cash flows match the timing and amount of the expected benefit payments. If settlement of the obligation with a third-party insurer is possible, the rate of return inherent in the amount at which the obligation can be settled is relevant in

^{1.} However, for the purpose of calculating the company's earnings base vs. capitalization adjustment in rate proceedings, the amount in the internal reserve may be added to the company's capitalization.

^{2.} The cumulative interest balance less its related deferred tax.

^{3.} A debit balance can occur only when management, at its discretion, decides to make contributions in excess of rate allowances or if it accrues a negative pension expense. In rate proceedings companies may seek prospective interest accruals or rate base treatment for debit balances.

^{4.} SFAS No. 109, Accounting For Income Taxes, Case 92-M-1005. An interim Policy Statement was issued January 15, 1993 in this case.

- determining the discount rate, but should not be a major factor unless settlement is imminent.
- 9. If a company shortens the amortization period for prior years service costs based on the contention that "it has a history of plan amendments," it must file notification with the Director of the Office of Accounting and Finance within 30 days of enacting the change(s). However, such notification is not necessary if the cumulative impact on annual pension and OPEB expense, when combined, is less than 0.05% of the company's common equity and less than \$5 million.
- 10. If a utility 1) changes the method or manner in which it selects an assumption or determines the value of plan assets or liabilities or 2) selects a different option, where there is a choice, it is not an accounting change subject to Section 48 of the Commission's Rules of Procedure. However, it must file a notification with the Director of the Office of Accounting and Finance explaining the particulars within 30 days of enacting the change(s) if the cumulative impact on annual pension and OPEB expense, when combined, is 0.05% of the company's common equity or \$5 million, whichever is less.

B. SFAS No. 88 - Settlements/Curtailments/Terminations & Termination Benefits

1. If a company settles, curtails, or terminates an employee pension plan, it is to notify the Director of the Office of Accounting and Finance in writing within 30 days of the transaction. The written

- notice is to provide a full explanation and justification for the transaction and an estimate of its rate effects.
- 2. SFAS No. 88 shall be used to compute the gain or loss from all transactions covered by that statement. Companies are required to defer, for Commission disposition, any gains related to the settlement or curtailment of pension benefits and the termination of pension plans. Within 30 days of the completion of such transactions companies must file with the Commission for disposition of such gains in the same manner as prescribed for Pension Costs in Section III, B, 1 above.

Any losses incurred due to the settlement/curtailment of pension benefits and terminated pension plans, or the granting or provision of special or contractual termination benefits, are not deferrable or recoverable in rates without Commission authorization. Granting of such authorization will be considered only for material amounts and only if the company files with the Commission a petition requesting such authorization within 60 days of the transaction. Such petition shall propose the accounting and ratemaking treatment to be applied to the net loss. The petition must fully support the quantification and derivation of all of the annual costs and savings, both direct and indirect for both pensions and OPEB, related to, or generated by, the action(s) that gave rise to the loss. Such amounts shall be quantified for the period of time commencing with the inception of the action or incident, and ending with the projected date of the company's next rate change.

3. The granting of a broad based early retirement program may give rise to a loss in the short-term, but over the long-term result in

significant net savings. In such instances companies may petition, as described immediately above, for recovery of significant program costs. Upon petition, early retirement amounts (both costs and savings) will be accorded appropriate deferral accounting treatment, with recovery decided in subsequent proceedings pursuant to our conventional standards of prudence. 1

Any such petition must demonstrate the transaction is in the best interests of ratepayers and must fully support the quantification and derivation of all of the annual costs and savings, both direct and indirect, for both pensions and OPEB, to be incurred/realized as a result of the early retirement program from its inception to the projected date of company's next rate change filing; and permissible beyond if ratepayers are receiving long-term benefits from the action. Such petition may include a proposal for the sharing of the net savings resulting from the early retirement program.

C. OPEB

1. Phase-In

a. The full annual level of prudently incurred OPEB expense will be recognized in rates using SFAS No. 106 within approximately five years from the date of adoption of SFAS No. 106 for accounting purposes. The rate phase-in may take place in steps.

See Case 90-E-0775, Consolidated Edison Company of N.Y., Inc., et al., Order Accepting Contracts for Filing and Denying Petition (Issued December 10, 1990), p. 8; Case 27563, Long Island Lighting Company, Opinion and Order Determining Prudent Costs, Opinion No. 85-23 (Issued December 16, 1985).

- b. Differences between 1) the rate allowance for OPEB expense, plus any pension related or other funds or credits the company is directed to use for OPEB purposes, and 2) OPEB expense determined as required herein, may be deferred for future recovery. These deferrals shall be recovered within approximately 20 years of the date SFAS No. 106 is adopted for accounting purposes.
- c. The percentage increase in rates scheduled under this recovery plan for each future year shall be no greater than the percentage increase in rates scheduled under the plan for each immediately preceeding year. A recovery plan based on a straight-line basis phase-in may be allowed.
- d. For regulatory accounting and ratemaking purposes, the transition obligation must be amortized over the company's employees' average remaining service period, or 20 years, whichever is longer.
- e. All companies are to recognize, as part of their SFAS No. 106
 expense calculation, all gains or losses described in Paragraph
 56 of SFAS No. 106, except those not yet reflected in the marketrelated value of plan assets (if the company uses that method to

^{1.} For the purpose of calculating this deferral, both the "rate allowance" and "OPEB expense" shall only include the amount charged to expense accounts (<u>i.e.</u>, not charged to construction, depreciation expense and rate base allowance related to capitalized OPEB costs).

^{2.} This deferral may commence January 1, 1993 for companies which adopt SFAS No. 106 effective that date. For companies which keep their books and records on a fiscal year basis, this deferral may commence with the company's first fiscal year beginning after December 15, 1992. However, until the effects of adopting SFAS No. 106 are reflected in rates, companies may record this regulatory asset only to the extent that such deferral will not result in the company earning in excess of its last allowed rate of return. This requirement (deferral allowed only to the extent that it will not result in excess earnings) does not apply to companies whose earnings are subject to company/ratepayer sharing provisions approved by this Commission.

value plan assets), over a 10-year period calculated on a vintage year basis. This method for recognizing gains and losses shall be effective at the date SFAS No. 106 is adopted for accounting purposes.

2. Rate Recovery

- a. Companies with rate proceedings pending should amend such filings to include the effects of implementing the provisions of this Statement of Policy prior to the filing of Briefs on Exceptions.
- b. Companies may reflect the impact of this Statement of Policy in staged rate filings already approved by the Commission.
- c. Companies not covered by paragraphs 2.a. or 2.b. immediately above have until June 1, 1995 to file with the Commission rate changes to recover the effects of adopting SFAS No. 106 and SFAS No. 87¹ (if not already adopted). Such filings shall encompass a general rate change whereby all elements of cost are presented and considered. Single-issue rate filings for the purposes of implementing SFAS No. 106 into rates shall not be accepted. Companies that are not required to adopt SFAS No. 106 until fiscal years beginning after December 15, 1994 have one year from that effective date to file such rate plans.
- d. If a company does not reflect the provisons of this Statement of Policy in rates within the guidelines provided in Sections III,C,2,a, b, and c above, it no longer qualifies for recording

^{1.} Filings made in accordance with Sections III, C, 2, a, b, and/or c are to include any SFAS No. 87 deferrals made in accordance with our September 22, 1987 Order concerning adoption of SFAS No. 87 (see Section III, A, 5 herein).

an OPEB related regulatory asset as allowed by Sections III,C,1,b and III,C,2.e.

Accumulated balances of deferred SFAS No. 106 costs on the books of companies which fail to meet the above prescribed filing requirements must be written-off by a charge to the income statement by the end of the latest of these allowed filing periods and no future OPEB costs may be recorded as regulatory assets until the company comes into compliance with the filing requirements or special permission is granted.

- e. If there is no phase-in of SFAS No. 106 costs, or the phase-in is completed, the difference between 1) the rate allowance for OPEB, plus any pension related or other funds or credits the company is directed to use for OPEB purposes, and 2) the actual OPEB expense determined as required herein (less related productivity adjustments, disallowances, incentives, etc.) shall be deferred in a separate account. Future disposition of such amounts will be at the discretion of the Commission.
- f. If a company shortens the amortization period for prior years service costs based on the contention that "it has a history of plan amendments," it must file notification with the Director of the Office of Accounting and Finance explaining all the particulars within 30 days of enacting the change(s). However, such notification is not necessary if the cumulative impact on

^{1.} For the purpose of calculating this deferral, both the "rate allowance" and "OPEB expense" shall only include the amount charged to expense accounts (i.e., not charged to construction, depreciation expense and rate base allowance related to capitalized OPEB costs).

- annual pension and OPEB expense, when combined, is less than 0.05% of the company's common equity and less than \$5 million.
- g. If a utility 1) changes the method or manner in which it selects an assumption or determines the value of plan assets or liabilities or 2) selects a different option, where there is a choice, it is not an accounting change subject to Section 48 of the Commission's Rules of Procedure. However, it must be reported to the Director of the Office of Accounting and Finance within 30 days of enacting the change(s) if the cumulative impact on annual pension and OPEB expense, when combined (if similar or related changes are applicable to both), is 0.05% of the company's common equity or \$5 million, whichever is less.

3. Funding

a. External Funding

(1) Companies are required to make the maximum use of taxeffective funding vehicles for rate allowances received
for OPEB unless such funding is economically unjustified in
view of factors other than the difference in earnings rates
for the internal reserve vs. the external trust. Deposits
to such trust(s) shall be made no less than quarterly, in

^{1.} For the purpose of this Policy, "tax effect funding vehicle" for OPEB is defined as an externally held OPEB dedicated account or trust arrangement (trust) that will allow payments to the trust to qualify for a current federal income tax deduction. This definition differs from that used for pension funding.

^{2.} For purposes of determining the level of deferrals required by this Policy for OPEB, calculation of the OPEB rate allowance shall be consistent with the method defined in the footnotes to Section III,A,2 herein, plus any pension related or other funds or credits the company is directed to use for OPEB purposes.

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amounts that are proportional, and on an annual basis equal, to the annual test period allowances that qualify for taxeffective deposits.

The trust must provide that any disbursements are limited to 1) the cost of postretirement benefits paid to, or for, employees who have worked at and for the jurisdictional company for the qualifying period(s) and under the qualifying conditions and 2) payments for expenses of the trust. The trustee must be independent of the company and authorized to make only those investments that are consistent with sound investment policies for trusts of this nature.

- (2) For all external OPEB trusts, no corporation, affiliate, subsidiary, partnership, etc., other than the jurisdictional company shall have control over, access to, or the authority to withdraw funds from such account.
- (3) Companies must establish OPEB plans separate from other corporations', affiliates', subsidiaries', partnerships', etc., plan(s), if such separation is necessary to adhere to the provisions of Sections III,C,3,a,(1) and/or III,C,3,a,(2) above and to qualify for income tax deductions or other tax advantages authorized for, or available to, similar qualified external trust arrangements.

^{1.} The limitations and safeguards detailed in Sections III,C,3,a,(1), (2), and (3) are equally applicable to pension fund assets transferred to the OPEB trust.

b. Internal Funding

- (1) Commencing January 1, 1993, an amount of the recorded OPEB liability equivalent to the following shall be classified as (transferred to) an internal reserve account:
 - 1. the OPEB rate allowance, 3 plus
 - 2. the actual amount of OPEB costs that are charged to construction, plus
 - 3. any pension related or other funds or credits the company is directed to use for OPEB purposes.

The funds represented by the internal reserve may be commingled with other utility funds and used for regulated utility purposes until such time as the funds are used for payment of OPEB benefits, deposited into an external OPEB trust(s), or the Commission orders some other disposition.

For rate purposes, the OPEB internal reserve shall not be used to reduce rate base unless otherwise directed by the

^{1.} Or the company's effective date of adoption of SFAS No. 106, if that date is later than January 1, 1993.

^{2.} These entries shall be made no less than monthly and, except for the amounts representing actual charges to construction, shall be based upon amounts that are proportional, and on an annual basis equal, to the annual test period allowances.

^{3.} For the purpose of this calculation the "rate allowance" shall only include the amount charged to expense accounts (<u>i.e.</u>, not charged to construction, depreciation expense and rate base allowance related to capitalized pension costs).

^{4.} The portion of the liability applicable to capital accounts shall be included in the internal reserve since such costs earn a return by virtue of their inclusion in rate base or construction work in progress and through the rate allowance for depreciation accruals.

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Commission. Instead, interest is to be accrued monthly on amounts recorded in the reserve (net of its tax effects) at the company's latest authorized pretax rate of return. Such interest shall be recorded in a separate subaccount in the internal reserve and interest shall be compounded thereon on a monthly basis using the same pretax rate of return. If the cumulative net-of-tax balance in this reserve (including accrued interest) is a debit, no accrual of interest is to be made for that month. Companies shall apply deferred income tax accounting for the difference between book and tax treatment of SFAS No. 106 costs, in accordance with the Commission's Statement of Policy on SFAS No. 109.

(2) Should circumstances change and additional tax-effective external funding vehicles become available or economically justified, companies may deposit amounts represented by the internal reserve, including accrued interest, into such arrangements without Commission approval. A complete explanation of such transactions shall be reported to the Director of the Office of Accounting and Finance within 30

^{1.} However, for the purpose of calculating the company's earnings base vs. capitalization adjustment in rate proceedings, the amount in the internal reserve may be added to the company's capitalization.

^{2.} The cumulative interest balance less its related deferred tax.

^{3.} A debit balance can occur only when management, at its discretion, decides to make contributions in excess of rate allowances. In rate proceedings companies may seek prospective interest accruals or rate base treatment for debit balances.

^{4.} SFAS No. 109, Accounting for Income Taxes, is being developed in Case 92-M-1005. An interim Policy Statement was issued January 15, 1993 in that case.

- days of such transfer. The external trust and any funds deposited into that trust must meet the requirements described herein.
- If a company or its parent (if an affiliate) institutes a broad based early retirement program, the jurisdictional company's revenue requirement reductions (net of associated increases to retiree costs) applicable to the health care coverage, life insurance, and prescription drug plan(s) of those employees electing early retirement shall be credited to a separate subaccount of the OPEB Internal Reserve Account. 1 This accounting shall commence when the early retirees become eligible to receive benefits from the company's postretirement benefit plan(s), shall be recorded monthly, and shall end when the savings resulting from the early retirement program are recognized in rates or otherwise disposed of by the Commission. Interest shall be accrued monthly and in the same manner, and at the same rate, as is done for the rest of the internal fund. Deferred tax accounting shall apply, as necessary. Recovery of the costs associated with early retirement programs is addressed in Section III,D below.
- 4. Rate Case Documentation and Minimum Cost Control Requirements

At a minimum, companies must establish a continuing program to analyze, at least annually, the feasibility of changes to plan

^{1.} The corresponding debit is to be made to the OPEB expense account. The savings are not to be reduced by the cost of fringe benefits applicable to employees hired to replace any of the early retirees.

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benefits, plan design, plan administration, funding, computer and claims processing systems, and other appropriate areas to reduce the overall cost of OPEB benefits. In every rate change proceeding, and for each OPEB plan, the company must report the status of its program, the initiatives considered and rejected, and the initiatives taken, to reduce/control costs since its last rate proceeding. Estimates of the effects of these initiatives (both those taken and those rejected) on the overall cost of the plan(s), the annual cost benefits, and impacts on current revenue requirement must be provided. A detailed description of any plan amendments, with estimates of their rate impact(s), must also be provided.

In the first rate proceeding filed following the issuance of this Statement of Policy, companies must provide:

- a. a complete description of the features and provisions of the postretirement benefits plans other than pensions, such as the benefits covered, deductibles, co-pay provisons, threshold/limitations, eligible participants in addition to the retiree, etc.
- b. the formal written provisions of the plan(s) as they are established in the official corporate rules, regulations, employee collective bargaining agreements, employee pension/welfare pamphlets distributed describing such benefits, etc.
- c. an analysis clearly showing how the company's postretirement plan(s) compare with those of other New York State utilities and at least three non-regulated enterprises' plans with regards to features, benefits, cost per employee, cost per benefit, total

transition obligation, service costs, number of employees covered by the plans, and number of retirees covered by the plans.

If this analysis shows that the subject utility's plan(s) is more costly than those of the other employers shown, a detailed explanation must be provided explaining the difference and substantiating why the costlier benefits are justified.

d. An analysis clearly showing that the company's retiree benefit plan(s) are part of a comprehensive employee compensation and benefit package that is reasonable and necessary to attract and maintain a reliable and competent workforce.

5. Cost Control Incentives

As this policy requires deferral of all differences between actual OPEB costs and associated rate allowances (at least during the period of review), any savings the company may achieve through its cost control efforts are automatically captured for ratepayers. To provide a financial incentive to minimize OPEB costs, we will consider allowing companies to retain a portion of actual savings achieved from non-mandated OPEB cost control measures. Accordingly, before the Commission rules on the review of this Policy in about 5-7 years, utilities may propose an incentive arrangement consistent with productivity and workforce morale objectives. Such requests, which preferably should be made within the context of a rate proceeding, must include a complete description of the actions implemented, as well as a clear demonstration that savings have actually resulted at the claimed level. Additionally, it must be shown the action will have long term effects.

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CASE 91-M-0890

Proposals to share in the savings of future cost-containment actions may be made. However, substantial evidence and assurance must be provided that substantiate the savings will actually materialize. Incentives will not be granted when savings result from the mere trade-off of OPEB benefits for other employee compensation or fringe benefits.

D. SFAS No. 106 - Settlements/Curtailments/Terminations & Termination Benefits

Companies shall follow the appropriate provisions of SFAS No. 106 to determine gains and/or losses resulting from settling, curtailing, or terminating an OPEB plan or the granting, or provision, of special or contractual termination benefits. All notification, deferral, and petition requirements specified in Section III,B herein as being applicable to SFAS No. 88 transactions and broad based early retirement programs are also applicable to the comparable OPEB transactions. 1

^{1.} In the instance of a broad based early retirement program, see Section III,C,3,b,(3) of this Policy for additional requirements.

CASE 91-M-0890

Appendix B Page 1 of 1

PARTIES SUBMITTING COMMENTS IN REACTION TO THE NOTICE OF PROPOSED RULEMAKING IN CASE 91-M-0890 REGARDING PENSION AND OPEB EXPENSE

Combination Electric & Gas Utilities

- 1. Central Hudson Gas and Electric Corporation
- 2. Consolidated Edison Company of New York, Inc.
- 3. Long Island Lighting Company
- 4. New York State Electric and Gas Corporation
- 5. Niagara Mohawk Power Corporation
- 6. Orange and Rockland Utilities, Inc.
- 7. Rochester Gas and Electric Corporation

Gas Only Utilities

- 8. Corning Natural Gas Corporation
- 9. National Fuel Gas Distribution Corporation
- 10. The Brooklyn Union Gas Company

Telephone Utilities

- 11. ALLTEL New York, Inc.
- 12. AT&T Communications of New York, Inc.
- 13. Citizens Telephone Company
- 14. Contel of New York, Incorporated d/b/a GTE New York
- 15. Edwards, Oriskany Falls & Port Byran Telephone Companies
- 16. New York State Telephone Association, Inc.
- 17. New York Telephone Company
- 18. Ogden Telephone Company
- Rochester Telephone Corporation (and subsidiaries)

Water Companies

- 20. Jamaica and Sea Cliff Water Companies
- 21. Long Island Water Corporation
- 22. New Rochelle Water Company
- 23. New York-American Water Company
- 24. New York Water Service Corporation
- 25. Spring Valley Water Company

Utility Intervenors

- 26. Consumer Protection Board
- 27. Federal Executive Agencies
- 28. Multiple Intervenors

CPA Firms

- 29. Coopers & Lybrand, Certified Public Accountants
- 30. Arthur Anderson & Co. SC

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on October 21, 1998

COMMISSIONERS PRESENT:

Maureen O. Helmer, Chairman John B. Daly Thomas J. Dunleavy James D. Bennett

CASE 98-W-0475 - Petition of Long Island Water Corporation for Approval, Pursuant to Public Service Law Section 113(2), of a Proposed Allocation of a \$2,211,000 Tax Refund from Nassau County.

ORDER ALLOCATING PROPERTY TAX
REFUNDS AND ESTABLISHING RATE PLAN

(Issued and Effective October 28, 1998)

BY THE COMMISSION:

In this order, we shall adopt the terms of a proposed settlement agreement (the Settlement). We thereby establish a refund and rate plan effective now through March 2002, and other provisions, concerning water service provided by Long Island Water Corporation (Long Island Water).

BACKGROUND

The Parties' Agreement and its Terms

Long Island Water serves about 74,000 customers in the Town of Hempstead. Its most recent base rate increase occurred in April 1996, pursuant to a three-year rate plan that expired in March 1997. The Settlement was filed September 23, 1998 with the support of all parties active in this proceeding, namely Long Island Water, staff of the Department of Public Service (Staff), and the Consumer Protection Board (CPB). The Settlement recites that, upon our approval, its provisions for one-time Credits and

¹ The Settlement accompanies this order as the Appendix.

a rate reduction would take effect immediately; that is, the credit and rate reduction would be reflected in the first bill a customer received after tariffs were filed in compliance with today's order. Other provisions, such as the calculation of excess earnings subject to sharing with customers, would take effect at the beginning of the first full rate year on April 1, 1999. The third and final rate year would end March 31, 2002. Adoption of the Settlement would allow the company to file a rate application in 2001, to seek new rates that would take effect no sooner than April 1, 2002.

The Settlement's terms include (1) a one-time credit of \$12.64 per customer, or \$15.06 per hydrant or connection in the case of fire protection customers, within the first billing cycle following today's decision, for a total of \$1.0 million in credits; (2) a 1.37% reduction in per-gallon charges, so that the current \$368 annual bill for a typical residential customer using about 102,000 gallons per year would decline by 1% (approximately \$4); and (3) a base rate freeze at that reduced level, through the end of the Settlement period. As a result, residential customers from now through March 2002 would be paying annual charges about \$4 lower than in April 1996, except in the unlikely event that extraordinary weather caused a revenue adjustment clause (RAC) surcharge that would offset the \$4 decrease.

The credits, reduction, and freeze would be funded primarily from three sources. First, to achieve the equity return targeted in the Settlement, the company would have to meet certain productivity goals. In the first full rate year, the company's labor expense would be subject to the 1% productivity offset that we typically impose. In the second and third years, however, the 1% imputation would be extended to all types of expense. Moreover, the company's expenditures for new data processing and telephone systems would be subject to either a 25% productivity offset or, in one instance, an imputed 20% reduction in the parent company's charges to Long Island Water for data processing services.

Second, the company has realized approximately \$2.7 million in property tax savings. These consist partly of \$2.2 million in refunds resulting from a settlement of the company's judicial proceedings against Nassau County concerning tax assessments for 1979-85. The other \$0.5 million is owed to customers as a result of a reconciliation between actual and projected property taxes for the third year of the most recent rate plan, ending March 31, 1997. Of the \$2.7 million, the parties to the Settlement propose that \$1.0 million be flowed through to customers immediately as the one-time credit described above. The remainder would be used to offset a projected threeyear revenue requirement increase of \$1.8 million cumulatively over the Settlement period. The balance available for this purpose would be \$1.6 million, after deducting a \$31,797 allowance for the company's legal fees related to the tax challenges and deducting 10% of the refund (net of legal fees) for incentive purposes in recognition of the company's efforts to minimize property tax expense. In principle, the difference between the \$1.8 million revenue requirement increase and the \$1.6 million offset would be a revenue shortfall of \$0.2 million; but in fact the company has volunteered to absorb this deficiency as a *settlement adjustment."

Third, the cost of electricity used to operate the company's wells has decreased 20.9% as a result of electric rate reductions made possible through the Long Island Power Authority's takeover of former Long Island Lighting Company operations. This decrease translates into the 1.37% reduction in per-gallon charges noted above. The 1.37% base rate reduction would produce a 1% bill reduction, as noted above, because customers' bills include not only per-gallon charges but also fixed charges.

The projected return on equity resulting from adoption of the Settlement terms, computed for Continental Water Corporation (Long Island Water's parent) on a consolidated basis, is 10.2% (or 10.63% pre-tax). This comprises a basic 9.9% allowance representing the cost of equity, determined on the

basis of the approach endorsed in the recommended decision for water companies in the <u>Generic Finance</u> case; plus a 0.3% premium to reflect the risk of the Settlement's proposed multi-year rate freeze, inferred from market-based return differentials for short- and longer-term debt. The projected consolidated equity return of 10.2%, applied to a stand-alone capital structure for Long Island Water, equates to a company-specific fallout equity return of 9.6%.

As an incentive to control costs and thus maximize earnings, the parties propose that the company retain all earnings in the initial equity return band from 9.6% through 10.4%. Adoption of the Settlement's earnings sharing provisions would assign customers 50% of earnings exceeding a 10.4% common equity return, and 75% of excesses over an 11.4% return. The earned return would be determined on a three-year composite basis at the end of the third full rate year in April 2002, and any sharing of excesses would be implemented thereafter. While held by the company, the customers' share of any excess earnings would accrue interest.

The parties would have us assume that present property tax expense, which accounts for nearly a third of the company's revenue requirement, will increase at the general inflation rate as projected by the GDP Implicit Price Deflator. If, however, actual expense exceeded the forecast, the company would be allowed to defer and recover 80% of the excess through the RAC. If actual expense fell short of the forecast, the entire shortfall would be deferred and applied for customers' benefit through the RAC.

Other noteworthy Settlement terms include an allowance of only \$30,000 for rate case expense related to this expedited proceeding, to recognize that adoption of the stay-out provision would minimize such expense in the future; a freeze in the assumed number of employees, to capture for customers the savings

Case 91-M-0509, <u>Financial Regulatory Policies for New York</u>
<u>State Utilities</u>, Recommended Decision (issued July 19, 1994).

resulting from approximately an 8% headcount reduction over the past five years; disallowance of about 62% of the company's projected cost of deferred compensation plans for management; an assumed reduction in chemicals expense, despite price increases, because of savings achieved through more efficient delivery methods; deferral (rather than capitalization) of expenditures related to an office renovation project, for recovery through the RAC as the expenses are incurred if they are reasonable and prudent; and a requirement that the company give advance notice if it intends to impose a surcharge to recover a deficiency in the RAC balance, so that interested parties can confer on possible alternatives.

Procedural History

This case began with the company's filing of a petition, on March 30, 1998, to retain \$0.5 million of the \$2.7 million tax savings as an incentive and for legal fees. The company proposed to use the other \$2.2 million as an offset to revenue requirements, and thereby freeze rates through September 2000. That filing became the subject of discovery and negotiations which led initially to a revised proposal by the company and, ultimately, to the present Settlement.

After filing the Settlement, the parties chose to pursue an expedited process, in preference to a schedule more typical of a conventional rate case. Accordingly, the Administrative Law Judge established procedures that began with

The RAC balance represents the net effect of items recognizable through the RAC. These include revenue and production expense excesses or shortfalls relative to projected levels; and would include, were the Settlement adopted, property tax excesses or shortfalls and costs related to the office renovation project. At the end of each fiscal year, corresponding to the rate years proposed in the Settlement, the company calculates the balance or deficiency, and determines the RAC credit or surcharge that will suffice to flow through or recover one-third of that amount. The newly determined credit or surcharge remains constant for the ensuing four quarterly billing cycles.

the filing of statements supporting the Settlement, including exhibits in some instances, by the company, Staff, and CPB. This was followed by an evidentiary hearing, in which the Judge questioned the three parties' witnesses but no party took the opportunity to cross-examine.

A public statement hearing was scheduled at the same date and location as the evidentiary hearing. Statements were offered by two customers, both of whom said the Settlement's credits and rate reduction are inadequate to reduce disparities between Long Island Water's rates and other, much lower rates assertedly paid by customers in neighboring service territories. CPB also presented a public statement, summarizing the Settlement's benefits for customers. We have received no calls or correspondence from the public about this case.

CONSIDERATIONS FAVORING ADOPTION OF THE SETTLEMENT TERMS

We find that the Settlement's proponents have satisfied their burden of showing that adoption of its terms would ensure safe and adequate service at just and reasonable rates, in accordance with the Public Service Law (PSL). They also have shown that it complies with our Settlement Guidelines' in that its adoption would balance the parties' interests, comply with relevant public policy, approximate a litigated result, and

¹ Case 98-W-0475, Procedural Ruling (issued October 1, 1998).

Held in Mineola, October 7, 1998, before Administrative Law Judge Rafael A. Epstein.

The other rates cited by the speakers appear to be those charged by municipal water systems, which tend to be substantially lower than private companies' rates because the latter include an allowance for income taxes, property taxes, and other costs avoidable by the municipalities.

Cases 90-M-0255 et al., Procedures for Settlements and Stipulation Agreements, Opinion No. 92-2 (issued March 24, 1992), Appendix B, p. 8.

implement the terms of an agreement among ordinarily adversarial parties. More specifically, these conclusions are justified by the public benefits inherent in adopting the various Settlement provisions summarized above.

In addition to having won the support of adversaries and having been examined in an evidentiary hearing, the Settlement terms also would serve a variety of objectives consistent with the public interest. The refund, rate reduction, and rate freeze obviously would provide customers a direct economic benefit, and would stabilize rates at a level that would recover only the reasonably necessary cost of service. The basic consolidated equity return (excluding any stay-out premium) of 9.9% would be lower than any comparable equity return we have allowed in recent years for similarly situated companies. And, among multi-year plans we have approved for water companies, the excess earnings mechanism for the "third tier" range above 11.4% is unique in allocating a 75% share to customers.²

The Settlement promises other important public benefits as well. By flowing prudent costs of the renovation project through the RAC, we would avoid the need to recognize project expenditures in rates before they actually occur. This would mitigate the company's revenue requirement; strengthen its incentives to control the project's costs; and preserve our ability to examine the prudence of such costs. Adoption of the provisions regarding property tax expense shortfalls and excesses would ensure a fair disposition of costs that are highly

The proponents' position statements include comprehensive summaries of the Settlement's benefits, which illustrate in more detail why its adoption would be in the public interest.

To illustrate these points, the company cites Cases 97-W-1514 et al., New York-American Water Co. - Rates, Opinion No. 98-15 (issued July 20, 1998), projecting a 10.0% stand-alone return with 50% sharing above 10.8%; Case 95-W-1168, United Water New Rochelle, Inc. - Rates, Opinion No. 96-29 (issued October 1, 1996), projecting a 10.7% return with 50% sharing above 11.7%; and Case 97-W-1273, New York Water Service Corp. - Tax Refund, where a proposed settlement provides 50% sharing above 11.0%.

significant for this company and its customers, while creating an effective incentive for the company to reduce its tax liability where possible. Moreover, the Settlement's terms--particularly its productivity imputations, coupled with the company's opportunity to retain all earnings in the initial equity return tier (<u>i.e.</u>, up to and including 10.4% on a stand-alone basis)-- would provide the company both a reasonable return expectation and a strong incentive to minimize its controllable costs.

Productivity gains are an important element of the Settlement not only because they make possible the reduced base rate level proposed here; but also because the company's management must stay closely focused on the pursuit of additional cost savings and revenue opportunities that are not necessarily recognized in the rate plan. As the company observes in its supporting statement, we should be mindful that the Settlement's proposed rates are predicated on a one-time, \$1.6 million tax refund component which would not be available as a rate mitigator after March 2002. The company says this raises the specter of a substantial rate increase at that time. From our perspective, however, one of the reasons the Settlement terms deserve adoption is that the resulting efficiency incentives during the Settlement period should encourage practices and attitudes within the company that will lead to additional cost saving opportunities beyond March 2002. In adopting the Settlement terms, the record on which we rely includes management's testimony that it recognizes its obligation to find and pursue all reasonable means of minimizing a revenue requirement increase at the end of the Settlement term; and Staff's and CPB's testimony that they entered the agreement in reliance on their perception that management would honor that obligation.

Company's Statement, pp. 23-24. ("Barring . . . an additional refund, [the company] will have an immediate need for rate relief of approximately \$1.8 million (5.0%) at the conclusion of this Agreement [footnote omitted]. Moreover, anticipated cost increases for the period beyond March 31, 2002 will create pressure for additional rate relief.")

Here as in any multi-year rate plan, there inevitably is a trade-off between providing near-term benefits for customers and, on the other hand, prolonging the settlement period. We conclude that the Settlement terms reasonably balance these objectives, assuming that, during the Settlement term, the company will diligently pursue the goal of mitigating its revenue requirement beyond that period.

CONCLUSION

For the reasons considered above, our adoption of the Settlement's provisions will satisfy our statutory obligation to ensure safe and adequate service at just and reasonable rates and, pursuant to PSL §113(2), just and reasonable dispositions of property tax refunds. Moreover, prompt action is necessary because a delay would postpone the benefits of the refunds and rate reduction contemplated in the Settlement. We therefore find that immediate adoption of the Settlement terms as an emergency measure under §202(6) of the State Administrative Procedure Act (SAPA) is necessary for the preservation of the general welfare of Long Island Water's customers, and that compliance with the additional notice and comment provisions of SAPA §202(1) would be contrary to the public interest.

The Commission orders:

- 1. Subject to the foregoing discussion, the terms of the Settlement Agreement (Settlement) filed in this proceeding September 23, 1998 are adopted in their entirety and are incorporated as part of this order.
- 2. This order is adopted on an emergency basis pursuant to §202(6) of the State Administrative Procedure Act because, for the reasons noted above, such action is necessary to preserve the general welfare.
- 3. Long Island Water Corporation (Long Island Water, the company) is directed to file on one day's notice, to become effective on a temporary basis no later than November 2, 1998, all tariff amendments and other changes necessary to effectuate

the immediate refund, rate reduction, and Revenue Adjustment Clause modifications contemplated in the Settlement.

- 4. Long Island Water shall serve copies of the filing described in the preceding paragraph upon all parties to this proceeding. Any comments on the filing must be received at the Commission's offices within ten days of service of the company's proposed amendments. The amendments shall not become effective on a permanent basis until approved by the Commission. The requirement of §89-c(10)(b) of the Public Service Law that newspaper publication be completed prior to the effective date of the proposed amendments is waived, provided that Long Island Water shall file with the Commission, no later than December 28, 1998, proof that a notice to the public of the changes proposed by the amendments and their effective date has been published once a week for four successive weeks in a newspaper having general circulation in the area affected by the amendments.
- 5. Long Island Water is authorized to use the following accounts, as appropriate, to record the principal amount, any required interest cost, and the federal income tax effect of the items for which deferred accounting is specified in the Settlement and approved by this order: Account 186, Miscellaneous Deferred Debits; Account 253, Other Deferred Credits; Account 190, Accumulated Deferred Income Taxes; and Account 283, Accumulated Deferred Income Taxes Other. The amounts deferred for each such item shall be recorded in a separate subaccount so as to remain readily identifiable, and the company shall maintain proper and easily accessible documentation for each entry made. The disposition or amortization for each item shall be carried out according to the terms of this order and the Settlement, or as otherwise authorized by the Commission.
 - 6. Within 60 days after the end of the rate year ended March 31, 2000, Long Island Water shall file with the Director of the Office of Accounting and Finance financial schedules comparing the projections used for setting rates, as shown in Exhibit 1 of the Settlement, with the actual amounts that materialize. The comparison shall be presented in essentially

the same format and detail as on the first page of that exhibit. In addition, the company is directed to file with the Director of the Office of Accounting and Finance, within 60 days after the end of the second-stage rate year which ends March 31, 2001, financial schedules comparing the projections upon which the second-stage rates are premised with the actual financial data that materializes for the relevant period; the comparisons shall be in the same format and detail as the projections used in establishing the second-stage rate adjustments proposed in the Settlement. Likewise, the company shall file a third comparison within 60 days of the end of the third-stage rate year which ends March 31, 2002. Together with that third comparison, the company shall file a computation of its actual earned return on equity on a composite basis for the three years ending March 31, 2002. Along with the several comparative financial statements and composite earnings computation required to be submitted, the company shall provide work papers adequate to support the actual data reported by the company.

This proceeding is continued.
 By the Commission,

(SIGNED)

DEBRA RENNER Acting Secretary

APPENDIX

NEW YORK PUBLIC SERVICE COMMISSION

Petition Filed By Long Island:
Water Corp. for Approval Pursuant:
to PSL § 113(2) of a Proposed:
Allocation of \$2,211,000 Tax:
Refund From Nassau County:

Case 98-W-0475

STIPULATION AND AGREEMENT IN SETTLEMENT OF ISSUES

Dated: September 22, 1998

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NEW YORK PUBLIC SERVICE COMMISSION

Petition Filed By Long Island Water Corp. for Approval Pursuant to PSL § 113(2) of a Proposed Allocation of \$2,211,000 Tax Refund From Nassau County.

Case 98-W-0475

STIPULATION AND AGREEMENT IN SETTLEMENT OF ISSUES

INTRODUCTION

This Stipulation and Agreement in Settlement of Issues (the "Agreement") arises as a result of three separate factors affecting Long Island Water Corporation ("LIWC" or the "Company"): (1) a property tax refund from Nassau County; (2) a reconciliation of actual and forecast property tax amounts in the final year of LIWC's most recent three-year rate settlement; and (3) LIWC's forecasted increase in revenue requirement.

On March 27, 1998, LIWC filed a petition with the New York Public Service Commission pursuant to Public Service Law § 113(2) and 16 NYCRR § 89.3 to resolve all issues regarding these three factors in a comprehensive manner. The Company estimated in that filing that it would be receiving a property tax refund of about \$2,211,000 from Nassau County as a result of a settlement covering property tax challenges for the period 1979 through 1985. 1/ The Company also stated that there was an

On September 4, 1998, counsel for LIWC received several refund checks from Nassau County totalling \$2,335,267.49.

Of that amount, \$1,268,303.83 is principal and \$1,066,963.66 is interest.

outstanding credit due customers of about \$520,000 $^{2/}$ after reconciling the allowance in rates for property taxes with actual experience for the year ended March 31, 1997, the third year of LIWC's most recent three-year rate settlement. $^{3/}$

In that petition, LIWC outlined the reasons for the projected increase in revenue requirement for the next several years. The Company explained that it had not sought an increase in revenues for the year ended March 31, 1998 nor would it be seeking rate relief for the year ending March 31, 1999. Beyond that date, however, the Company estimated that it would require a rate increase. To avoid the sawtooth effect of a rate increase following on the heels of a refund, LIWC proposed to use the property tax reconciliation and the refund amounts from the property tax challenge⁴ as an offset to increased revenue needs by offering to retain rates at their current level through September 30, 2000. The effect of that proposal was to hold rates constant for a period of 4.5 years (i.e., from May 14, 1996 through September 30, 2000).

In a supplemental filing dated July 21, 1998, the Company amended its petition by offering as a one-time refund to

With interest, this credit will be approximately \$535,000 on November 1, 1998.

See Case 93-W-0455, Long Island Water Corp. - Rates, Opinion and Order Approving Settlement Subject to Modification, issued April 18, 1994, 34 NYPSC 731.

After adjusting first for legal fees incurred to secure the refund and for a 15% allowance to incent future property tax challenges.

customers the entire amount of the property tax reconciliation (about \$520,000). The Company also proposed to alter the procedures applicable to its Revenue Adjustment Clause ("RAC"). Under the RAC, the Company is only obligated to return production cost-related overcollections to customers over a 36-month period. In order to recognize immediately the entire amount of the production-related power cost reductions from the Long Island Power Authority ("LIPA"), the Company proposed to reduce rates by about \$335,000. Under the July 21, 1998 amended proposal, rates would be lowered by about \$335,000 and then remain unchanged through June 30, 2000, and LIWC would retain \$1,825,000 of the property tax refund as an offset against increased revenue requirements.

On July 1, 1998, LIWC filed a letter with Secretary Crary in accordance with the PSC's Settlement Guidelines (16 NYCRR Section 3.9) advising the Commission of the Company's intention to enter into settlement negotiations on July 15, 1998 and notifying all parties appearing in the two most recent LIWC rate proceedings of that fact. By letter dated July 8, 1998, the date for the settlement conference was moved to August 13, 1998 to allow time for discovery and audit. Settlement conferences were held at the PSC's offices in New York City on August 13, 1998 and August 25, 1998 with representatives of LIWC, Staff of the Department of Public Service ("Staff") and the New York State Consumer Protection Board ("CPB") in attendance. Subsequently,

an agreement in principle among the parties was finalized through a series of conference calls concluding on September 14, 1998.

The Agreement provides numerous benefits to customers, including the following: (1) a one-time refund of \$1,000,000; (2) a permanent rate reduction of about \$335,000; (3) stable base rates (after first reflecting the permanent rate reduction of about \$335,000) through at least March 31, 2002. With the approval of this Agreement, rates for LIWC customers will not have increased over the six-year period May 14, 1996 through March 31, 2002. In fact, LIWC customers will be paying rates that are lower at the end of that period than they were at the beginning. The parties to the Agreement recommend that the refund to customers, the permanent rate reduction and the revenue requirement of LIWC be adopted in accordance with the following understanding, principles, qualifications and conditions.

ARTICLE I

PARTIES

1. The parties to this Agreement are LIWC, Staff and the CPB.

ARTICLE II

TERM

- 1. The refund to customers and the permanent rate reduction described herein shall take effect immediately upon the filing of compliance tariff leaves consistent with a Commission opinion adopting the terms of this Agreement.
- 2. In all other respects, the term of this Agreement covers the three-year period beginning April 1, 1999 and terminating March 31, 2002. The period ending March 31, 2000 will be referred to as Year One, March 31, 2001 as Year Two and March 31, 2002 as Year Three.

ARTICLE III

RETENTION OF MONIES RELATING TO THE PROPERTY TAX REFUND

- 1. LIWC shall be permitted to retain \$31,797 in legal fees incurred in connection with its property tax challenges.
- 2. As an incentive to continue challenging property tax assessments, LIWC shall be permitted to retain 10% of the remainder of the property tax refund (i.e., \$230,347).
- 3. The foregoing amount described in Paragraphs 1 and 2 of this Article relate to prior years expense and shall not be included in the Company's financial statements as utility operating income for the year in which said amounts are received.

ARTICLE IV

REFUND TO CUSTOMERS

- 1. LIWC shall refund immediately to customers \$1,000,000 upon the filing of compliance tariff leaves consistent with a Commission opinion adopting the terms of this Agreement.
- 2. The refund shall be applied equally as a bill credit on a per customer basis.

ARTICLE V

RETENTION OF MONIES AS OFFSET TO FUTURE RATE INCREASES

- 1. Of the total amount of property tax refunds and property tax reconciliation, LIWC shall set aside \$1,623,000 (the "Fund") in Continental Water Company's Cash Management System.
- 2. One-third of the Fund, including accrued interest, shall be released and paid to the Company on April 1, 2000 and the remaining two-thirds of the Fund, including accrued interest, shall be released and paid to the Company on April 1, 2001. These installments shall be amortized into utility operating income solely for the purpose of determining utility operating earnings in the calculation of the return on equity referenced in Article IX of this Agreement.

ARTICLE VI

RATE REDUCTION

- 1. The recent takeover of Long Island Lighting
 Company by LIPA was accompanied by an electric rate reduction,
 which lowers LIWC's cost of purchased power by 20.9% in a
 weather-normalized year. As a result, LIWC anticipates
 production-related power cost savings of about \$335,000 annually.
- 2. Changes in power costs from a pre-determined target are captured in LIWC's RAC. Under the procedure currently in effect, power cost savings would be returned to customers over a 36-month period.
- 3. Insofar as it relates to the power cost savings of 20.9% from LIPA, LIWC agrees to waive the procedures governing the return of savings to customers over a 36-month period through the RAC. Instead, LIWC agrees to reflect these savings in a permanent rate reduction of about \$335,000 (1.37%) immediately upon the filing of compliance tariff leaves consistent with a Commission opinion. To effectuate this change, LIWC will reduce all commodity charges in Rate Schedules 1, 1A and 3 by 1.37%. Rates in the non-commodity rate schedule (i.e., hydrants, basic service and private fire protection) will not be affected.

ARTICLE VII

COST OF SERVICE EXHIBIT

1. A cost of service exhibit, upon which the Agreement is based, is attached hereto as Exhibit 1. Exhibit 1 sets forth the projected operating revenues, operating expenses, operating income, rate base, and balance for return, at existing rates, applicable to Years One, Two and Three.

ARTICLE VIII

RATE OF RETURN

- 1. For purposes of this Agreement, the consolidated capital structure and cost rates of LIWC's parent, Continental Water Company, shall be used as a proxy for establishing a fair rate of return for LIWC. The parties further agree that the overall pre-tax rate of return applicable to each year of this Agreement shall be 10.63% based on a return on equity of 10.2% (consolidated basis), which when applied to LIWC's stand-alone capital structure equates to a 9.6% return on equity (see Exhibit 2).
- 2. In deriving the cost of equity, the parties have employed the approach endorsed by Staff and the water utilities in the Generic Financing Proceeding.

ARTICLE IX

EARNINGS SHARING MECHANISM

- 1. For purposes of calculating any earnings subject to sharing, LIWC's actual earned return on equity on a composite basis for the three years ending March 31, 2002 shall be compared to the "fallout" return on equity of 9.6%. On a composite basis for the three years ending March 31, 2002, the parties agree that the Company shall retain 100% of the first 80 basis points of actual earned return on equity above 9.6%. The actual earned return on equity between 10.41% and 11.4% shall be shared equally (50%/50%) between shareholders and customers. The actual earned return on equity above 11.4% shall be shared on the basis of 75% to customers and 25% to shareholders.
- Commission and all parties, within 60 days after the completion of the First Rate Year and each subsequent rate year of this Agreement, financial schedules that compare the projections used for setting rates as shown in Exhibit 1 with the actual amounts that are experienced. The comparison shall be presented in essentially the same format and detail as shown on the first page of Exhibit 1. At the same time that the above-described financial schedules comparing forecast and actual results are filed, LIWC will also submit a schedule comparing forecast and actual capital structures and cost rates on a consolidated and a

stand-alone basis in the same format and detail shown in Exhibit 2.

- 3. The parties shall have 60 days to review such data and inform the Company if differences exist. The parties shall have the right to submit interrogatories and document requests to the Company. The Company shall respond to such discovery requests within fifteen (15) days. If any party disagrees with the Company's calculations, a conference shall be convened in an effort to resolve such disagreement. If no agreement can be reached within ten (10) business days after convening the conference, the parties shall employ the dispute resolution process described in Article XXIV.
- 4. Allocations to customers pursuant to Paragraph 1 of this Article, shall be deferred and disposed of in the next rate proceeding or as directed by the Commission. Interest shall accrue at the Commission's unadjusted rate on customer deposits.

ARTICLE X

INFLATION

- Consistent with the Commission's standard policy,
 this Agreement reflects the use of the GDP Implicit Price
 Deflator to measure the impact of inflation.
- 2. For items other than labor, historic test year amounts were escalated by 1.6% per annum to obtain the Year One amounts. An annual escalation rate of 1.5% (2.5% inflation minus

1.0% productivity) was used to calculate figures for Years Two and Three.

ARTICLE XI

PRODUCTIVITY

- 1. In Year One, a productivity adjustment of 1.0% has been applied to all labor expenses.
- 2. In Year Two and in Year Three, a productivity adjustment of 1.0% has been applied to all expenses.
- 3. A productivity adjustment of 25% has been applied to several new programs⁵/ proposed by the Company. This adjustment is reflected in the calculation of operation and maintenance expense.

ARTICLE XII

INTEREST ON DEFERRED COSTS

1. Costs or savings deferred under this Agreement shall accrue interest at the Commission's unadjusted rate on customer deposits. These costs include: reconcilable property taxes; reconcilable depreciation and return related to the office

The 25% productivity adjustment was applied to the following new programs: Supervisory Control and Data Acquisition System ("SCADA"); Geographical Information System ("GIS"); Local Area Network ("LAN"); Customer Information System ("CIS"); new telephone system; and personal computers not included in LIWC's last rate case.

renovation project; customers' share of any excess earnings; and recoverable unforeseen costs pursuant to Article XXI.

ARTICLE XIII

EMPLOYEE HEADCOUNT

- 1. This Agreement reflects 142 permanent employees and 11 summer employees.
- 2. The Agreement recognizes that certain manpower reductions achieved by LIWC were accompanied by partially offsetting increases in outside service relating to the lockbox and janitorial activities. Those increases, which total \$70,000, are reflected in this Agreement.

ARTICLE XIV

LABOR COSTS

- 1. Payroll has been escalated by 2.5% for Years Two and Three, offset by the 1.0% productivity adjustment described in Article XI.
- 2. This Agreement recognizes as a recoverable expense \$26,500 in the form of deferred compensation paid to key management employees.

ARTICLE XV

CHEMICAL EXPENSE

1. This Agreement reflects savings of approximately \$90,000 relating to a reduction in the cost of sodium hypochlorite arising from the delivery of this chemical to a central location for subsequent redistribution by the Company. This adjustment has been reflected in the RAC.

ARTICLE XVI

DATA PROCESSING COSTS

1. LIWC will begin installing data processing systems that will be independent of the Continental Water Company data processing systems currently relied upon by LIWC. This process will begin in 1999 and will last several years. A 20% reduction in Continental Water Company's data processing charges has been reflected in this Agreement.

ARTICLE XVII

PROPERTY TAXES

- 1. Projected property taxes have been determined by escalating actual amounts at August 20, 1998 by the GDP Deflator.
- 2. The property tax projections are as follows: Year One: \$11,383,434; Year Two: \$11,668,020; Year Three: \$11,959,721.

- 3. Projected property taxes will be reconciled on an annual basis with actual experience. LIWC will be permitted to defer for subsequent recovery 80% of any property taxes above the projected level through the RAC, and the remaining 20% will be borne by stockholders. LIWC will defer and return to customers 100% of any decrease in property taxes from the projected level through the RAC.
- 4. On an annual basis, all reconciliations will flow into, or out of, LIWC's RAC account. If for any of the rate years there is no balance in the RAC account against which to offset reconciled property tax amounts, the parties agree that the deficit will be billed to customers through established RAC procedures.
- 5. As part of the filing comparing projected and actual financial results described in Article IX, paragraph 2, LIWC shall provide a status report on pending property tax challenges.

ARTICLE XVIII

CAPITAL EXPENDITURES

1. LIWC plans to embark on a renovation project for its main office at 733 Sunrise Highway, Lynbrook, NY. The Company estimates the construction expenditures for that project at \$2,276,000 over the term of this Agreement. No allowance for this project is reflected in the revenue requirement endorsed in

this Agreement. Instead, the parties agree to permit the Company to defer the costs (<u>i.e.</u>, depreciation, return on investment and associated taxes) of this project for subsequent recovery. Such costs may be audited for accuracy and prudency. The deferred amounts shall flow into LIWC's RAC account.

2. At the end of each rate year, LIWC shall report the monthly expenditures for this project which have been placed in service and shall calculate the costs to be deferred, which are referred to in Paragraph 1 of this Article. After the deferred amount is verified and found prudent, LIWC shall be permitted to recover the deferred amount through established RAC procedures.

ARTICLE XIX

SETTLEMENT ADJUSTMENT

1. The projections set forth on Exhibit 1 show that over the three rate years the parties anticipate a revenue shortfall of \$177,000. In order to reach a settlement, LIWC has decided not to reduce the term of this Agreement or increase the amount retained by the Company, either of which measures would have had the effect of eliminating the shortfall.

ARTICLE XX

RAC REVIEW

- 1. To the extent not provided in other Articles of this Agreement, the Company will serve all parties with a copy of any adjustments to the RAC before such adjustments become effective.
- If the Company expects to surcharge customers, the Company will notify all parties two months before such surcharge becomes effective.

ARTICLE XXI

UNFORESEEN CIRCUMSTANCES

1. The parties recognize that unforeseen mandatory regulatory, legislative, accounting or tax changes may take place during the term of this Agreement. The Company should neither materially benefit nor suffer financially in the event of such circumstances. The PSC's materiality standard in effect when such unforeseen costs are incurred shall be used as the standard to determine materiality. If such unforeseen circumstances occur, LIWC may petition to defer the associated cost and shall defer the savings (if either is material) and subsequently seek disposition of the same in the next regular rate filing.

ARTICLE XXII

STAYOUT PROVISION

1. In the event this Agreement is adopted by the Commission, the Company commits that it will not file a rate increase, except as provided herein, before May 1, 2001 for a Rate Year commencing no earlier than April 1, 2002. However, this commitment shall not prohibit the Company from seeking temporary rate relief pursuant to Sections 89-j and 114 of the Public Service Law, as the same may be amended from time to time, if such temporary rate relief is necessary to preserve the financial integrity of the Company. This section will not prevent the Company from filing tariffs or tariff amendments reflecting new or revised service offerings that are revenue neutral or will produce no more than a de minimis change in net revenues.

ARTICLE XXIII

RESERVATION OF AUTHORITY

1. The parties acknowledge that the Commission, pursuant to its statutory responsibility, reserves the authority to act on the level of the Company's rates in the event of unforeseen circumstances that, in the opinion of the Commission, have such a substantial impact upon the equity returns envisioned by this Agreement as to render the Company's actual return

unreasonable for the provision of safe and adequate service at just and reasonable rates.

ARTICLE XXIV

DISPUTE RESOLUTION PROCESS

interpretation of this Agreement or the implementation of any of the provisions of this Agreement, which cannot be resolved informally among the parties, such disagreement shall be resolved as follows: the parties promptly shall confer and in good faith shall attempt to resolve such disagreement. If any such disagreement cannot be resolved by the parties, the matter shall be submitted to an ALJ designated by the Chief ALJ for a determination on an expedited basis using such procedures as the ALJ decides are appropriate under the circumstances. Within fifteen (15) days from the ALJ's decision, any party may petition the Commission for relief from the ALJ's determination on the disputed matter.

ARTICLE XXV

NON-BINDING EFFECT

 Unless otherwise specified, this Agreement shall be without prejudice to the positions of the parties in this or any future proceeding.

ARTICLE XXVI

NON-SEVERABILITY

1. This Agreement is expressly conditioned upon acceptance by the Commission. In the event that the Commission should fail to adopt this Agreement according to its terms, the parties shall be free to pursue their respective positions without prejudice.

LONG ISLAND WATER CORPORATION

September <u>22</u>, 1998

By:

ILLIAM & RING

President

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE

September 43, 1998

DAVID VAN ORT, ESQ. Staff Coursel

LDD-10-88 IF.81 IVAII-1108FV MURVFWAT & URFFF

NEW YORK STATE CONSUMER PROTECTION BOARD

September __, 1998

By:

TIMOTHY S. CAREY Chairman and Executive Director Case No .:

98-W-0475

Date Approved:

October 28, 1998

Summary:

On September 4, 1998, Long Island Water Corporation (LIWC) received a refund from Nassau County totaling \$2.3 million. As a result, LIWC entered into a Settlement Agreement, with the Public Service Commission Staff (PSC) and the Consumer Protection Board (CPB), with the following terms.

- A three year agreement covering the period from April 1, 1999 through March 31, 2002 (see order regarding Merger for update).
- One time credit of \$12.64 per customer or \$15.06 per hydrant for a total refund of \$1 million (which included a prior refund due to customers).
- A \$335,000 or 1.37% reduction in base rates due to a 20% decrease in electric bills.
- Allowed 10% of \$2.3 million refund as incentive to continue to challenge property taxes.
- LIWC permitted to retain \$1.6 million of the \$2.3 million and will reflect in income in second and third rate years (1/3 on 4/1/00 and 2/3 on 4/1/01).
- An earnings sharing mechanism in which LIWC can realize a return of 10.4% with a 50 50% sharing between 10.41% and 11.4% and 75% to customers above 11.4%. The return will be determined on a composite of the three years (see order regarding Merger for update).
- LIWC can defer 80% of property tax increases over the forecast level determined by the PSC. Property taxes will be reconciled annually with recovery of the 80% through the balance of the Revenue Adjustment Clause (RAC) credits owed the customers. Any decrease in property taxes below the PSC forecast will be returned to customers 100% (see order regarding Merger for update).

- A 20% reduction was imposed on Continental Water data processing charges to LIWC due to a plan to implement new computer software and equipment making LIWC independent from Continental.
- A deferral of costs up to \$2.2 million to renovate LIWC's office building was permitted by the PSC with ultimate recovery from RAC credits owed customers (see order regarding Merger for update).

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21-Sep-98

C.98-W-0475

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Additional Revenue Requirement For the Twelve Months Ending March 31, 2000 Exhibit 1 Sch.-1

Rate Year Revenue Requirement

increase

\$50,683,452 Rate Base

Rate of Return 8.10%

4,105,360 Required Return

Income Available for Return 4,157,604

Deficiency (52,444)

Gross Up Factor 62.7036%

Additional Revenue Requirement (\$83,637)

Proof

•		100,0000%	(\$83,637)
Less:			
Revenue Taxes		3.8120%	(3,188)
MTA Surcharge Tax		0.7225%	(604)
GRT Surcharge Tax		•	
Uncollectibles		0.4600%	(385)
	• '• •		
		95.0055%	(79,460)
F.I.T. @	34.00%	32.3019%	(27,016)
Retention Factor		<u>62.7035%</u>	(\$52,444)

C-98-W-0475

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Operating Income, Rate Base & Rate of Return
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch,-2

Operating Revenues Other Revenues Total Revenues	Per Company <u>Update</u> \$35,222,197	Adj. No.	Staff Adis.	As Submitted by <u>Staff</u> \$35,222,197	Revenue <u>Increase</u> (\$83,637)	Per Staff After Increase \$35,138,560
Occarding a Maintenage For			(12.540)	44.002.247		
Operations & Maintenance Exp.	14,915,766	(501.3)	(12,519)	14.903.247	(385)	14,902,862
Depreciation	1,333,166	:		1,333,166		1,333,166
Taxes Other Than F.I.T.	13,727,195	(Sch.4)_	(157,696)	13,569,499	(3,792)	13,565,707
Total Deductions	2 9 ,976.1 <u>27</u>		(170,215)	29,805,912	(4,177)	29,801,735
Operating Income Before F.I.T.	5,246,070		170,215	5,416,285	(79,460)	5,336,825
Federal Income Tax.	1,121,212	(Sch.5)	137,269	1,258,481	(27.016)	1,231,465
Utility Operating Income	\$4,124,858		\$32,946	\$4,157,804	(\$52,444)	\$4,105,360
Rate Base	\$51,955,304	(Schi.6)	(\$1,271,852)	\$50,683,452		\$50,683,452
Rate of Return	7.94%	:		8.20%	-	6.10%

`9-W-0475

Exhibit 1 Schedule 2A

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Sales Revenues For the Twelve Months Ending March 31, 2000

Per			As
Company	Adj.	Staff	Submitted by
Update	No.	Adjs.	Staff
_			

Metered

Public Hydrants

Private Hydrants

Private Sprinkler

Total Water Sales

Late Charges

Other

Total Operating Revenues

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C.98-W-0475

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Operations & Maintenance Expenses
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch.-3

	Per			As		Per
	Соптрапу	Adj.	Staff	Submitted by	Revenue	Staff
	<u>Update</u>	No.	Adis.	Staff	Increase	After Increase
Purchased Power for Production	\$1,237,304			\$1,237,304	11111111111	\$1.237,304
Non Production Power	166,928			166,928		\$166,928
Fuels-Production	98, 35 5			98,355		98,355
Fuels-Non Production	71,452			71,452	•	71,452
Chemicals	515,237	2a	(89,923)	425,314		425,314
Uncollectibles	159,191		(30,023)	159,191	(385)	158,806
Payroll	7,247,212	2b	(44,860)	7.202,352	(000)	7.202,352
Productivity	(72,472)		(-1,000)	(72,472)		(72,472)
Depreciation Charged to O&M	203,890			203,890		203,690
Auto Insurance	70,640			70,640		70,640
Misc. Clearing	97,791			97,791		97, 7 91
D.P Machines - Leases	272,615			272,615		272,615
Employee Insurance Plan	1,011,640	2c	204,210	1,215,850		1,215,850
Workers Comp. Insurance	291,871	20	204,210	291,871		291,871
Disability Insurance	4,799			4,799		4.799
Pensions	186,894			186,894		186,894
Other Post Retirement Benefits	512,645			512,645		512,645
Property & Liability Insurance	246,550			246,550		
Legal	111.488			111,488		246,550
Data Processing Improvement	170,740	2d	(34,148)	136,592		111,488 136,592
Invoices	1,317,696	20	(34,140)	1,317,696		-
Parent Company Overhead	179,867			179,867		1,317,696 179,867
Postage	156,129			156,129		156,129
-tack Box	53,000			53,000		53,000
side Cleaning Services	17,000			17,000		17,000
Audit	87, 94 5			87,945		87,945
Actuarial	22.853			22,853	•	22,853
Accrued Vacation Expense	11,218			11,218		11,218
Technical Service Standards						
Maintenance of Analyzers	20,628			20,628		20,628
AVAC Operating Cost Meter Shop	5.157			5,157	•	5,157
Excise Tax				•		******
Trustee	15,312			15,312		15,312
Rate Case Expense	15,000	2e	(5,000)	10,000		10,000
Regulatory Commission Expense	84,858		, ,	84,858		84,858
Consultant Cost - CIS	45,000	2 f	(15,000)	30,000		30,000
Office Painting	728		•	726		728
Inspection Concrete Tank Roofs	15,000			15,000	•	15,000
Tank Painting	20,000			20,000		20,000
Painting Concrete Tanks	37,500		•	37,500		37,500
401K Match	24,766			24,766		24,766
Valve Inspection & Repair	148,873			148,873		148,873
Repair to Pump Station Bidg	10,000			10,000		10,000
401K Expenses	3,216			3,216		3,216
Software AG	8,936			8,936		8,936
Deferred Generic Financing	*		•			
Lease Line charge	10,314			10,314		10,314
General Inflation		29	(27,798)	(27,798)		(27,798)
	14,915,766		(12,519)	14,903,247	(385)	14,902,862

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Taxes Other than F.I.T.
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch.-4

	Per Company <u>Update</u>	Adj. No.	Staff Adis.	As Submitted by Staff	Revenue Increase	Per Staff After Increase
Revenue Taxes	\$1,342,846			\$1,342,646	(\$3,188)	\$1,339,658
MTA Surcharge Tax	228,284			228,284	(604)	227,680
GRT Surcharge Tax						
Excess Dividends Tax	55,665			5 5,665		55,665
Environmental Taxes						
Property Taxes	11,541,130	3	(157,696)	11,383,434		11,383,434
Payroll Taxes TOTAL	559,270 \$13,727,195	-	(\$157,696)	559,270 \$13,569,499	(\$3,792)	559,270 \$13,56 <u>5,707</u>

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding
Federal Income Tax
For the Twelve Months Ending March 31, 2000 Exhibit 1 Sch.-5

	Per		•	As	•	Per
	Company	Adj.	Staff	Submitted by	Revenue	Staff
	<u>Update</u>	No.	<u>Adjs.</u>	<u>Staff</u>	Increase	After Increase
Operating Income Before F.I.T.	\$5,246,070		\$170,215	\$5,416,285	(\$79,460)	\$5,336,825
Adjustments that increase (Decrease						
Taxable Income						
Amtz. Recording Tax	972			972		972
Amiz. Rate Case Expense	(108,077)	5a	118,077	10,000		10,000
Amiz. of CIS Consultant		5b	30,000	30,000		30,000
Amtz Tank Painting	15,000	5c	5,000	20,000		20,000
Deferred Payroll	(10,000)			(10,000)	-	(10,000)
Interest on IBCWIP	6,863	5d	(735)	6,128		6,128
Interest on NIBCWIP	12,009	5e	(1,285)	10,724		10,724
2.5 Vacation Payroli	8,953		-	8,953		8.953
Non Deductible Expense	10,377	5f	(5,189)	5,188		5,188
Unfunded Pension	6,596	•		6, <i>5</i> 96		6,596
Amtz.Office Painting	728			728		728
Interest on Total Debt	(1,851,502)	5 g	238,708	(1,612,794)	•	(1,612,794)
Deferral - Excess Tax Deprc.	(516,324)			(516.324)		(516,324)
Adjustment to Taxable Income	(2,424,405)		384.576	(2.039.829)		(2,039,829)
Taxable Income	\$2,821,665		\$554,791	\$3,376,456	(\$79,460)	\$3,296,996
F.LT. Current : @ 34.00%	959,366		188,629	1,147,995	(27,016)	1.120,979
ADD: Deferrals						
ADR	15.441			15,441		15,441
ACRS	1,337			1,337		1,337
MACRS	153,728			153,728		153,728
ALT. MACRS	(31,755)			(31,755)		(31,755)
Amtz Rate Case Expense	36,745	5h	(40,146)	(3,400)	-	(3,400)
Unfunded Pension	(2,243)		, , ,	(2,243)	•	(2,243)
Arntz Tank Painting	(5,100)	5ī	(1,700)			(6,800)
Amiz. Office Painting	(248)			(248)		(248)
Amtz of CIS Consultant		5	(10,200)	, ,		(10,200)
Deferred Payroli	3,400	•	,	3,400		3,400
Interest on NIBCWIP	(2,333)		249	•		(2,084)
Interest on IBCWIP	(4,083)		437	(3,646)		(3,646)
2.5 Vacation Accrual	(3,044)			(3,044)		(3.044)
Total F.I.T. Deferred :	161,846		(51,360)			1.10,486
Total F.I.T. Expense	\$1,121,212	•	\$137,269	\$1,258,481	(\$27,016)	\$1,231,465
-		;				

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
FIT Interest Expense Deduction
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch,-5A

	Per Company Ad <u>Update No</u>	,
Rate Base	\$51,955.304	(\$1,271,852) \$50,683,452
Interest Bearing CWIP	193,325	193,325
Şamings Base	52,148,629	(1,271,852) 50,876,777
Embedded Cost of Debt	3.55%	3.17%
Interest Deduction	1,851,276	(238,482) <u>1,612,794</u>
Interest Bearing CWIP	\$193,325	\$193,325
Embedded Cost of Debt	3.55%	3.17%
	<u>\$6,863</u>	(\$735)\$6,128
- Mon - Interest Bearing CWIP	\$338,293	\$338,293
mbedded Cost of Debt	3.55%	3.17%
•	\$12,009	(\$1.285) <u>\$10,724</u>

38-W-0475

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Rate Base

Exhibit 1 Sch.-6

For the Twelve Months Ending March 31, 2000

	Per			A\$
	Company	Adj.	Staff	Submitted by
	<u>Update</u>	No.	<u>Adis.</u>	<u>Staff</u>
PLANT IN SERVICE:				
Average Plant in Service	\$78,180,808	4a	(\$1.193.902)	\$76,986,906
Avg. Accumul. Depreciation	26.030,944	4b	(14,359)	26.016.585
Net Plant in Service	52,149,864		(1,179.543)	50,970,321
ADD:	•			
Plant Held for Future Use	110.933			110,933
Non - Interest Bearing CWIP	338,293			338,293
UNAMORTIZED BALANCES				
Deferral - Rate Case Expense	126,230	4c	(101,230)	25,000
Deferral - Tank Painting	130,000		_	130,000
Deferral - Reserve for ITC	(437,602)			(437,602)
Deferral - Past Pension Costs				
Deferral - Excess Tax Depro.	(3,761,144)			(3,761,144)
Deferral - Consulting Fees	67,500	4d	7,500	75,000
Deferral - Generic Financing				
Deferral - Legal Services				
Deferral - Office Painting	561			561
Materials & Supplies	684,472			684.472
Prepayment-Current Pension Costs				4-1-11
Prepayment - Other	593,744			593,744
Cash Working Capital	2,747,679	4e	1,421	2.749,100
Total	600,666		(92.309)	508.357
DEDUCT:				
Cust Advance for Constr.	248,452		•	248,452
Earnings Base Capitalization	546.774			546,774
	795,226			795,226
Total Rate Base	\$51,955,304	-	<u>(\$1,271,852)</u>	\$50,683,452
* Interest Bearing CWIP -	193,325			2

70/90

C.98-W-0475

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Cash Working Capital Allowance
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch.-7

Operations & Maintenance Exp.	Per Company <u>Update</u> \$14,915,766	Adj. Staff No. <u>Adjs.</u> (\$12,519)	As Submitted by <u>Staff</u> \$14,903,247
Less: Non-Cash Expenses:			
Uncollectibles	159,191		159,191
Depreciation charged O&M	203,890		203,890
Accrued Vacation Expense	11,218		11,218
Amiz, Rate Case Expense	15,000	(5,000)	10,000
Arntz. Consulting Fees	45,000	(15,000)	30,000
Amiz. Tank Painting	20,000		20,000
Total	454,299	(20,000)	434,299
Net Oper. & Maint. Expense	14.451.467	7,481	14,468,948
Rate	19.00%		19.00%
Cash Working Capital	\$2,747,679	\$1,421	\$2,749,100

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Rate of Return Allowance For the Twelve Months Ending March 31, 2000 CONSOLIDATED CAPITAL STRUCTURE (\$000's)

Exhibit 1 Sch -8

	1443.	1440407			Dec To
Total Debt	Amount (<u>\$000's)</u> 215,948	<u>Ratio</u> 51.31%	Cost <u>Rate %</u> 6,13%	Weighted Average Ratio 3.15%	Pre Tax Ratio <u>@34%</u> 3.15%
Customer Deposits	1,800	0.43%	6.80%	0.03%	0.03%
Preferred Stock					
Common Equity Total	203,097 \$420,845	48,26% 100.00%	10,20%	4,92% 3.10%	7,46% 10.63%
*LT.D + Customer Deposits			•	3.17%	

C.	98-	W	04	٤7	5

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Summary of Inflation Adjustments
For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch.-9

For the Twelve Microst For the Twelve Micr	- 1 · · · · · · · · · · · · · · · · · ·	Summary of Infla					
Purchassed Power for Production 1.237,304 Production 1.237,304		For the Twelve M	lonths	Ending March 3	1. 2000		
Purchased Power for Production 1,237,304	•			_		103,7100%	
Purchased Power for Production 1,237,304				•			
Non Production Power 166,928 166,928 166,928 166,928 166,928 166,928 170,709 1		Projected		Adjustments	Gen'i Escalatn	per Company	Rate Year
Non Production Power 166,326 168,326 168,326 168,326 168,326 168,326 168,326 168,326 168,326 169,335 1	Purchased Power for Production	1,237,304		•			1,237,304
Fuels-Production 98,355 98,355 (904) 97,451 Puels-Non Production 71,452 71,452 (657) 70,795 Chemicals 155,227 2s (88,923) 425,314 (3,908) 421,406 Lineals 159,191 72,47212 2b (44,660) 72,2472,100 159,191 72,47212 2b (44,660) 72,2472,100 159,191 72,47212 2b (44,660) 72,2472,100 159,191 72,47212 2b (44,660) 70,640 72,2472 72,472,100 159,191 72,47212 72,472,172,172 72,472,172 72,472,172 72,472 7	Non Production Power						
Fuels-Non Production 71,452 71,452 (657) 70,795 (159,191	Fuels-Production	98,355			98,3 55	(904)	
Chemicals	Fuels-Non Production						•
Uncollectibles 159,191 7,247,212 2b (44,860) 7,202,387 7,202,222 7,2472)	Chemicals	515,237	2a	(89,923)			
Payroll 7,247.21	Uncollectibles	159,191		•		, ,	
Productivity (72,472) (72,472) (72,472) (72,472) (23,890 203,8	Payroli	7,247,212	2b	(44,860)	ł		
Depreciation Charged to O&M 203,890 203,890 30,89	Productivity	(72,472)					(72,472)
Misc. Clearing 97,791 37,791 (899) 96,892 D.P Machines - Leases 272,615 272,612 272,612 272,612 272,612 272,612 272,612 272,612 272,612 272,612 272,612	Depreciation Charged to O&M	203,890					
D.P Machines - Leases	Auto Insurance	70.640			70.640	(649)	69,991
Employee Insurance Plan 1,011,640 2c 204,210 1,218,850 Workers Comp. Insurance 291,871 291,871 291,871 Usability Insurance 4,799 4,799 Pensions 186,884 186,884 186,884 Other Post Retirement Benefits 512,645 Property & Liability Insurance 246,550 246,550 244,264 Legal 111,488 111,483 (1,025) 110,463 Data Processing Improvement 170,740 2d (34,148) Insurance 1,317,696 1,317,696 (12,109) 1,305,587 Parent Company Overhead 179,867 Issage 156,129 156,129 1,435 164,694 Actuarial 22,853 22,853 (210) 22,643 Accused Vacation Expense 11,218 11,218 (103) 11,115 Technical Service Standards Waintenance of Analyzers 20,628 20,828 AVAC Operating Cost Meter Shop 5,157 5,157 Rate Case Expense 15,312 (141) 15,171 Rate Case Expense 24,850 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 22,853 Augustant Cost - CIS 24,766 24,766 24,766 24,765 Augustant Cost - CIS 24,766 24,766 24,766 24,765 Augustant Cost - CIS 24,766 24,766 24,765 24,538 Augustant Cost - CIS 24,766 24,766 24,766 24,765 24,765 Augustant Cost - CIS 24,766 24,76	Misc. Clearing	97,791			97,791	(899)	96,892
Workers Comp. Insurance 291,871 Obsability Insurance 4,799 4,799 Persions 186,894 188,894 Other Post Retirement Benefits 512,645 512,645 Propenty & Liability Insurance 246,550 246,550 (2,256) 244,542 Legal 111,488 111,488 (10,25) 110,463 Data Processing Improvement 170,700 24 (34,148) 1317,696 (12,109) 1,305,587 Parent Company Overhead 179,867 1,317,696 (12,109) 1,305,587 Parent Company Overhead 179,867 156,129 1,438) 156,458 Jost Box 53,000 53,000 53,000 53,000 Outside Cleaning Services 17,000 17,000 17,000 17,000 Audit 87,945 87,945 87,945 808) 87,137 Accured Vacation Expense 112,128 112,18 103) 11,115 Technical Services Standards 15,200 2,2628 20,283 20,283 20,283 20,283		272,6 15					272,615
Disability Insurance	Employee Insurance Plan	1,011,640	2c	204,210			1,215,850
Persions 186,894 186		291,871					291,871
Other Post Rethrement Benefits 512,645 Property & Lisbility Insurance 246,550 246,550 242,284 512,645 246,550 242,284 12,645 246,550 242,284 12,645 246,550 242,284 12,645 242,84 12,645 242,84 12,645 242,84 12,645 242,84 12,645 242,84 12,645 242,84 12,148 11,488 11,488 (1,025) 11,045,352 12,645 242,84 12,17,696 (12,109) 13,05,557 136,592 179,867 136,592 179,867 137,696 (12,109) 13,05,557 179,867 179,867 179,867 179,867 156,129 (1,435) 154,694 156,129 (1,435) 154,694 179,867 179		4,799					4,799
Property & Liability Insurance 246,550 246,550 (2,265) 244,224 Legal 111,488 (1,025) 110,483 Data Processing Improvement 170,740 2d (34,145) 111,488 (1,025) 110,483 Data Processing Improvement 170,740 2d (34,145) 1317,696 (12,109) 1,305,587 Parent Company Overhead 179,867 179,867 Stage 156,129 156,129 (1,435) 154,594 Sck Box 53,000 553,000 553,000 Outside Cleaning Services 17,000 17,000 17,000 Outside Cleaning Services 11,218 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards 11,218 (103) 11,115 Technical Service Standards		186,894					186,894
Legis		512,645					512,645
Data Processing Improvement	Property & Liability Insurance	246,550			246,550	(2,266)	244,284
Invoices 1,317,696 1,317,696 1,317,696 1,317,696 1,317,696 1,305,587 Perent Company Overhead 179,867 179,867 179,867 179,867 179,867 179,867 179,867 179,867 156,129 156,129 156,129 156,129 156,129 156,129 156,129 156,129 156,000 17,000 1		111,488			111,488	(1,025)	110,463
Parent Company Overhead 179,867 156,129 156,129 156,129 154,694 53,000		170,740	2 d	(34,148)	•		136,592
Stage 156,129 156,129 156,129 154,694 154,69					1,317,696	(12,109)	
Dick Box		· · · · · · · · · · · · · · · · · · ·					179,867
Outside Cleaning Services 17,000 17,000 Audit 87,945 87,945 (808) 87,137 Actuarial 22,853 22,853 (210) 22,643 Actuarial Service Standards 11,218 11,218 (103) 11,115 Technical Service Standards 11,218 11,218 (103) 11,115 Technical Service Standards 20,628 20,628 20,628 AVAC Operating Cest Meter Shop 5,157 5,157 5,157 Excise Tax 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 84,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 728 Inspection Concrete Tank Roofs 15,000 20,000 Painting Concrete Tanks 37,500 37,500 401K Matich 24,766 24,766 24,766 (228					156,129	(1,435)	
Audit 87,945 87,945 (808) 87,137 Actuarial 22,853 22,853 (210) 22,643 Accused Vacation Expense 11,218 11,218 (103) 11,115 Technical Service Standards Maintenance of Analyzers 20,628 AVAC Operating Cost Meter Shop 5,157 Excise Tax Trustee 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 728 Inspection Concrete Tank Roofs 15,000 20,000 Painting Concrete Tank Roofs 15,000 20,000 Paintin				•			
Actuarial	-						
Accrued Vacation Expense 11,218 11,218 (103) 11,115 Technical Service Standards Maintenance of Analyzers 20,628 20,628 AVAC Operating Cost Meter Shop 5,157 5,157 Excise Tax Trustee 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 54,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 Inspection Concrete Tank Roofs 15,000 20,000 Painting Concrete Tank Roofs 37,500 Painting Concrete Tanks 37,500 Painting Concrete Tanks 37,500 Politing Co	- · - · .						
Technical Service Standards Maintenance of Analyzers 20,628 20,628 AVAC Operating Cost Meter Shop 5,157 5,157 5,157							
Maintenance of Analyzers 20,628 AVAC Operating Cost Meter Shop 5,157 Excise Tax 5,157 Trustee 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 54,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 728 Inspection Concrete Tank Roofs 15,000 15,000 15,000 Tank Painting 20,000 20,000 20,000 Painting Concrete Tanks 37,500 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bldg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118		11,218			11,218	(103)	11,115
AVAC Operating Cost Meter Shop Excise Tax Trustee 15,312 Trustee 15,000 Regulatory Commission Expense 84,858 Consultant Cost - CIS Office Painting Inspection Concrete Tank Roofs Tank Painting		^^ ^^					20.000
Excise Tax Trustee 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 54,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 Inspection Concrete Tank Roofs 15,000 15,000 Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing Lease Line charge 10,314 10,314 (196) 10,118							
Trustee 15,312 15,312 (141) 15,171 Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 64,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 Inspection Concrete Tank Roofs 15,000 15,000 Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 20,000 Painting Concrete Tanks 37,500 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Purnp Station Bidg 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 (82) 8,854 Deferred Generic Financing Lease Line charge 10,314 10,314 (196) 10,118		5,151					5,151
Rate Case Expense 15,000 2e (5,000) 10,000 Regulatory Commission Expense 84,858 64,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 728 Inspection Concrete Tank Roofs 15,000 15,000 15,000 Tank Painting 20,000 20,000 20,000 Painting Concrete Tanks 37,500 37,500 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 10,000 401K Expenses 3,216 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118		16 212			15 319	(4.44)	45 171
Regulatory Commission Expense 84,858 64,858 (780) 84,078 Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 Inspection Concrete Tank Roofs 15,000 15,000 Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 (82) 8,884 Deferred Generic Financing 10,314 10,314 (196) 10,118			20	(5.000)		(141)	
Consultant Cost - CIS 45,000 2f (15,000) 30,000 Office Painting 728 728 Inspection Concrete Tank Roofs 15,000 15,000 Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 37,500 401K Match 24,766 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118			26	(3,500)		(78n)	
Office Painting 728 Inspection Concrete Tank Roofs 15,000 Tank Painting 20,000 Painting Concrete Tanks 37,500 401K Match 24,766 24,766 24,766 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118			æ	(15,000)		(100)	
Inspection Concrete Tank Roofs 15,000 15,000 Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118			21	(15,500)	,		
Tank Painting 20,000 20,000 Painting Concrete Tanks 37,500 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118		, =,-					
Painting Concrete Tanks 37,500 37,500 401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118							
401K Match 24,766 24,766 (228) 24,538 Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118							
Valve Inspection & Repair 148,873 148,873 (1,368) 147,505 Repair to Pump Station Bidg 10,000 10,000 401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118					24.766	(228)	
Repair to Pump Station Bidg 10,000 10,000 401K Expenses 3,216 3,216 3,216 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118							
401K Expenses 3,216 3,216 (30) 3,186 Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118 Lease Line charge 10,314 10,314 (196) 10,118	· ·				. 10,010	(-1)	
Software AG 8,936 8,936 (82) 8,854 Deferred Generic Financing 10,314 10,314 (196) 10,118 Lease Line charge 10,314 10,314 (196) 10,118					3.216	(30)	
Deferred Generic Financing Lease Line charge 10,314 10,314 (196) 10,118							
Lease Line charge 10,314 10,314 (196) 10,118						3- 7	
\$14.915.766 \$15.279 \$3.013.706 (\$27.796) \$14.903.247		10,314			10,314	(196)	10,118
		\$14,915,766		\$15,279	\$3,013,706	(\$27.796)	\$14,903,247

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Explanation of Adjustments. For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch. 10 Page 1

Adj. No.	Explanaiton		Amount
2a	Chemicals (Pankowitz) To reflect the savings in the cost of sodium hypochlorite resulting from delivery a central location for redistribution by the company.		(\$89,923)
2b	To reduce incentive/deferred compensation to @ 1% of management compensation Management Payroll At One Percent	\$2,655,538	
	Phantom Stock Program	26,555 71,415	(44,860)
2c	To correct & update the cost of employee health benefits premium	·	204,210
2d	To phase out, over five years, the data processing costs allocated from Continental Water due to the installation of independent data processing systems at Long Island Water (Teller)	·	
٠,	\$170,740 /5 x 2		(\$34,148)
2 e	To amortize rate case expense over three years (30,000 / 3)		(5,000)
2f	To amortize CIS consultant over three years (90,000 / 3)		(15,000)
2 g	To Adjust Inflation to the latest GDP		(27,798)
	Total Adjustments to Operation and Maintenance Expense		(\$12,519)
3	Property Taxes To adjust the company's projection of real estate taxes to reflect known levels plus general inflation only. (Rosenblatt)		(\$157,696)
4a, b	Rate Base To remove the office renovations from net plant in service		(\$1,179,543)
4 c	To reflect three year amortization of rate case expense Per Company Per staff (\$ 30,000 + 20,000)/2	126,230 25,000	
4đ	To reflect three year amotization of CIS consulting fees. Per Company Per staff (\$ 90,000 + 60,000)/2	67,500 75,000	(101,230)
			7,500
4e	To reflect impact of O & M adjustment on Cash Working Capital	:	\$1,421
	Total Adjustments to Rate Base :	:	(1,271,852)

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Explanation of Adjustments. For the Twelve Months Ending March 31, 2000

Exhibit 1 Sch, 10 Page 2

Adj. No.	Explanaiton	Amount
	Federal Income Tax	•
5a	To reflect amortization of rate case expense of \$10,000	118,077
5b	To reflect amortization of CIS consultant	30,000
5c	To reflect amortization of Tank Painting at \$20,000	5,000
5d	To reflect the Staff computation of IBCWIP	(735)
5e	To reflect the Staff computation of NIBCWIP	(1,285)
5 f	To remove lobbying expense from the FIT computation	(5,189)
5 g	To reflect the Staff computation of the FIT interest deduction	238,708
	Total Adjustments to Taxable income:	<u>384,576</u>
5h-l	To defer various adjustments made to taxable income	(51,360)

10.98-W-0475	LONG ISLAND WATE Property Tax Refund I Revenue Requiremen March 31, 2001 and 2	Exhibit 1 Sch. 11 Page 1			
	1	2	3	4	5 Rate Year Level
	Year Ending March 2000	Growth		Revenue Requirement	Year 2001 Before Rate
	After Increase	Factor	Change	Year 2001	Change
Operating Revenues	\$35,138,560				35,138,560
Purchased Power for Production	\$1,237,304				1,237,304
Chemicals	\$425,314	1.50%	6,380	6,380	431,694
Fuels-Production	\$98,355	1.50%	1,475	1,475	99.830
Revenue Taxes	<u>\$1,567,338</u>	<u>4.53%</u>	63 055		1,567,338
	\$3,328,311		<u>\$7,855</u>	<u>\$7.855</u>	\$3,336,166
RAC Revenues	\$31,810,249		(\$7,855)	\$7,855	\$31,802,394
Payroli	7,202,352	1.50%	108,035	108,035	7,310.387
Employee Insurance Plan	1,215,850	1.50%	18,238	18,238	1,234,088
Pensions	186,894	1.50%	2,803	2,803	189,697
Post Retirement Benefits	512,64 5	1.50%	7,690	7,690	520,\$35
Other Operation and Maintenance	4,024,148	1.50%	60,362	60,362	4.084,510
Depreciation Expense	1,333,166		22.812	22,812	1,355,978
Property Taxes	11,383,434	2.50%	284,586	284,586	11,668,020
Other Taxes other than FIT	614,935	1_50%	<u>9,224</u>	9,224	<u>524.159</u>
Income before FIT	<u>5,336,825</u>		(521,605)		4,815,220
Rate Base	50.683,452	10.63%	1,680,426	178,680	52,353,878
Revenue Tax Gross Ups				33 ,263	
Total			•	733,548	

Exhibit 1 Sch. 11 Page 2

6	7 Rate Year Level	8	9	10	11 Rate Year Level	12	13 Rate Year Level
	Year 2001			Revenue	Year 2001		Year 2002
Revenue	e After Rate	Growth		Requirement	Before Rate	Revenue -	After Rate
increas	e Increase	Factor	Change	Year 2001	Change	Increase	Increase
733	.548 35.872.108	,			35,872,108	73 8,886	36,610 <u>,994</u>
	1,237,304	· ·			1,237,304		1,237,304
	431,694	1.50%	6,475	6,475	438,169		438,169
	99,830	1.50%	1,497	1,497	101,327		101,327
<u>33</u> ,	,263 1,600,601	<u>4.53%</u>	•		1,600,601	<u>33,505</u>	1,634,106
\$33			<u>\$7,972</u>	<u>\$7.972</u>	\$3,377,401	\$33,505	\$3,410,906
\$700,	.285\$32.502.679		(\$7,972)	\$7,972	\$32,494,707	\$7 <u>05,</u> 381	\$33,200,088
	7,310,387	1,50%	109,656	109,656	7,420,043		7,420,043
	1.234.088	1.50%	18,511	18,511	1,252,599		1,252,599
	189,697	1.50%	2,845	2.845	192,542		192,542
	520,335	1.50%	7,805	7,805	528,140		528,140
	4,084,510	1,50%	61,268	61,268	4,145,778		4,145,778
,	1,355,978		48,409	48,409	1,404,387		1,404,387
	11,668,020	2.50%	291,701	291,701	11,959,721		11,959,721
·	<u>624,159</u>	1.50%	9,362	9,352	633,521		633,521
J	<u>5,515,505</u>		(557,529)		4,957,976		<u>5,663,357</u>
1	52,363,878	10.63%	1,390,502	147,852	53,754,380		53,754,380
•		•		<u>33,505</u>			
				738 886			

738,886

FILE NAME: Invoosco5

21-Sep-98

5-W-0475

LONG ISLAND WATER CORPORATION
Property Tax Refund Proceeding
Revenue Requirement Changes for the Years Ending
March 31, 2000, 2001 and 2002

Exhibit 1 Sch. 12

Revenue Requirement Changes			2000	2001	2002	Cumulative
Year Ending March 2000 Year Ending March 2001 Year Ending March 2002			(83,637)	(83,637) 733,548	- (83,537) 733,548 <u>738,886</u>	
Chan	ge Over Current Rates		(\$23,637)	\$649,911	\$1.388,797	\$1,955.071
Intere	st on Refunds Held @	6,45%	\$70,951	\$61,912	<u>\$21,125</u>	\$153,988
Net R	evenue Requirement Needs		(\$154,588)	\$587,999	\$1,367,672	\$1,801,083
Revenue Before Rate Change			\$35,222,197	\$35 <u>,138,560</u>	\$35,872,108	
Annual Percent Change in Rates			-0.24%	2.09%	2.06%	
Amount Available for Rate Offset or						
Refun	d Per Staff					\$2,623,707
Amount of Refund						\$1,000,000
Money Available for Rate Offset						\$1,623,707
Excess/(Deficiency) of Revenue				(\$177.376)		

Calculation of Interest on Refunds Held				
Beginning Balance		1,623,707	1.778.295	1.190.296
Average Revenue Requirement Offset		41,819	(324,956)	(694,399)
Balance Subject to Interest		1,665,526	1,453,340	495,898
Unadjusted Customer Deposit Rate	<u>6.45%</u>	,	, , ,-	
Interest Rate net of Tax	4.25%	4.26%	4.26%	4.26%
Interest		70,951	61,912	21,125
Begining Balance subject to interest		1,623,707	1,778,295	1,190,296
Revenue Requirement Offset net of tax at 34%		(83,637)	649 911	1,388,797
Ending Balance subject to interest		1.778.295	1 190 296	(177.376)

LONG ISLAND WATER CORPORATION Property Tax Refund Proceeding Revenue Adjusment Clause Computation For the Twelve Months Ending March 31, 2000

89,923

31,890,094

Exhibit 1 Sch-26

(\$83.637)

(3,792)

(3.792)

(79,845)

Per

Staff After Ingrease \$35,136,560

> \$1,237,304 \$98,355 425,314

1,567,338

3,328,311

31,810,249

Company <u>Update</u> \$35,222,197	Adj. <u>No.</u> ~	Staff Adjs.	Submitted by <u>Staff</u> \$35,222,197	Revenue Increase (\$83.63
\$1,237,304			\$1,237,304	•
98,355			98, 35 5	
515,237	2a	(89,923)	425,314	
1,571,130			1,571,130	(3,79
3,422,026		(89.923)	3,332,103	(3.79
	\$35,222,197 \$1,237,304 98,355 515,237 1,571,130	\$35,222,197 \$1,237,304 98,355 515,237 2a 1,571,130	\$35,222,197 \$1,237,304 98,355 515,237 2a (89,923) 1,571,130	\$35,222,197 \$1,237,304 \$8,355 \$1,237,304 \$8,355 \$15,237 \$2a (89,923) 425,314 \$1,571,130 \$1,571,130

Exhibit 1

CONSOLIDATED RATE OF RETURN CALCULATION FOR 12 MONTHS ENDED 3/31/00

	AVERAGE RATE YEAR ENDED 3/00		RATIO	COST FACTOR	WEIGHTED COST	PRE TAX COST
LONG TERM DEBT	9	215,948,000	51.31%	6.13%	3.15%	3.15%
CUSTOMER DEPOSITS		1,800,000	0.43%	6.80%	0.03%	0.03%
COMMON EQUITY		203,097,000	48.26%	10.20%	4.92%	7.45%
TOTAL	9	420,845,000	100.00%	;	8.10%	10.63%

LONG ISLAND WATER CORPORATION RATE OF RETURN CALCULATION FOR TWELVE MONTHS ENDED 3/31/00

	AVERAGE RATE YEAR ENDED 3/00		RATIO	COST FACTOR	WEIGHTED COST	PRE TAX COST	
LONG TERM DEBT	\$	23,000,000	46.36%	6.50%	3.01%	3,01%	
PREFERRED STOCK		1,125,000	2,27%	4.50%	0.10%	0.15%	
COMMON EQUITY		25,491,008	51.38%	9,59%	4.93%	7.47%	
TOTAL	\$	49,616,008	100.00%		8.04%	10.63%	

OF THE STATE OF MISSOURI



In the Matter of Missouri-American)
Water Company's Request for Authority)
to Implement a General Rate Increase)
for Water Service Provided in Missouri)
Service Areas

Case No. WR-2007-0216, et al.

Tariff Nos. YW-2007-0407, YW-2007-0409 YW-2007-0410, YW-2007-0411, YW-2007-0412, YW-2007-0413, YS-2007-0415, YS-2007-0416, YS-2007-0417, JS-2007-0713, and JS-2007-0714

REPORT AND ORDER

Issue Date: October 4, 2007

Effective Date: October 14, 2007

OF THE STATE OF MISSOURI

In the Matter of Missouri-American	
Water Company's Request for Authority	,
to Implement a General Rate Increase	,
for Water Service Provided in Missouri	,
Service Areas	,

Case No. WR-2007-0216, et al. Tariff Nos. YW-2007-0407, YW-2007-0409 YW-2007-0410, YW-2007-0411, YW-20070412, YW-2007-0413, YS-2007-0415, YS2007-0416, YS-2007-0417, JS-2007-0713,

and JS-2007-0714

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<u>Christina L. Baker</u>, Assistant Public Counsel, Office of the Public Counsel, Post Office Box 2230, Jefferson City, Missouri 65102, for the Office of the Public Counsel.

REGULATORY LAW JUDGE: Harold Stearley

REPORT AND ORDER

Procedural History

Tariff Filings

On December 15, 2006, Missouri-American Water Company ("MAWC") submitted to the Missouri Public Service Commission certain proposed tariff sheets, Tariff File Numbers YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413. This filing was docketed as Case Number WR-2007-0216, and the purpose of the filing, according to MAWC, is to implement a general rate increase for water service provided by the company. MAWC states that the revised water rates are designed to produce an additional \$41,387,823 in gross annual water revenues excluding gross receipts and sales taxes, a 24.8% increase over existing water revenues.

Also on December 15, MAWC filed certain tariff sheets designed to implement a general rate increase for sewer service provided by the company, Tariff File Numbers YS-2007-0415, YS-2007-0416, and YS-2007-0417. This filing was docketed as Case Number SR-2007-0217. MAWC states that the revised sewer rates are designed to produce an additional \$73,795 in gross annual sewer revenues excluding gross receipts and sales taxes, a 25.7% increase over existing sewer revenues.

The rate schedules attached to MAWC's tariff filings bore issue dates of December 15, 2006, with a proposed effective date of January 14, 2007. Together with its proposed tariff sheets and other minimum filing requirements, the Company also filed prepared direct testimony in support of its requested rate increases.

Suspension Orders and Interventions

The Commission issued its Suspension Orders and Notices on January 3, 2007, ¹ suspending the proposed water and sewer tariff sheets for 120 days plus six months from the original proposed effective date, that is, until November 14. In those orders, the Commission also set an evidentiary hearing and a deadline for intervention applications. Intervention was granted to AG Processing, Inc., the City of Jefferson, the City of Joplin, the City of Parkville, the City of St. Joseph, the City of Warrensburg, the Metropolitan St. Louis Sewer District, the Missouri Energy Group, the Missouri Industrial Energy Consumers, Public Water Supply Districts Numbers 1 and 2 of Andrew County, Public Water Supply District Number 1 of DeKalb County, and the Utility Workers Union of America Local 335, AFL-CIO.²

Consolidation of Cases

On January 17, pursuant to Commission Rule 4 CSR 240-2.110(3), the Commission issued its order consolidating Case Numbers WR-2007-0216 and SR-2007-0217. The Commission found that these cases involved related issues of fact and law supporting consolidation. The Commission designated Case Number WR-2007-0216 as the lead case and directed that all further pleadings in these matters be filed under that case number.

On February 22, the Commission adopted the procedural schedule jointly proposed by the parties. The procedural schedule included dates for the filing of prepared testimony, revised dates for the evidentiary hearing, and a briefing schedule.

¹ All dates following the date of the suspension order reference the year 2007 unless otherwise noted.

² All entities granted intervention in Case Number WR-2007-0216 were also granted intervention in Case Number SR-2007-0217.

On April 2, MAWC filed revised sewer tariffs that were filed for the purpose of implementing a capacity charge for its Warren County and Jefferson County sewer districts, Tariff File Numbers JS-2007-0713 and JS-2007-0714. These tariff filings were filed outside of the existing rate cases and docketed under Case Number ST-2007-0443. The Office of the Public Counsel ("OPC") filed a motion to suspend these new tariff filings and consolidate consideration of these tariffs into the existing rate case. The Home Builders Association of St. Louis and Eastern Missouri, Inc. ("HBA") filed objections to the tariff filings and was granted intervention.

Ultimately on June 21, based upon a joint recommendation of all of the parties in this case, the Commission consolidated Case Number ST-2007-0443 with Case Number WR-2007-0216. The capacity charge tariffs were suspended to match the suspension date of the rate-case tariffs. In this manner the Commission can consider all related issues of fact and law between these matters and all relevant and interrelated factors, thus avoiding any possible specter of single-issue ratemaking. The Commission did not close ST-2007-0443, keeping that case open to receive filings specifically related to the capacity charge tariffs. The consolidation of these cases brought the HBA as a party into the existing rate cases.

Local Public Hearings

Between the dates of June 5 and June 14, pursuant to notice provided by the company to all of its customers, the Commission convened local public hearings for Case Numbers WR-2007-0216 and SR-2007-0217 within MAWC's service territory, at Hillsboro, Joplin, Kirkwood, Mexico, Parkville, St. Charles, St. Joseph, St. Louis, Warrensburg, and

Warrenton.³ The Commission heard the testimony of 40 witnesses at these local public hearings and received 3 exhibits into evidence.

Pre-Hearing Stipulation and Agreement between the Metropolitan St. Louis Sewer District and MAWC

On July 16, MAWC and the Metropolitan St. Louis Sewer District (MSD) jointly filed a stipulation and agreement to settle the MSD rate design issue. The issues addressed by this agreement related to the provision of water usage meter reading data and customer billing information and related services to MSD by MAWC, and the amount charged by MAWC for provision of this information. No party objected, and the stipulation became unanimous by operation of Commission rule on July 24.⁴ Consequently, the Commission approved that stipulation and agreement by separate order dated September 20, 2007, bearing an effective date of September 30, 2007.

Evidentiary Hearing – Preliminary Stage

Pursuant to the procedural schedule, the Commission convened an evidentiary hearing beginning on August 6 at its offices in Jefferson City, Missouri. On this first day of hearing the parties informed the Commission that the majority of the parties were entering into a Stipulation and Agreement as to all of the issues to be decided in this matter. Only the City of Joplin ("Joplin") objected to the agreement.⁵

Joplin identified four issues it disputed in its prehearing brief, and in the testimony of

³ These local public hearings were completed prior to the consolidation order joining Case Number ST-2007-0443 to the general rate cases. Consequently, these local public hearings did not yield testimony on the capacity charge tariffs being considered in Case Number ST-2007-0443.

⁴ Commission Rule 4 CSR 240-2.115(2)(C).

⁵ On August 6, 2007, Utility Workers Union of America Local 335, AFL-CIO Local 335, the Missouri Energy Group and the City of Jefferson made no appearance.

its witness Ms. Leslie Jones.⁶ Joplin requested hearing dates to offer evidence and cross-examine witnesses on these issues. Based upon Joplin's request, proceedings were continued to August 14 and 15 to hear Joplin's evidence.

Global Stipulation and Agreement and City of Joplin's Objections

On August 9, prior to the resumption of the hearings, numerous parties filed a global Non-Unanimous Stipulation and Agreement ("Global Agreement") resolving all issues in this matter. The only non-signatory parties to the Global Agreement were Joplin, the City of Jefferson ("Jefferson City"), the City of St. Joseph ("St. Joseph) and the Utility Workers of America Local 335, AFL-CIO ("Local 335"). All parties were given the opportunity to file suggestions in support or in opposition to the Agreement. The original deadline for suggestions was subsequently extended to ensure adequate opportunity for all of the parties to respond.⁷

Joplin was the only non-signatory to the Global Agreement that objected to the agreement. Consequently, the Commission directed Joplin to further clarify the issues it disputed, identify the witnesses it wished to present and cross-examine with regard to those issues and update its prehearing brief if required. On August 10, Joplin identified, with particularity, the following issues for the hearing set to resume on August 14 and 15:

- (1) The Proper Basis for Allocation of MAWC's Corporate Administrative and General Expenses;
- (2) the Proper Method of Payroll Tax Normalization/Annualization;

⁶ Leslie Jones is the Finance Director for the City of Joplin. Hearing Exh. Joplin-1, Prefiled Rebuttal Testimony of Leslie Jones, p. 2-3.

⁷ Order Directing the City of Joplin to Make Specific Filings, Resetting Hearing Schedule and Directing Response to Stipulation and Agreement, issued August 9, 2007; Order Extending Deadline for Filing Suggestions Regarding the Non-Unanimous Stipulation and Agreement, Setting Briefing Schedule, Ordering Proposed Findings of Fact and Conclusions of Law, Directing the Filing of Late-Filed Exhibits and Responses, and Addressing other Procedural Matters, issued August 15, 2007. Transcript pp. 107-108.

- (3) the Proper Allocation of Corporate Depreciation; and,
- (4) the Proper Normalization/Annualization of Chemicals for Treating Water in the Joplin District.⁸

Joplin further stated that, at that time, it did not oppose the resolution of any additional issues encompassed in the Global Agreement, and identified the following witnesses it wished to present, or to have appear, at hearing for cross-examination: Joplin's Witness Leslie Jones; Staff Witnesses Steve Rackers, Roberta Grissum and Lisa Hanneken; and MAWC's Witnesses Ed Grubb, Don Petry and Greg Weeks.⁹ No other party identified any other witness it wished to be present at hearing for cross-examination.¹⁰

Resumption of Evidentiary Hearing and Post-Hearing Submissions

The evidentiary hearing resumed as scheduled on August 14 and concluded that same day. MAWC's first witness, Mr. Edward J. Grubb, began his testimony with a correction to the calculation of the amount of chemical expense attributable to the Joplin District. This correction was not objected to by any other party and resolved this issue completely. Because of this correction, and Staff's stipulation that the correction for

¹⁰ While the Commission cannot cite to non-existent pleadings to prove a negative, a review of the docket sheet and the transcript confirms that no other party identified additional witnesses to provide testimony during the hearing.

⁸ List of Disputed Issues and Witnesses, filed August 10, 2007.

⁹ *Id*.

¹¹ On August 14, 2007, Utility Workers Union of America Local 335, AFL-CIO Local 335, the Missouri Energy Group and the Metropolitan St. Louis Sewer District made no appearance. Additionally, several parties who were present asked for permission to be able to come and go as necessary for their participation. These parties were granted such leave but all were advised that if they were absent during the time that a scheduled witness was testifying that they would be considered to have waived cross-examination of that witness. Those parties all agreed that their absence would constitute a waiver of cross-examination. Transcript pp. 102-107. See, in particular Transcript p. 105, lines 20-23, p. 107, lines 3-11.

¹² Transcript pp. 148-154. In annualizing the amount of chemical expense, the MAWC determined the annual amount of water it expects to treat and multiplies it by the usage (per million gallons) of chemicals needed to treat the water. That product is multiplied by the price per pound of the chemical, which price is based upon contracts with chemical suppliers. (Tr. 150) In annualizing the amount of chemical expense for the Joplin District, MAWC found that the number of pounds needed to treat an annualized level of water for three of the

chemical expense would reduce Joplin's portion of MAWC's revenue requirement by \$236,416, the appearing parties mutually agreed that no cross-examination was required of Staff's witness Roberta Grissum, and MAWC's witness Greg A. Weeks. Consequently, they were excused from the witness list and the parties waived cross-examination as to these witnesses regarding any and all issues.¹³

With one exception, no party objected to the admission of prefiled testimony from any witness not requested to appear. MAWC objected to the prefiled rebuttal testimony of Alan Ratterman. Objections were sustained to Mr. Ratterman's testimony and it was excluded from the record.¹⁴ Ultimately, all parties waived cross-examination of all of the witnesses not requested to appear on August 14.¹⁵

eleven chemicals used in the Joplin District was overstated. As a result, the annualized chemical expense for the Joplin District was overstated by \$236,416. (Tr. 150) In order to correct for this error, MAWC proposed to take the amount of revenue increase attributable to Joplin, pursuant to the Global Agreement and reduce it by \$236,416. (Tr. 151) This has the additional impact of reducing the overall revenue requirement sought by MAWC by \$236,416, or reducing the overall increase to \$28,463,584.

¹³ Transcript p. 208.

¹⁴ Mr. Ratermann was a witness for the Utility Workers Union of America, Local 335 ("Local 335"). Mr. Ratermann's rebuttal testimony focused on asbestos-cement pipe removal, which he believed concerned the "health and safety of consumers and employees" of MAWC, and he advocated for insuring that adequate funds from the requested rate increase were allocated to address these health and safety issues. However, Commission Rule 4 CSR 240-2.130(7)(B) is not ambiguous and states that "where all parties file direct testimony, rebuttal testimony shall include all testimony which is responsive to the testimony and exhibits contained in any other party's direct testimony." Mr. Ratermann's rebuttal testimony violates this rule in that it fails to respond to the direct testimony of any party. Mr. Ratermann failed to raise this issue in direct testimony and failed to raise this issue when he testified before the Commission at a local public hearing in this case on June 13, 2007, in Kirkwood. Tr. Vol. 9, p. 9-11. While Local 335 filed a written response to MAWC's objections that were first raised in a Motion to Strike filed on July 31, Local 335's response was not persuasive. Local 335 made no appearance at hearing to formally offer the Mr. Ratermann's rebuttal testimony into the record or to provide further argument in support of submission of this testimony. Finding Mr. Ratermann's prefiled rebuttal testimony to be improper under the Commission's rules; the Commission sustained the objections to its admission and excluded it from the record.

¹⁵ During the hearing, the Commission noted that it was not finally excusing witnesses in the event that other issues (issues other than those identified by the parties and adopted by the Commission) materialized during the hearing that would require the taking of additional testimony. (Transcript pp. 103, 108, 432-433.) The parties were provided with multiple opportunities to identify the issues in this matter and elicit witness testimony and cross-examination on those issues. No additional issues were identified by the parties other than those adopted by Commission Notice and Order. (See *Order Granting Motion to Modify Order and Amend Issues List*, issued August 30, 2007, and *Notice Regarding Issues List*, issued September 5, 2007.) No party requested a hearing on any issue other than those contested at the evidentiary hearing completed

Joplin's witness, Ms. Leslie Jones, was allowed to offer new direct testimony that advocated multiple changes in Joplin's original position. Consequently, as part of the post-hearing procedural schedule, the Commission directed Joplin to file a revised list of its issues and to provide certain exhibits to be filed as late-filed exhibits pursuant to the Commission's traditional practice. The remaining parties were given the opportunity to file objections to these exhibits, as well as given the opportunity to submit rebuttal testimony to Ms. Jones's new adduced testimony. No party objected to any of the exhibits once they were submitted in their final form and they were received into the record for all purposes. No party submitted rebuttal testimony to Ms. Jones's live testimony.

In total, the Commission admitted the prefiled testimony of 26 witnesses, heard cross-examination testimony from 4 of those same witnesses, received new testimony from and allowed cross-examination of Joplin's sole witness, and received 75 exhibits into evidence. The Commission wishes to emphasize that a full hearing was held on all of the

on August 14, 2007. No party has requested that any other witness, other than those testifying at the hearing, provide additional testimony or be subject to cross-examination. The Commission determined the case was finally submitted for decision on September 17, 2007 and that it requires no additional testimony to decide the issues in controversy. Consequently, the Commission shall finally excuse all witnesses to this matter as part of this Report and Order.

¹⁶ Commission Rules 4 CSR 240-2-1.30(14) and (17).

¹⁷ Transcript pp. 352, 422, 424-426. Order Extending Deadline for Filing Suggestions Regarding the Non-Unanimous Stipulation and Agreement, Setting Briefing Schedule, Ordering Proposed Findings of Fact and Conclusions of Law, Directing the Filing of Late-Filed Exhibits and Responses, and Addressing other Procedural Matters, issued August 15, 2007. Order Clarifying Post-Hearing Procedural Schedule, issued August 20, 2007

¹⁸ Joplin submitted an amendment to their late-filed exhibit, Joplin-2, on August 24. Joplin had amended their original filing by attaching four pages of a confidential settlement agreement that had been circulated among the non-MAWC parties prior to hearing. Objections to the amended exhibit were lodged by OPC and AGP. Those objections were sustained and the amended exhibit was stricken from the record. See Commission's "Order Extending Time for Responses to Late-Filed Exhibits and Striking Amendment to Late-Filed Exhibit," effective date of August 27, 2007. See also Commission's *Order Admitting Post-hearing Exhibits into Evidence and Acknowledging Parties' Waivers of Providing Rebuttal Testimony to the City of Joplin's Supplemental Direct Testimony at Hearing*, issued August 29.

issues for which a hearing was requested. 19

Joplin's Post-Hearing Filings

On August 17, Joplin filed its revised list of disputed issues and its revised positions on those issues. Joplin identified its new positions as follows:²⁰

- (1) The Proper Basis for Allocation of MAWC's Corporate Administrative and General Expenses Worker's Compensation, injuries and damages, Other Post-Employment Benefits ("OPEB") and pensions should be allocated based upon payroll, which is how they are allocated pursuant to the Global Agreement. Joplin no longer disputes this issue.
- (2) The Proper Basis for Allocation of MAWC's Corporate Administrative and General Expenses all other administrative and general expenses should be allocated based upon total number of customers as opposed to payroll, which is how they are allocated pursuant to the Global Agreement.
- (3) The Proper Basis for Allocation of MAWC's Corporate Customer Accounts Expenses those allocated from corporate accounts to the districts should be allocated based upon the total number of customers as opposed to payroll, which is how they are allocated pursuant to the Global Agreement.
- (4) The Proper Allocation of Corporate Depreciation should be allocated to the districts based upon length of main as opposed to payroll, which is how they are allocated pursuant to the Global Agreement.

¹⁹ As a matter of due process, the Commission allowed all of the parties the full and fair opportunity for a hearing on the issues they identified as being contested before the Commission. All of the parties to this action were given multiple opportunities to identify any disputed issues, the witnesses it desired to present with regard to those issues and the witnesses it desired to cross-examine. This case does not present any of the same issues as were identified in *State ex rel. James M. Fischer v. Public Service Commission of Missouri*, 645 S.W.2d 39 (Mo. App. 1982). In *Fischer*, the Commission allowed OPC the opportunity to present a proposal for a gas company's rate design and to cross-examine opposing witnesses; however, it had previously decided that the only issue it would consider was whether to approve a stipulation and agreement submitted by all parties except OPC, thus negating the meaningfulness of the hearing. In this case, the Commission made no such prior decision, and did not prejudge any element or issue presented. As the remainder of the Report and Order demonstrates, the Commission thoroughly complied with its statutorily mandated fact-finding requirements and based its decision on substantial and competent evidence on the record as a whole.

²⁰ Revised List of Disputed Issues, filed by Joplin on August 17, 2007.

- (5) The Proper Allocation of Corporate and other General Taxes -- should be allocated based upon the total number of customers as opposed to payroll, which is how they are allocated pursuant to the Global Agreement.
- (6) The Proper Normalization/Annualization of Chemicals for Treating Water in the Joplin District MAWC revised its calculations on this factor and this issue is no longer in dispute. (See FN 8).
- (7) The Proper Method of Payroll Tax Normalization/Annualization corporate payroll was annualized from \$289,000 in actual corporate payroll (in administrative and general expenses category) to add \$700,000.²¹

Joplin stated in its August 17 pleading that, "at this time," it did not oppose the resolution of any additional issues encompassed in the Global Agreement.²²

Post-Hearing Stipulation and Agreement between Jefferson City and MAWC

On August 23, the City of Jefferson ("Jefferson City"), MAWC, Staff, and OPC jointly filed a Stipulation and Agreement to resolve separate issues Jefferson City had with MAWC concerning fire suppression and certain infrastructure improvements; specifically, back-up power generation, water storage and small main replacement.²³ No party objected and the stipulation became unanimous by operation of Commission rule on August 31.²⁴ The Commission reviewed the agreement, found it to be reasonable and approved that stipulation and agreement by separate order dated September 6, 2007, bearing an effective date of September 16, 2007.

²¹ In its August 17, 2007 pleading Joplin maintained that the increase was not supported by any fact and that as currently calculated the amount is overstated. On August 22, 2007, Joplin filed its *Statement of Filing of Calculations by the City of Joplin*. In this filing, Joplin acknowledged that: "Additionally, there is no direct revenue impact upon the payroll tax annualization and payroll annualization discussed in Leslie Jones' testimony on August 14, 2007."

²² Revised List of Disputed Issues, filed by Joplin on August 17, 2007.

²³ The signatory parties to this stipulation and agreement stated: "As a result of this Stipulation, no changes shall need to be made to the Nonunanimous Stipulation and Agreement filed previously in this case on August 9, 2007.

²⁴ Commission Rule 4 CSR 240-2.115(2)(C).

Case Submission

The parties filed late-exhibits, briefs, reply briefs and proposed findings of fact and conclusions of law according to the post-hearing procedural schedule. The last briefs were filed on September 17 and the case was deemed submitted for the Commission's decision on that date.²⁵

<u>Discussion of Issues Requiring Decision by Commission</u>

On August 1, as required by the procedural schedule, the parties jointly filed a list of issues to be determined by the Commission. Each party was allowed the opportunity to file a statement of its position with respect to each issue. On August 2, AG Processing, Inc. filed an amendment to the issues list, and on August 23, the Commission formally adopted the unopposed issues list, as amended.²⁶

On August 29, all of the parties, with the exception of Local 335, filed a motion with the Commission to modify the issues list. The parties moving to modify had condensed Joplin's revised list of issues into two issues. Specifically, the moving parties including Joplin affirmatively asserted and conceded that the only two issues requiring a decision by the Commission were:

1. The proper basis for allocating MAWC's corporate expenses to the various districts, to include administrative and general expenses, customer accounts, depreciation, and other general taxes; and,

²⁵ "The record of a case shall stand submitted for consideration by the commission after the recording of all evidence or, if applicable, after the filing of briefs or the presentation of oral argument." Commission Rule 4 CSR 240-2.150(1). Two Post-Submission motions were filed in this matter. MAWC moved the Commission to strike Local 335's Proposed Findings of Fact and Conclusions of Law on September 19, 2007, and Joplin moved the Commission to compel its Staff to provide additional information in response to the Commission's September 10, 2007 order directing certain filings. The Commission shall rule on these motions in later portions of this Report and Order.

²⁶ The original issues list, as formulated by the parties and adopted by the Commission, identified thirty-eight contested issues for Commission determination.

2. Payroll tax payment as annualized for the Joplin District and certain depreciation issues. ²⁷

The moving parties further affirmatively stated: "None of the other issues addressed by the Global Agreement [filed on August 9, 2007] have been objected to or are in dispute." 28

On September 4, Local 335 advised the Commission that they had not joined in the request to amend the issues list and considered three issues it raised during the course of this proceeding to be live issues in addition to the modified issues list as delineated above.

Those issues were:

- 1. whether MAWC has provided adequate training of its employees in dealing with asbestos-cement and lead-jointed pipe;
- 2. whether funds should be allocated to employee training or the removal of asbestos-cement and lead-jointed pipe; and
- 3. whether MAWC has properly asserted privilege with regard to payroll information.²⁹

Local 335 reiterated that it did not oppose the outcome of the case as proposed in the Global Agreement, and that it recognized that the issues it raised my not be outcome determinative for this matter.³⁰

Ultimately, the Commission adopted the revised list of issues submitted on August 29, but also advised the parties that it would consider any record evidence on the issues identified by Local 335 when issuing its decision in this matter.³¹ The Commission will

²⁷ Amended List of Issues and Motion to Modify Order, filed August 29, 2007.

²⁸ Id

²⁹ Advice to the Commission, filed September 4, 2007.

³⁰ *Id*

³¹ See *Order Granting Motion to Modify Order and Amend Issues List*, issued August 30, 2007, and *Notice Regarding Issues List*, issued September 5, 2007. The Commission adopts the list of issues with the caveat that the parties' framing of the issues may not accurately reflect the material issues under the applicable statutes and rules. On September 17, 2007, Local 335 filed proposed findings of Fact and Conclusions of Law pursuant to the Commission's post-hearing procedural schedule. On September 19, 2007, MAWC

therefore review the competent and substantial evidence on the record as a whole to render decisions on the only issues identified in this matter that require a Commission decision. The Commission will also make all statutorily required findings and conclusions to fulfill its duty to set "just and reasonable" rates for MAWC's water and sewer services.

Findings of Fact and Conclusions of Law

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact and conclusions of law. The positions and arguments of all of the parties have been considered by the Commission in making this decision. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision. When making findings of fact based upon witness testimony, the Commission will assign the appropriate weight to the testimony of each witness based upon their qualifications, expertise and credibility with regard to the attested to subject matter.

In making its Findings of Fact and Conclusions of Law, the Commission is mindful that it is required, after a hearing, to "make a report in writing in respect thereto, which shall state the conclusion of the commission, together with its decision, order or requirement in the premises." Because Section 386.420 does not explain what constitutes adequate findings of fact, Missouri courts have turned to Section 536.090, which applies to "every

moved to strike Local 335's filing asserting that there was no record evidence for the Commission to consider in regard to Local 335's allegedly "live issue," and that, consequently, the Commission should strike Local 335 proposed findings and conclusions. The Commission shall consider this motion in a later part of this Order.

³² Section 386.420.2, RSMo 2000. All further statutory references, unless otherwise specified, are to the Revised Statutes of Missouri (RSMo), revision of 2000.

decision and order in a contested case," to fill in the gaps of Section 386.420.³³ Section 536.090 provides, in pertinent part:

Every decision and order in a contested case shall be in writing, and . . . the decision . . . shall include or be accompanied by findings of fact and conclusions of law. The findings of fact shall be stated separately from the conclusions of law and shall include a concise statement of the findings on which the agency bases its order.

Missouri courts have not adopted a bright-line standard for determining the adequacy of findings of fact.³⁴ Nonetheless, the following formulation is often cited:

The most reasonable and practical standard is to require that the findings of fact be sufficiently definite and certain or specific under the circumstances of the particular case to enable the court to review the decision intelligently and ascertain if the facts afford a reasonable basis for the order without resorting to the evidence.³⁵

Findings of fact are inadequate when they "leave the reviewing court to speculate as to what part of the evidence the [Commission] believed and found to be true and what part it rejected." Findings of fact are also inadequate that "provide no insight into how controlling issues were resolved" or that are "completely conclusory."

With these points in mind, the Commission renders the following Findings of Fact and Conclusions of Law. Findings of Fact are sequentially numbered. Conclusions of Law appear in designated sections.

³³ St. ex rel. Laclede Gas Co. v. Pub. Serv. Comm'n of Mo., 103 S.W.3d 813, 816 (Mo. App. 2003); St. ex rel. Noranda Aluminum, Inc. v. Pub. Serv. Comm'n, 24 S.W.3d 243, 245 (Mo. App. 2000).

³⁴ *Glasnapp v. State Banking Bd.*, 545 S.W.2d 382, 387 (Mo. App. 1976).

³⁵ *Id.* (quoting 2 Am.Jur.2d *Administrative Law* § 455, at 268).

³⁶ St. ex rel. Int'l. Telecharge, Inc. v. Mo. Pub. Serv. Comm'n, 806 S.W.2d 680, 684 (Mo. App. 1991) (quoting St. ex rel. Am. Tel. & Tel. Co. v. Pub. Serv. Comm'n, 701 S.W.2d 745, 754 (Mo. App. 1985)).

³⁷ St. ex rel. Monsanto Co. v. Pub. Serv. Comm'n, 716 S.W.2d 791, 795 (Mo. banc 1986) (relying on St. ex rel. Rice v. Pub. Serv. Comm'n, 359 Mo. 109, 220 S.W.2d 61 (1949)).

Findings of Fact and Conclusions of Law Common to all Issues Findings of Fact Regarding the Parties

- 1. Missouri American Water Company ("MAWC") is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141.³⁸
- 2. MAWC currently provides water service to the public in and around the cities of Brunswick, Jefferson City, Joplin, Mexico, Parkville, Riverside, St. Joseph, Warrensburg, and parts of Lincoln, Platte, St. Charles, St. Louis, and Warren Counties, Missouri. 39
- 3. MAWC currently provides sewer service to the public in and around the cities of Cedar Hill and Parkville and Warren County, Missouri.⁴⁰
- 4. MAWC provides water service to approximately 459,000 customers and sewer service to approximately 1,000 customers.⁴¹
- 5. Intervenor Utility Workers Union of America Local 335, AFL-CIO Local 335 ("Local 335") is a labor organization representing approximately 300 employees of MAWC in two bargaining units, one of which establishes the terms and conditions of employment for the clerical employees, and the other of which establishes the terms and conditions of

³⁸ See *Dione C. Joyner v. Missouri-American Water Company*, Case No. WC-2006-0345, 2006 WL 3610803 (Mo. P.S.C.)

³⁹ See MAWC's Tariffs: P.S.C. MO. No. 1 (St. Joseph), Tariff Tracking Number JW-2003-0034; P.S.C. MO. No. 2 (Joplin and Vicinity), Tariff Tracking Number JW-2003-1675; P.S.C. MO No. 2 (Missouri Cities: Brunswick, Mexico, Warrensburg and Adjacent Areas and Certificated Areas in St. Cahrles and Platte Counties), Tariff Tracking Number JW-2003-1675; P.S.C. MO. No. 3 (Jefferson City), Tariff Tracking Number JW-2003-0024; P.S.C. MO No. 6 (St. Louis and Jefferson County), Tariff Tracking Numbers JW-2002-0137 and YW-2005-0662, Case Number WO-2005-0286; P.S.C. MO No. 7 (Incline Village Subdivision and Adjacent Certificated Service Areas, Warren County), Tariff Tracking Number YW-2005-0180, Case Number WM-2004-0122. See also *Dione C. Joyner v. Missouri-American Water Company*, Case No. WC-2006-0345, 2006 WL 3610803 (Mo. P.S.C.).

⁴⁰ See MAWC's Tariffs: P.S.C. MO No. 8 (Cedar Hill), Tariff Tracking Number YS-2005-0267, Case Number SM-2004-0275; P.S.C. MO No. 2 (Parkville, Platte County), Tariff Tracking Number JS-2003-0033; P.S.C. MO No. 7 (Incline Village Subdivision and Adjacent Certificated Service Areas, Warren County), Tariff Tracking Number YS-2005-0188, Case Number WM-2004-0122.

⁴¹ See MAWC's Petition to Change its Infrastructure Systems Replacement Surcharge, Case No. WO-2007-0043, p. 2, paragraph 2.

employment for the "physical" employees.⁴² Local 335 is an unincorporated association; however, because labor unions are not required to register their names as fictitious names with the Missouri Secretary of State, Local 335 does not have evidence of any such registration. Further, Local 335 does not have an office or place of business in any traditional sense; however, persons wishing to contact Local 335 may contact the union through its president Clara Faatz at MAWC's offices.⁴³

- 6. Intervenor City of Joplin, Missouri ("Joplin"), is a municipality located in Jasper County, Missouri, and receives its water service from MAWC. The City of Joplin also represents the interests of its citizens, who likewise receive their water service from MAWC.⁴⁴
- 7. Intervenor AG Processing, Inc. ("AGP") is an agricultural cooperative and is a large manufacturer and processor of soybean meal, soy-related food products, and other grain products throughout the central and upper Midwest, including the State of Missouri. AGP is the largest cooperative soybean processing company in the world, the third-largest supplier of refined vegetable oil in the United States and the third-largest commercial feed manufacturer in North America. AGP operates a major processing facility in St. Joseph, Missouri where it is a major industrial water supply customer of MAWC in the St. Joseph

⁴² Verified Application of UWUA Local 335 to Intervene, p. 1, paragraph 2, filed January 4, 2007. The "physical" bargaining unit includes all MAWC's production, construction, maintenance, operation and distribution employees. *Id.* at paragraph 2. Note: Commission Rule 4 CSR 240-2.080(7) and Supreme Court Rule 55.03(b) provide that when a party presents a claim, defense, request, demand, objection, contention, or argument in a pleading or other paper filed or submitted to the adjudicatory body, signed by the party or their attorney, that they are certifying to the best of the signer's knowledge, information, and belief that any allegations or factual contentions have evidentiary support.

⁴³ *Id.*, p. 1-2, paragraph 3.

⁴⁴ Application to Intervene of City of Joplin, Missouri, p. 1, paragraph 1, filed January 10, 2007.

⁴⁵ Application to Intervene of AG Processing, Inc., A Cooperative, p. 1, paragraphs 1, filed January 10, 2007.

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- 8. Intervenor Missouri Energy Group ("MEG") is an ad hoc group of not-for-profit hospital systems located within the state of Missouri that have purchased substantial amounts of water from MAWC and who have actively participated in previous cases involving MAWC and its predecessor, St. Louis County Water Company.⁴⁷
- 9. Interveners Public Water Supply District Numbers 1 and 2 of Andrew County and Public Water Supply District Number 1 of DeKalb County (collectively "Water Districts") are political subdivisions of the State of Missouri who are customers of MAWC, purchasing water from MAWC for distribution and resale to their own customers.⁴⁸
- 10. Intervenor City of Warrensburg, Missouri ("Warrensburg") is a third class municipality situated in Johnson County, Missouri. Its City Hall is located at 102 S. Holden, Warrensburg, Missouri 64093. The City receives water service from MAWC.⁴⁹
- 11. Intervenor City of St. Joseph, Missouri ("St. Joseph") is a municipality of the State of Missouri located in Buchanan County with its principal place of business address located at City Hall, 1100 Frederick Avenue, St. Joseph, Missouri 64501. St. Joseph is a large consumer of water supplied by MAWC, and it represents the residents and commercial interests of the City of St. Joseph.⁵⁰
- 12. Intervenor Missouri Industrial Energy Consumers ("MIEC") is a group of large customers of Missouri-American Water Company. MIEC includes the Boeing Company,

⁴⁶ *Id.* at paragraphs 2.

⁴⁷ Application to Intervene of the Missouri Energy Group, p. 1, paragraph 1, filed January 12, 2007.

⁴⁸ Application to Intervene, page 2, paragraphs 2-3, filed January 16, 2007.

⁴⁹ Application to Intervene for City of Warrensburg, p. 1, paragraph 1, filed January 12, 2007.

⁵⁰ Application to Intervene, p. 1, paragraphs 1 and 4, filed January 16, 2007.

DaimlerChrysler, GKN, Hussmann Refrigeration, Monsanto Company and Pfizer.⁵¹

- 13. Intervenor Metropolitan St. Louis Sewer District ("MSD") is a political subdivision of the State of Missouri and municipal corporation situated in the City of St. Louis, which provides an integrated sewer system for single and multi-family residences and commercial and industrial customers throughout the City of St. Louis and most of St. Louis County. MSD's address is 2350 Market Street, St. Louis, MO 63103.⁵²
- 14. Intervenor City of Jefferson, Missouri ("Jefferson City") is a municipality of the State of Missouri and a customer of MAWC.⁵³
- 15. Intervenor City of Parkville, Missouri ("Parkville") is a municipality located in Platte County and the City and its residents and businesses receive water from MAWC through its Parkville District.⁵⁴
- 16. Intervenor Home Builders Association of Greater St. Louis, and Eastern Missouri, Inc. ("HBA"), from consolidated case ST-2007-0443, is a not-for profit Missouri Corporation with over 1,300 members comprised of builders, developers, and others associated with the development and shelter industry in the St. Louis metropolitan area,

⁵¹ Application to Intervene of the Missouri Industrial Energy Consumers, p. 1, paragraph 1 filed January 16, 2007.

⁵² Metropolitan St. Louis Sewer District's Application to Intervene, p. 1, paragraph 1, filed January 16, 2007.

⁵³ Application to Intervene, p. 1-2, paragraphs 1 and 4, filed January 16, 2007.

⁵⁴ Application to Intervene of City of Parkville, p. 1, paragraph 1, filed February 8, 2007. On August 14, 2007, when Parkville entered its appearance on the second day of the evidentiary hearing, its attorney stated that it would also like to enter an appearance for other entities that had joined it. Parkville proceeded to enter an appearance, without objection, for the City of Lake Waukomia, Public Water Supply District No. 6 of Platte County, Park University and the National Golf Club. Transcript p. 99, lines 23-25, p. 100, lines 1-5. Jeremiah Finnegan, Attorney at Law, of the law firm Finnegan, Conrad & Peterson, 3100 Broadway, Suite 1209, Kansas City, Missouri 64111 entered the appearance for these entities. The Commission notes that none of these entities formally sought intervention in this matter, nor were they granted intervention. Mr. Finnegan is a signatory to the Non-Unanimous Stipulation and Agreement, filed in this case on August 9, 2007, in his representative capacity for the City of Parkville. It is unclear if Mr. Finnegan intended to bind the additional entities he entered an appearance for, but none of those entities filed objections to the Agreement. Also, being a non-unanimous agreement, no party is bound by it. Commission Rule 4 CSR 240-2.115(2)(D).

including St. Louis City, and the counties of St. Louis, St. Charles, Jefferson, Franklin, Warren, Lincoln and Washington. HBA's members are directly impacted by the rates, charges, terms and conditions of sewer services provided by MAWC.⁵⁵

- 17. The Public Counsel is appointed by the Director of the Missouri Department of Economic Development and "may represent and protect the interests of the public in any proceeding before or appeal from the public service commission." Public Counsel "shall have discretion to represent or refrain from representing the public in any proceeding."
- 18. The General Counsel of the Missouri Public Service Commission "represent[s] and appear[s] for the commission in all actions and proceedings involving any question under this or any other law, or under or in reference to any act, order, decision or proceeding of the commission . . ."⁵⁸

Conclusions of Law as to Jurisdiction

The record establishes that MAWC provides water and sewer service to a large customer base located throughout various cities and counties in the sate of Missouri. The Commission concludes that MAWC is a "water corporation," a "sewer corporation" and a "public utility" as those terms are defined in Sections 386.020(58), 386.020(48) and

⁵⁵ Objection and Request for Suspension of Tariff Filings, p. 1, paragraph 1, filed in Case No. ST-2007-0443 on May 25, 2007; Motion to Confirm Party Status or, In the Alternative, for Leave to Intervene, p. 1, paragraph 1, filed June 7, 2007.

 $^{^{56}}$ Sections 386.700 and 386.710(2), RSMo 2000; Commission Rules 4 CSR 240-2.010(16) and 4 CSR 240-2.040(2).

⁵⁷ Section 386.710(3), RSMo 2000; Commission Rules 4 CSR 240-2.010(16) and 4 CSR 240-2.040(2). Public Counsel "shall consider in exercising his discretion the importance and the extent of the public interest involved and whether that interest would be adequately represented without the action of his office. If the public counsel determines that there are conflicting public interests involved in a particular matter, he may choose to represent one such interest based upon the considerations of this section, to represent no interest in that matter, or to represent one interest and certify to the director of the department of economic development that there is a significant public interest which he cannot represent without creating a conflict of interest and which will not be protected by any party to the proceeding." *Id*.

⁵⁸ Section 386.071, RSMo 2000; Commission Rules 4 CSR 240-2.010(8) and 4 CSR 240-2.040(1).

386.020(42) respectively.⁵⁹ Consequently, MAWC is subject to the jurisdiction, control and supervision of the Commission.⁶⁰ The Commission has jurisdiction over MAWC's services, activities, and rates pursuant to Section 386.250 and Chapter 393.

Conclusions of Law as to Burden of Proof

Section 393.150.2 provides in part, "At any hearing involving a rate sought to be increased, the burden of proof to show that the increased rate or proposed increased rate is just and reasonable shall be upon the . . . water corporation . . . and the commission shall give to the hearing and decision of such questions preference over all other questions pending before it and decide the same as speedily as possible." Consequently, MAWC carries the burden of proof to show its requested rate increase is just and reasonable.

Conclusions of Law Regarding the Presumption of Prudence

While a utility has the burden of proof, there is initially a presumption that its expenditures are prudent. The Commission has previously cited the following description of this process as found to apply to the Federal Energy Regulatory Commission:

The Federal Power Act imposes on the Company the "burden of proof to show that the increased rate or charge is just and reasonable." Edison relies on Supreme Court precedent for the proposition that a utility's cost are [sic] presumed to be prudently incurred. However, the presumption does not survive "a showing of inefficiency or improvidence." As the Commission has explained, "utilities seeking a rate increase are not required to demonstrate in their cases-in-chief that all expenditures were prudent . . . However, where some other participant in the proceeding creates a serious doubt as to the prudence of an expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent."

⁵⁹ All statutory references are to RSMo 2000 unless otherwise noted. MAWC is also a "water corporation" as defined in 393.1000(7). See Findings of Fact Numbers 1-4.

⁶⁰ Exhibit MAWC-1, Ahern Direct, p. 16; See also *Dione C. Joyner v. Missouri-American Water Company*, Case No. WC-2006-0345, 2006 WL 3610803 (Mo. P.S.C.).

⁶¹ In the Matter of Union Electric Company, 27 Mo.P.S.C. (N.S.) 183, 193 (1985) (quoting Anaheim, Riverside,

The Commission has interpreted this process as follows:

"In the context of a rate case, the parties challenging the conduct, decision, transaction, or expenditures of a utility have the initial burden of showing inefficiency or improvidence, thereby defeating the presumption of prudence accorded the utility. The utility then has the burden of showing that the challenged items were indeed prudent. Prudence is measured by the standard of reasonable care requiring due diligence, based on the circumstances that existed at the time the challenged item occurred, including what the utility's management knew or should have known. In making this analysis, the Commission is mindful that "[t]he company has a lawful right to manage its own affairs and conduct its business in any way it may choose, provided that in so doing it does not injuriously affect the public."

Findings of Fact Regarding MAWC's Operations

- 19. MAWC is a wholly-owned subsidiary of American Water, the largest water service provider in North America. Headquartered in Voorhees, New Jersey, American Water serves 18 million people in 29 states and in Canada.⁶³
- 20. Prior to the Commission approved merger in 2001, MAWC consisted of three separate entities: (1) MAWC, which included Brunswick, Joplin, Mexico, Parkville Water and Sewer (Platte County), St. Charles, St. Joseph, and Warrensburg Districts; (2) St. Louis County Water Company; and (3) Jefferson City Water Works Company.⁶⁴
- 21. MAWC is currently the largest regulated water utility in the state of Missouri, providing water and wastewater services to approximately 1.3 million people in more than

etc. v. Federal Energy Regulatory Commission, 669 F.2d 779, (D.C. Cir. 1981)).

⁶² State ex rel. City of St. Joseph v. Public Service Commission, 30 S.W.2d 8, 14 (Mo. banc 1930)." In the Matter of Missouri-American Water Company's Tariff Sheets, Report and Order, Case No. WR-2000-281 (August 31, 2000).

⁶³ Exh. MAWC-6, Grubb Direct, Appendix A, News Releases pp. 70-91; Hearing Exh. Staff-17, Murray Direct, p. 11.

⁶⁴ Exh. MAWC-13, Jenkins Direct, p. 5. See also Case No. WM-2001-309.

100 communities across the state. 65

- 22. American Water, MAWC's parent company, initiated a reorganization in late 2003 that was completed at the end of 2004. As a result, the Central Region of America Water was formed, which includes Missouri American, Illinois American, Iowa American, Indiana American, Ohio American and Michigan American. The reorganization reduced direct costs at the operating level by eliminating management positions.⁶⁶
 - 23. MAWC is not a rated entity and consequently has no credit rating.⁶⁷
- 24. American Water Capital Corporation (AWCC), a wholly-owned subsidiary of American Water serves as the primary funding vehicle for American Water and its subsidiaries, is rated by Standard & Poor's (S&P). Although American Water does not directly provide MAWC debt financing (although it does provide them equity financing), it is also rated by S&P.⁶⁸
- 25. Currently, Standard & Poor's Corporation assigns a long-term corporate credit rating of A- with a negative CreditWatch for both AWCC and American Water.⁶⁹
 - 26. On April 6, 2004, the Commission addressed MAWC's base rates in Case No.

⁶⁵ Exh. MAWC-1, p. 16, lines 13-18; Exh. MAWC-6, Appendix A, pp. 82-83; Exh. Staff-17, p. 11.

⁶⁶ Exh. MAWC-6, p. 12, lines 12-24. Edward J. Grubb is the Rates and Regulation Manager for the Central Region of American Water and the Assistant Treasurer for MAWC. He holds a Bachelor of Science Degree in Business Administration from Drexel University and a Masters of business Administration from the University Of West Virginia College Of Graduate Studies. He is certified as a Certified Management Accountant and is certified in Financial Management by the Institute of management Accountants.

⁶⁷ Exh. Staff-17, p. 11.

⁶⁸ S & P started providing a direct credit rating for American Water on October 13, 2006. However, it should be noted that AWCC's credit rating has always been based on the consolidated creditworthiness of American Water. AWCC has been rated by S&P since June 19, 2000. Therefore, if American Water had been rated directly in the past along with AWCC, their credit ratings would most likely have been the same since the debt issued by AWCC is rated based on American Water's consolidated creditworthiness. Exh. Staff-17, p. 12.

⁶⁹ This rating currently reflects the stand-alone credit quality of American Water. In the past, American Water was rated one notch higher (A) because of its relationship with its parent company, RWE AG. Exh. Staff-17, p. 12.

WR-2003-0500. The order issued in that case approved a decrease of \$350,000 for MAWC's Joplin District and all other District's total revenues remained unchanged.⁷⁰

27. MAWC has made the following total capital investment expenditures since its last rate case:⁷¹

Location	2003	2004	2005	YTD thru June 2006
Brunswick	172, 485	91,072	178,454	176,454
Cedar Hill	-	-	428, 144	482,890
Jefferson City	797,217	982,040	1,201,483	229,367
Joplin	7,207,214	4,576,821	3,387,106	2,169,669
Mexico	523,599	528,444	620,598	496,281
Platte County	2,164,090	1,462,385	1,669,756	1,059,546
St. Charles	5,894,916	3,387,752	3,428,015	1,618,433
St. Joseph	3,995,133	1,326,938	2,127,930	710,387
St. Louis County	36,503,573	31,240,247	29,631,089	20,856,031
Warrensburg	729,214	513,071	769,366	424,066
Warren County Water	-	(2,975)	935,862	25,583
Warren County Sewer	-	68,153	486,357	447,521
Corporate	23,714	3,129,726	2,385,849	1,257,435
Total	58,011,155	47,303,673	47,250,010	29,953,663

⁷⁰ Exh. MAWC-13, p. 5. See also *In the Matter of Missouri-American Water Company's Tariff to Revise Water and Sewer Rate Schedules*, Case No. WR-2003-0500, Order Approving Stipulations and Agreements, effective April 16, 2004.

⁷¹ Exh. MAWC-4, DeBoy Direct, p. 2 (table).

Findings of Fact Regarding MAWC's Proposed General Rate Increase

- 28. As filed, MAWC's proposed tariffs sought a general rate increase to produce an additional water revenue \$41,387,823 in gross annual water revenues, (excluding gross receipts and sales taxes), or a 24.8% increase over existing water revenues.⁷²
- 29. As filed, MAWC's proposed tariffs sought a general rate increase to produce an additional \$73,795 in gross annual sewer revenues (excluding gross receipts and sales taxes), or a 25.7% increase over existing revenues.⁷³
- 30. The Test Year chosen by the parties and approved for use by the Commission was for the year ending June 30, 2006, trued-up through May 31, 2007.⁷⁴
- 31. According to Staff's True-Up Accounting Schedules, MAWC's Income Statement for the Test Year ending June 30, 2006, updated though December 31, 2006 was as follows:⁷⁵

MAWC – Updated Test Year Income & Expenses

Description	Test Year as Adjusted
1. Total Operating Revenues	\$167,696,636
2. Total Operation and Maintenance Expense	\$92,512.665
3. Depreciation Expense - Plant	\$21,064,278

⁷² Exh. MAWC-13, p. 3-4, 6 (this accounting schedule was not true-uped through May 31, 2007). See proposed Tariffs, Appendix A to Hearing Exh., MAWC-6.

⁷³ *Id*.

⁷⁴ Recommendation Concerning Test year and Request for True-Up Audit and Hearing, filed by MAWC on December 22, 2006; Exh. MAWC-13, p. 3-4.

⁷⁵ Exh. Staff-29, True-Up Accounting Schedules – Accounting Schedule 9; Exh. Staff-1 Grissum Direct, pp. 6-7. While there is no explanation in Ms. Grissum's testimony as to why these values are not "trued-up" through May 31, 2007, in the True-Up Direct of David Murray, he testifies that he was unable to true up his capital structure and rate of return proposals in a more complete and timely manner due to the timing of production of MAWC's financial statements. Exh. Staff-20, pp. 1-2. The timing of production of these statements is assumed to have affected Staff's remaining accounting schedule. See also Exh. MAWC-16, Petry Direct, Schedule CAS-1.

Description	Test Year as Adjusted
4. Amortization Expense	\$167,316
5. Non-Income Taxes	\$13,609,006
6. Total Other Operating Expense	\$34,840,600
7. Total Operating Expenses	\$127,353,265
8. Net Income Before Taxes	\$40,343,371
9. Current Income Taxes	\$6,277,946
10. Deferred Income Tax Expense	\$2,045,617
11. ITC Amortization	(\$130,740)
12. Total Income Taxes	\$8,192,823
13. Net Operating Income	\$32,150,548

32. According to Staff's True-Up Accounting Schedules, MAWC's Rate Base for the Test Year ending June 30, 2006, updated though December 31, 2006 was as follows:⁷⁶

MAWC - Test Year Rate Base

Description	Total
1. Plant in Service	\$1,183,966,765
2. LESS: Accumulated Depreciation Reserve	\$305,628,234
3. LESS: Accumulated Amortization Reserve	\$0
4. SUBTOTAL: Net Plant in Service	\$878,338,531
5. ADD: Cash Working Capital	\$3,618,603
6. ADD: Materials & Supplies	\$3,373,350
7. ADD: Prepayments	\$687,420
8. ADD: Deferred OPEB Asset	\$936,348
9. SUBTOTAL: Total Additions to Net Plant in Service	\$8,615,721

Exh. Staff-29, True-Up Accounting Schedules – Accounting Schedule 2. Exh. Staff-8, Began Direct, pp. 3 See also Exh. MAWC-16, Schedule CAS-1. See also Footnote 75.

Description	Total
10. DEDUCT: Interest Offset	2,868,561
11. DEDUCT: Federal Income Tax Offset	(481,769)
12. DEDUCT: State Income Tax Offset	29,544
13. DEDUCT: Contributions in Aid of Construction	\$140,200,267
14. DEDUCT: Customer Advances	\$60,478,163
15. DEDUCT: Customer Deposits	0
14. DEDUCT: Pre-71 ITC	\$31,282
15. DEDUCT: Deferred Income Taxes	\$68,656,976
16. DEDUCT: Accrued Pension Liability	\$10,230,361
17. SUBTOTAL: Total Deductions from Net Plant in Service	\$282,013,385
18. TOTAL: Original Cost Rate Base	\$604,940,866

Conclusions of Law as to Rate Making Standards and Practices

The Commission is vested with the state's police power to set "just and reasonable" rates for public utility services, ⁷⁷ subject to judicial review of the question of reasonableness. ⁷⁸ A "just and reasonable" rate is one that is fair to both the utility and its customers; ⁷⁹ it is no more than is sufficient to "keep public utility plants in proper repair for effective public service, [and] . . . to insure to the investors a reasonable return upon funds invested." ⁸⁰ In 1925, the Missouri Supreme Court stated: ⁸¹

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⁷⁷ Section 393.130, in pertinent part, requires a utility's charges to be "just and reasonable" and not in excess of charges allowed by law or by order of the commission. Section 393.140 authorizes the Commission to determine "just and reasonable" rates.

⁷⁸ St. ex rel. City of Harrisonville v. Pub. Serv. Comm'n of Missouri, 291 Mo. 432, 236 S.W. 852 (1922); City of Fulton v. Pub. Serv. Comm'n, 275 Mo. 67, 204 S.W. 386 (1918), error dis'd, 251 U.S. 546, 40 S.Ct. 342, 64 L.Ed. 408; City of St. Louis v. Pub. Serv. Comm'n of Missouri, 276 Mo. 509, 207 S.W. 799 (1919); Kansas City v. Pub. Serv. Comm'n of Missouri, 276 Mo. 539, 210 S.W. 381 (1919), error dis'd, 250 U.S. 652, 40 S.Ct. 54, 63 L.Ed. 1190; Lightfoot v. City of Springfield, 361 Mo. 659, 236 S.W.2d 348 (1951).

⁷⁹ St. ex rel. Valley Sewage Co. v. Pub. Serv. Comm'n, 515 S.W.2d 845 (Mo. App. 1974).

⁸⁰ St. ex rel. Washington University et al. v. Pub. Serv. Comm'n, 308 Mo. 328, 344-45, 272 S.W. 971, 973 (Mo. banc 1925).

The enactment of the Public Service Act marked a new era in the history of public utilities. Its purpose is to require the general public not only to pay rates which will keep public utility plants in proper repair for effective public service, but further to insure to the investors a reasonable return upon funds invested. The police power of the state demands as much. We can never have efficient service, unless there is a reasonable guaranty of fair returns for capital invested. *** These instrumentalities are a part of the very life blood of the state, and of its people, and a fair administration of the act is mandatory. When we say "fair," we mean fair to the public, and fair to the investors.

The Commission's guiding purpose in setting rates is to protect the consumer against the natural monopoly of the public utility, generally the sole provider of a public necessity. [T]he dominant thought and purpose of the policy is the protection of the public . . . [and] the protection given the utility is merely incidental. However, the Commission must also afford the utility an opportunity to recover a reasonable return on the assets it has devoted to the public service. There can be no argument but that the Company and its stockholders have a constitutional right to a fair and reasonable return upon their investment.

The Commission has exclusive jurisdiction to establish public utility rates,⁸⁶ and the rates it sets have the force and effect of law.⁸⁷ A public utility has no right to fix its own rates and cannot charge or collect rates that have not been approved by the Commission;⁸⁸ neither can a public utility change its rates without first seeking authority from the Commission.

⁸¹ *Id*.

⁸² May Dep't Stores Co. v. Union Elec. Light & Power Co., 341 Mo. 299, 107 S.W.2d 41, 48 (1937).

⁸³ St. ex rel. Crown Coach Co. v. Pub. Serv. Comm'n, 179 S.W.2d 123, 126 (1944).

⁸⁴ St. ex rel. Utility Consumers Council, Inc. v. Pub. Serv. Comm'n, 585 S.W.2d 41, 49 (Mo. banc 1979).

⁸⁵ St. ex rel. Missouri Public Service Co. v. Fraas, 627 S.W.2d 882, 886 (Mo. App. 1981).

⁸⁶ May Dep't Stores, supra, 107 S.W.2d at 57.

⁸⁷ Utility Consumers Council, supra, 585 S.W.2d at 49.

⁸⁸ Id.

sion.⁸⁹ A public utility may submit rate schedules or "tariffs," and thereby suggest to the Commission rates and classifications which it believes are just and reasonable, but the final decision is the Commission's.⁹⁰ Thus, "[r]atemaking is a balancing process."

Ratemaking involves two successive processes:⁹² first, the determination of the "revenue requirement," that is, the amount of revenue the utility must receive to pay the costs of producing the utility service while yielding a reasonable rate of return to the investors.⁹³ The second process is rate design, that is, the construction of tariffs that will collect the necessary revenue requirement from the ratepayers. Revenue requirement is usually established based upon a historical test year which focuses on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating expenses.⁹⁴ The calculation of revenue requirement from these four factors is expressed in the following formula:

$$RR = C + (V - D) R$$

where: RR = Revenue Requirement;

C = Prudent Operating Costs, including Depreciation

Expense and Taxes;

V = Gross Value of Utility Plant in Service;

⁸⁹ Deaconess Manor Ass'n v. Pub. Serv. Comm'n, 994 S.W.2d 602, 610 (Mo. App. 1999).

⁹⁰ May Dep't Stores, supra, 107 S.W.2d at 50.

⁹¹ St. ex rel. Union Elec. Co. v. Pub. Serv. Comm'n, 765 S.W.2d 618, 622 (Mo. App. 1988).

⁹² It is worth noting here that Missouri recognizes two distinct ratemaking methods: the "file-and-suspend" method and the complaint method. The former is initiated when a utility files a tariff implementing a general rate increase and the second by the filing of a complaint alleging that the subject utility's rates are not just and reasonable. *See Utility Consumers Council*, *supra*, 585 S.W.2d at 48-49; *St. ex rel. Jackson County v. Pub. Serv. Comm'n*, 532 S.W.2d 20, 28-29 (Mo. banc 1975), *cert. denied*, 429 U.S. 822, 50 L.Ed.2d 84, 97 S.Ct. 73 (1976).

⁹³ St. ex rel. Capital City Water Co. v. Missouri Pub. Serv. Comm'n, 850 S.W.2d 903, 916 n. 1 (Mo. App. 1993).

⁹⁴ *Id., citing* Colton, "*Excess Capacity: Who Gets the Charge From the Power Plant*?," 34 Hastings L.J. 1133, 1134 & 1149-50 (1983).

D = Accumulated Depreciation; and

R = Overall Rate of Return or Weighted Cost of Capital.

The return on the rate base is calculated by applying a rate of return, that is, the weighted cost of capital, to the original cost of the assets dedicated to public service less accumulated depreciation. The Public Service Commission Act vests the Commission with the necessary authority to perform these functions. Section 393.140(4) authorizes the Commission to prescribe uniform methods of accounting for utilities and Section 393.140(8) authorizes the Commission to examine a utility's books and records and, after hearing, to determine the accounting treatment of any particular transaction. In this way, the Commission can determine the utility's prudent operating costs. Section 393.230 authorizes the Commission to value the property of water and sewer corporations operating in Missouri, that is, to determine the rate base. Section 393.240 authorizes the Commission to set depreciation rates and to adjust a utility's depreciation reserve from time-to-time as may be necessary.

The equation set out above shows that the Revenue Requirement is the sum of two components: first, the utility's prudent operating expenses, and second, an amount calculated by multiplying the value of the utility's depreciated assets by a Rate of Return. For any utility, its fair rate of return is simply its composite cost of capital. The composite cost of capital is the sum of the weighted cost of each component of the utility's capital structure. The weighted cost of each capital component is calculated by multiplying its cost

95 See St. ex rel. Union Elec. Co. v. Pub. Serv. Comm'n, supra.

⁹⁶ Exh. Staff-17, p. 14, lines 19-26. "From a financial viewpoint, a company employs different forms of capital to support or fund the assets of the Company. Each different form of capital has a cost and these costs are weighted proportionately to fund each dollar invested in the assets. Assuming that the various forms of capital are within a reasonable balance and are valued correctly, the resulting total WACC, when applied to rate base, will provide the funds necessary to service the various forms of capital. Thus, the total WACC corresponds to a fair of return for the utility company. *Id*.

by a percentage expressing its proportion in the capital structure. Where possible, the cost used is the "embedded" or historical cost; however, in the case of Common Equity, the cost used is its estimated cost.

Estimating the cost of common equity capital is a difficult task, as academic commentators have recognized. The United States Supreme Court, in two frequently-cited decisions, has established the constitutional parameters that must guide the Commission in its task. In the earlier of these cases, *Bluefield Water Works*, the Court stated that:

Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the services are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.⁹⁹

In the same case, the Court provided the following guidance as to the return due to equity owners:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain

⁹⁷ Phillips, *The Regulation of Public Utilities*, *supra*, 394; Goodman, 1 *The Process of Ratemaking*, *supra*, 606.

⁹⁸ Fed. Power Comm'n v. Hope Nat. Gas Co., 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1943); Bluefield Water Works & Improv. Co. v. Pub. Serv. Comm'n of West Virginia, 262 U.S. 679, 43 S.Ct. 675, 67 L.Ed. 1176 (1923).

⁹⁹ Bluefield, supra, 262 U.S. at 690, 43 S.Ct. at 678, 67 L.Ed. at 1181.

and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. 100

The Court restated these principles in *Hope Natural Gas Company*, the later of the two cases:

'[R]egulation does not insure that the business shall produce net revenues.' But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. ¹⁰¹

Two principal methods have emerged for determining the cost of Common Equity: these are the "market-determined" approach and the "comparable earnings" approach. ¹⁰² The market-determined approach relies upon stock market transactions and estimates of investor expectations. ¹⁰³ Examples of market-determined methods are the discounted cash flow ("DCF") ¹⁰⁴ and the capital asset pricing model ("CAPM"). ¹⁰⁵ The comparative earnings approach relies upon the concept of "opportunity cost," that is, the return the

¹⁰⁰ *Id.*, 262 U.S. at 692-93, 43 S.Ct. at 679, 67 L.Ed. at 1182-1183.

¹⁰¹ Hope Nat. Gas Co., supra, 320 U.S. at 603, 64 S.Ct. 288, 88 L.Ed. 345 (citations omitted).

¹⁰² Phillips, *supra*, 394.

¹⁰³ Id

¹⁰⁴ "The DCF model was introduced by Myron J. Gordon for cost-of-common-equity determinations in 1962. This model, as used in utility ratemaking, is referred to as the dividend growth, Gordon growth and/or dividend discount model, in most college finance textbooks. The use of this model for stock valuation purposes had been introduced before this time." Hearing Exh. Staff-17, p. 7, lines 7-11.

Phillips, *supra*, 394. "Much of the basis for this model was provided in 1964 by William F. Sharpe who received the Nobel Prize in 1990 for much of his work in producing this model." Hearing Exh., p. 7, lines 13-14.

investment would have earned in the next best alternative use.¹⁰⁶ The comparative earnings approach requires a comparative study of earnings on common equity in enterprises of similar risk, regardless of whether the enterprises are regulated or unregulated.¹⁰⁷

An additional method that was used by MAWC witness, Pauline M. Ahern, which does not fall within the boundaries of either of the principal approaches referred to above, is the Risk Premium Method. This method is "relatively straightforward" and requires that the analyst "(1) determine the historic spread between the return on debt and the return on common equity, and (2) add this risk premium to the current debt yield to derive an approximation of current equity return requirements." ¹⁰⁸ In the final analysis, it is not the method employed, but the result reached, that is important. ¹⁰⁹ The Constitution "does not bind ratemaking bodies to the service of any single formula or combination of formulas."

The annual form of the **DCF method** of calculating a fair return on common equity can be expressed algebraically by this equation:

$$k = D_1/P_S + g$$

where: k is the cost of equity;

g is the constant annual growth rate of earnings, dividends and book value per share;

¹⁰⁷ *Id.*, at 397-98.

¹⁰⁶ *Id.*, at 397.

¹⁰⁸ *Id.*, at 399.

¹⁰⁹ Within a wide range of discretion the Commission may select the methodology. *Missouri Gas Energy v. Public Service Comm'n*, 978 S.W.2d 434 (Mo. App. 1998), *rehearing and/or transfer denied*; *State ex rel. Associated Natural Gas Co. v. Public Service Commission*, 706 S.W.2d 870, 880, 882 (Mo. App. 1985); *State ex rel. Missouri Public Service Co. v. Fraas*, 627 S.W.2d 882, 888 (Mo. App. 1981). It may select a combination of methodologies. *State ex rel. City of Lake Lotawana v. Public Service Comm'n of State*, 732 S.W.2d 191, 194 (Mo. App. 1987).

¹¹⁰ Fed. Power Comm'n v. Nat. Gas Pipeline Co., 315 U.S. 575, 586, 62 S.Ct. 736, 743, 86 L.Ed. 1037, 1049-50 (1942).

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 D_1 is the expected next period annual dividend; and P_S is the current price of the stock.¹¹¹

Assuming that dividends grow at a constant annual rate, g, this equation can be solved for k, the cost of equity. The term D_1/P_S is called the dividend yield component of the annual DCF model, and the term g is called the growth component of the annual DCF model. 112 The annual DCF model is only a correct expression for the present discounted value of future dividends if the dividends are paid annually. 113

The **CAPM** describes the relationship between a security's investment risk and its market rate of return. 114 This relationship identifies the rate of return that investors expect a security to earn so that its market return is comparable with the market returns earned by other securities that have similar risk. 115 The general form of the CAPM is as follows:

$$k = Rf + \beta (Rm - Rf)$$

the expected return on equity for a specific security: where: k

Rf = the risk-free rate:

beta; and

Rm - Rf = the market risk premium. 116

¹¹¹ Exh. MAWC-1, pp. 25-38; Exh. Staff-17, Schedules D-1 and D-2; Exh MIEC-1, Gorman Direct, Appendix B pp. 9-10.

¹¹³ In the Matter of the Tariff filing of The Empire District Electric Company to Implement a General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area, Case No. ER-2006-0315, 2006 WL 3848081 (Mo.P.S.C.), Slip Copy, p. 8 "The guarterly DCF model differs from the annual DCF model in that it expresses a company's price as the present discounted value of a quarterly stream of dividend payments. The quarterly DCF equation shows that the cost of equity is: the sum of the future expected dividend yield and the growth rate, where the dividend in the dividend yield is the equivalent future value of the four quarterly dividends at the end of the year, and the growth rate is the expected growth in dividends or earnings per share." Id.

¹¹⁶ Exh. Staff-17, Schedule E-1; Exh. MIEC-1, Appendix B p. 22.

¹¹² Exh, Staff-17, Schedules D-1 and D-2.

¹¹⁴ Exh. Staff-17, Schedule E-1.

¹¹⁵ *Id*.

The **Comparative Earnings Approach** ("**CEM**") is derived from the corresponding risk" standard and is consistent with the *Hope* doctrine that the return to the equity investor should be commensurate with returns on investments in other firms having corresponding risks. ¹¹⁷ CEM is based upon the concept of opportunity cost which maintains that the true cost of an investment is equal to the cost of the best available alternative use of the funds to be invested. ¹¹⁸ The CEM is designed to measure the returns expected to be earned on the book common equity, in this case net worth, of similar risk enterprises. ¹¹⁹ The difficulty in application of the CEM is to select a proxy group of companies which are similar in risk, but are not price regulated utilities. ¹²⁰

The "Risk Premium Method" is based on the principle that investors expect to earn a return on an equity investment in MAWC that reflects a "premium" over and above the return they expect to earn on an investment in a portfolio of bonds. ¹²¹ This equity risk premium compensates equity investors for the additional risk they bear in making equity

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

Where: RP_{PROXY} = the required risk premium on an equity investment in the proxy group of companies,

DCF_{PROXY} = average DCF cost of equity on a portfolio of proxy companies, and

I_A = the yield to maturity on an investment in A-rated utility bonds. *Id*.

In her Direct Testimony, Pauline Ahern characterized this method in the following way: "Risk Premium theory indicates that the cost of common equity capital is greater than the prospective company-specific cost rate for long-term debt capital. In other words, the cost of common equity equals the expected cost rate for long-term debt capital plus a risk premium to compensate common shareholders for the added risk of being unsecured and last-in-line for any claim on the corporation's assets and earnings." Exh. MAWC-1, p. 38, lines 15-20.

¹¹⁷ Exh. MAWC-1, p. 57, lines 10-23, p. 58, lines 1-23.

¹¹⁸ *Id*.

¹¹⁹ *Id*.

¹²⁰ *Id*.

¹²¹ See Report and Order issued December 21, 2006 *In the Matter of the Tariff Filing of The Empire District Electric Company to Implement a General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area*, Case No. ER-2006-0315, 2006 WL 3848081 (Mo.P.S.C.), *Slip Copy*, p. 8. The formula for the ex ante risk premium calculation has been expressed as follows:

investments instead of bond investments.

Findings of Fact and Conclusions of Law Regarding Specific Issues

Conclusions of Law Regarding the Proper Treatment of the Global Non-

Unanimous Stipulation and Agreement

full waiver of that party's right to a hearing. 123

Commission Rule 4 CSR 240-2.115(1)(B) states that the Commission "may resolve all or any part of a contested case on the basis of a stipulation and agreement." A stipulation and agreement that is entered into by fewer than all parties to a case is deemed to be a nonunanimous stipulation and agreement. Each party is given seven days from the filing of a nonunanimous stipulation and agreement to file an objection to the nonunanimous stipulation and agreement, and failure to file a timely objection constitutes a

"A nonunanimous stipulation and agreement to which a timely objection has been filed shall be considered to be merely a position of the signatory parties to the stipulated position, except that no party shall be bound by it." ¹²⁴ In the instance of a non-unanimous stipulation and agreement that has been timely objected to, all issues shall remain for determination after hearing." ¹²⁵ The Commission's Rules further state that a "party may indicate that it does not oppose all or part of a nonunanimous stipulation and agreement." ¹²⁶

In this case, Joplin was the only party to object to the Global Agreement filed by the majority of the parties. Joplin clarified in its Revised List of Disputed Issues, its Amended

¹²² Commission Rule 4 CSR-240-2.115(2)(A).

¹²³ Commission Rule 4 CSR 240-2.115(2)(B).

¹²⁴ Commission Rule 4 CSR 240-2.115(2)(D).

¹²⁵ *Id*.

¹²⁶ Commission Rule 4 CSR 240-2.115(2)(E).

List of Issues and in its Post-Hearing Brief that it objected to the Global Agreement only in part. 127

Because of Joplin's objection, and in accordance with its rules, the Commission will treat the Global Agreement as a "Joint Recommendation" of the signatories as to all of the issues resolved by the parties in the Global Agreement and those contested by Joplin. Because the Commission may, at its discretion, resolve all or any part of a contested case on the basis of a stipulation and agreement, it may also approve the parties' resolution of any or all of the issues in this case based upon the Global Agreement filed in this matter. It is irrelevant how the Commission characterizes the Global Agreement pursuant to its rules, because the rules allow the Commission to base its decision totally, or in part, upon the Global Agreement. Thus, should the Commission find that the items and terms of the Global Agreement are just and reasonable, the Commission may approve the Joint Recommendation of the parties, as embodied in the Global Agreement, in whole or in part.

Revenue Requirement and Rate Design

As an initial matter the Commission notes that all of the parties have either agreed to, or have not objected to, the annual revenue requirement identified in the Global Non-Unanimous Stipulation and Agreement filed on August 9. Consequently, no party contested, or requested a hearing on the determination of, any of the factors involved with the calculation of this revenue requirement, i.e. MAWC's prudent operating costs, including depreciation expense and taxes; MAWC's gross value of utility plant in service; MAWC's accumulated depreciation; and MAWC's overall rate of return or weighted cost of capital.

¹²⁷ See Joplin's Post-Hearing Brief, filed September 7, 2007, p. 3, Fn 1 ("All other issues addressed in the Non-Unanimous Stipulation and Agreement, except the two remaining issues, are unobjected to by Joplin and thus unopposed.").

The issues that Joplin disputes involve the allocation factors that are interrelated with how the total revenue requirement is distributed with District Specific rates.

Despite the fact that no party disputes the issues associated with the determination of MAWC's over-all revenue requirement, the Commission has a statutory duty to determine what constitutes just and reasonable rates for MAWC's customers and investors. Consequently, the Commission will address MAWC's revenue requirement and class allocations first. The Commission will next address Joplin's contested issues relating to District Specific allocators to complete its decision on rate design as it relates to the districts that MAWC serves. Finally, the Commission shall address Local 335's issues, and any other items contained in the Global Agreement that have not been contested by any party.

Findings of Fact Regarding Revenue Requirement

- 33. As noted in Findings of Fact Numbers 28 and 29 MAWC's tariffs sought a general rate increase to produce an additional \$41,387,823 in gross annual water revenues, and an additional \$73,795 in gross annual sewer revenues.
- 34. Based upon the analysis performed by MAWC's subject matter experts, MAWC requested an over-all rate of return on its rate base investment of 8.52%. 128
 - 35. MAWC's proposed capital structure is as follows: 129

Class of Capital	Amount	Percent to	Cost Rate	Weighted Cost
		Total		of Capital

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¹²⁸ Exh. MAWC-13, p. 4-8.

¹²⁹ Exh. MAWC-1, p. 3 and Schedule PMA-1; Exh. MAWC-13, pp. 8-11; and Schedule JMJ-1. Staff's witness David Murray argued that this was inappropriate because: "MAWC no longer issues all of its own debt. This change occurred when American Water created its financing subsidiary American Water Capital Corporation (AWCC). Although there are internal loan documents between MAWC and AWCC, AWCC is the entity that is actually issuing the debt on a consolidated basis for all of the subsidiaries of American Water. Additionally, AWCC is acting as the corporate treasury for American Water, in that it also aggregates all of the cash receipts and disbursement functions for its subsidiaries." Exhibit Staff-18, Murray Rebuttal, pp. 5-6.

Long-Term Debt	\$331,235,000	52.67%	6.04%	3.18%
Preferred Stock	\$2,644,000	0.42%	9.16%	0.04%
Common Equity	\$295,030,381	46.91%	11.30%	5.30%
Total Capitalization	\$628,909,381	100.00%		8.52%

- 36. MAWC calculated its requested rate on return by adding the component costs of its capital structure, weighted by their respective proportions to total capitalization. 130
- 37. MAWC recommended a common equity cost range of 11.025% to 11.575% based upon the use of four cost of common equity models; the Discounted Cash Flow approach ("DCF"), the Risk Premium Model ("RPM"), the Capital Assets Pricing Model ("CAPM") and the Comparable Earnings Model ("CEM").¹³¹
- 38. MAWC applied the results of the four cost of common equity models to proxy groups of six AUS Utility Reports water companies and four Value Line (Standard Edition.) water companies to conclude that a range of common equity cost rate should be 10.95% to 11.50% prior to quantifying a business risk adjustment.¹³²
- 39. MAWC made a business risk adjustment of 0.075% (7.5 basis points) to the range of indicated common equity cost rate of 10.95% to 11.50% to result in a recommended range of business risk adjust common equity cost rate of 11.025% to 11.575% with a midpoint of 11.30%.¹³³

¹³⁰ Exh. MAWC-13, p. 8, lines 1-10.

¹³¹ Exh. MAWC-1. Pauline M Ahern provided this testimony and she is a Principal of AUS Consultants. She holds a BA Degree in Economics and a Masters Degree in Business Administration. She has prepared and offered subject matter expert testimony before twenty-two state regulatory commissions. *Id.* at p. 1.

¹³² Exh. MAWC-1.

¹³³ *Id*.

- 40. MIEC's subject matter expert, Michael Gorman, offered a recommendation as to overall rate of return and return on common equity based upon the application of the DCF Model, RPM and CAPM. 134
- 41. MIEC did not recommend any adjustments to MAWC's proposed capital structure. 135
 - 42. MIEC's summary of their analyses is presented in the following table: 136

Return on Equity Summary Results				
Description	Result			
Constant Growth DCF	9.9%			
Two-Stage DCF	8.5%			
DCF Average	9.2%			
Risk Premium	9.9%			
CAPM	10.3%			

- 43. Based on the above results, MIEC's recommended an estimated return of equity range for MAWC of 9.2% to 10.1%, with an average of 9.7%. 137
- 44. Based upon the return on equity of 9.7%, MIEC proposed a capital structure and rate of return as follows: 138

Class of Capital	Amount	Percent to Total	Cost Rate	Weighted Cost of Capital
Long-Term Debt	\$331,235,000	52.67%	6.04%	3.18%

¹³⁴ Exh. MIEC-1, p. 2, lines 9-23. Michael Gorman is an energy advisor and consultant and managing principal in the firm of Brubaker & Associates, Inc. He holds a BS Degree in Electrical Engineering and a Masters in Business Administration. He has provided subject matter expert testimony before regulatory commissions in 22 states and in Canada. *Id.* at p. 1 and Appendix A.

¹³⁵ Exh. MIEC-1, Appendix B, p. 5.

¹³⁶ *Id.*, Appendix B, p. 25.

¹³⁷ *Id*.

¹³⁸ Exh. MIEC-1, Appendix B-1.

Total Capitalization	\$628,909,381	100.00%		7.77%
Common Equity	\$295,030,381	46.91%	9.70%	4.55%
Preferred Stock	\$2,644,000	0.42%	9.16%	0.04%

- 45. Ultimately, MIEC's expert recommended an average overall rate of return of 7.77% and a return on common equity of 9.7% for MAWC.¹³⁹
- 46. MIEC asserts their recommendation demonstrates a return on equity and overall rate of return for MAWC that provides adequate earnings and cash flow coverage to support an "A" bond rating from Standard & Poor's (S&P), which reflects American Water Capital Corp.'s current bond rating.¹⁴⁰
- 47. Staff's breakdown of capital structure was based upon the capital structure for American Water as of June 30, 2006 and is presented in the following table: 141

Capital Component	Amount in Dollars	Percentage of Capital
Common Equity Stock	\$2,613,695,000	28.18%
Preferred Stock	\$1,779,324,374	19.18%
Long-Term Debt	\$4,300,271,634	46.36%
Short-Term Debt	\$583,010,000	6.28%
Total Capitalization	\$9,276,302,008	100.00%

 $^{^{\}rm 139}$ Exh. Staff-18, p. 5; Exh. MIEC-1, Appendix B, p. 1-29.

¹⁴⁰ Exh. MIEC-1, p. 2.

¹⁴¹ Exh. Staff-17, pp. 4-5 and Schedule 8. David Murray serves the Commission as a Utility Regulatory Auditor IV. He holds a BS Degree in Business Administration with an emphasis on Finance and Banking and a Masters in Business Administration. He has provided testimony before the Commission in numerous cases.

- 48. Staff based its proposed capital structure on MAWC's parent company because MAWC does not have a stand-alone credit rating, has centralized most of its financing functions through its affiliate AWCC, can receive equity infusions thorough debt raised at American Water and the debt provided by AWCC is supported by American Water's creditworthiness.¹⁴²
- 49. Staff proposed weighted cost of capital through the date of May 31, 2007 for MAWC as follows:¹⁴³

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of:		
			8.60%	9.10%	9.60%
Common Equity Stock	45.80%		3.94%	4.17%	4.40%
Preferred Stock	18.15%	5.90%	1.07%	1.07%	1.07%
Long-Term Debt	36.05%	5.72%	2.06%	2.06%	2.06%
Short-Term Debt	0.00%	5.39%	0.00%	0.00%	0.00%
	100.00%		7.07%	7.30%	7.53%

- 50. Staff's proposed Rate of Return for MAWC, once trued-up through May 31, 2007 ranged as follows 7.07 (Equity Return of 8.60), 7.30% (Equity Return 9.10% and 7.53% (Equity Return of 9.60%). 144
- 51. Staff based its recommendation on the common equity cost upon the use of the DCF Model and CAPM. 145

¹⁴² Exh. Staff-18, p. 2.

¹⁴³ Exh. Staff-17, Schedule 20. Staff's initial proposed weighted cost of capital, i.e. rate of return, calculated through June 30, 2006, ranged from 6.27% (8.60% Return on equity) to 6.55% (9.60% Return on Equity). Exh. Staff-17, p. 3 and Schedule 20.

¹⁴⁴ Exh. Staff-20, Murray True-Up Direct, pp. 1-5, Schedules 1-4; Exh. Staff-29, True-Up Accounting Schedules, Accounting Schedule 1.

- 52. The parties' subject matter experts collectively established a range for MAWC's rate of return of 7.07% to 8.52%.
- 53. The parties' subject matter experts collectively established a range for MAWC's return on equity of 8.60% to 11.30%.
- 54. Staff's calculations resulted in a total gross annual revenue requirement for MAWC ranging from \$184,931,715 to \$189,448,297. 146
- 55. Staff's calculations resulted in a proposal to establish an additional increase in MAWC's base rates ranging between \$17,235,079 and \$21,751,661. 147
- 56. Utilizing Staff's Adjusted Revenue at Current Rates, trued-up through May 31, 2007, and adding MAWC's requested revenue increase for both water and sewer service (\$41,387,823 and \$73,785, respectively) establishes that MAWC sought to establish a total gross annual revenue requirement of approximately \$209,159,254. 148
- 57. The signatory parties to the Global Agreement sought to establish a gross total annual revenue requirement of \$195,617,595, requiring an increase in MAWC's base rates by approximately \$29,000,000.¹⁴⁹
- 58. The signatory parties to the Global Agreement further limited the net increase in revenue to \$28,700,000 after imputation of \$300,000 of revenue to St. Joseph to reflect a rate block adjustment. ¹⁵⁰

¹⁴⁵ Exh. Staff-17, pp. 3-34 and accompanying Schedules. See also Footnote 141, *supra*.

¹⁴⁶ Exh. Staff-29, True-Up Accounting Schedules, Accounting Schedule 1.

¹⁴⁷ *Id*.

¹⁴⁸ Exh. Staff-29, True-Up Accounting Schedules, Accounting Schedule 1; Finding of Fact Number 33.

The Non-Unanimous Stipulation and Agreement noted that the net increase would be \$28,700,000, after imputation of \$300,000 of revenue to the St. Joseph District. The total revenue requirement of \$195,617,595 includes the reduction of \$300,000 of the St. Joseph district's imputation of revenues.

¹⁵⁰ See Non-Unanimous Stipulation and Agreement, filed August 9, 2007, p. 2, paragraph 3.

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59. The revenue amounts embodied in the Global Agreement are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar taxes. 151

60. The signatory parties to the Global Agreement further agreed that the current Infrastructure System Replacement Surcharge ("ISRS") in the St. Louis District would be reset to zero and the property tax surcharge in the St. Joseph District would be terminated for service rendered on and after the effective date of rates in this case. 152

61. The signatory parties to the Global Agreement did not specifically agree to a rate base, rate of return or return on equity, but rather recommended approval of a \$28,700,000 increase in base rates based upon negotiation, compromise and assessment of the risks of litigation.¹⁵³

- 62. After adjusting for a chemical expense error that was discovered during the course of the hearing, the Global Agreement proposes a total increase in revenues of \$28,463,584 (*i.e.*, \$28,700,000 less \$236,416) for a total annual revenue requirement of \$195,381,179 (\$195,617,595 less \$236,416).¹⁵⁴
- 63. In prior cases, the Commission has recognized a range of reasonableness for the return on equity as being 100 basis points, plus or minus, the national average.¹⁵⁵

¹⁵² *Id*.

¹⁵¹ *Id*.

¹⁵³ See Non-Unanimous Stipulation and Agreement, filed August 9, 2007 and Staff's Response to the Commission's Order Directing Filing of September 10, 2007, filed on September 17, 2007.

¹⁵⁴ Transcript p. 151; Footnote Number 12, supra, and associated text.

¹⁵⁵ In re Union Elec. Co., 257 P.U.R.4th 259, 2007 WL 1597782, Mo.P.S.C., May 22, 2007, Case No. ER-2007-0002; In re Aquila, Inc., 257 P.U.R.4th 424, 2007 WL 1663103, Mo.P.S.C., May 17, 2007, Case No. ER-2007-0004; In re Aquila, Inc., 2007 WL 2284480, Mo.P.S.C., May 17, 2007, Case No. ER-2007-0004; In re Kansas City Power & Light Co., 2007 WL 750149, Mo.P.S.C., Jan 18, 2007, Case No. ER-2006-0314; In re Empire Dist. Elec. Co., 2006 WL 3848081, Mo.P.S.C., Dec 21, 2006, Case No. ER-2006-0315; In re Kansas City Power & Light Co., 2006 WL 4041675, Mo.P.S.C., Dec 21, 2006, Case No. ER-2006-0314.

- 64. In Surrebuttal Testimony of Staff's witness David Murray, Mr. Murray references a national expert, Dr. Felicia C. Marston, Ph.D. who estimates the current cost of common equity for utilities nationally to be anywhere from 9.15% to 10.10 percent.¹⁵⁶
- 65. Additionally, Mr. Murray provides testimony regarding the average authorized ROE for American Water's subsidiaries from 2004 through 2006. That average ROE was 10.00%, whether the rate case was settled or fully litigated.¹⁵⁷
- 66. Utilizing these averages, and the Commission's prior analyses to determine a zone or reasonableness, the Commission determines that a reasonable ROE for MAWC should fall between the range of 8.15% and 11.10% with an average midpoint of 9.64%.
- 67. No party has objected to the annual revenue requirement as set forth in the Global Agreement.¹⁵⁸
- 68. No party objected to any component of any calculations, negotiations or compromise resulting in the annual revenue requirement as set forth in the Agreement.
- 69. No party requested a hearing on any portion of the determination of the annual revenue requirement as set forth in the Agreement.
- 70. All parties waived cross-examination of any witness with regard to the determination of the annual revenue requirement as set forth in the Agreement.
- 71. Joplin, the only party objecting to the Global Agreement, has expressly stated that the only contested issues in this matter involve certain aspects of rate design.

¹⁵⁶ Exh. Staff-19, Murray Surrebuttal, p. 20. Felicia C. Marston, Ph.D. is an Associate Professor of Commerce at the McIntire School of Commerce at the University of Virginia.

¹⁵⁷ Exh. Staff-19, p. 25, lines 1-5; Schedules 1- 3.

¹⁵⁸ See *Non-Unanimous Stipulation and Agreement*, filed August 9, 2007; Footnotes 8, 9, 10, 19, 20, 22, and 23, *supra*, and accompanying text. See also the Commission's discussion on the issues pages 14-17 of this Report and Order.

Specifically, those issues concern the allocation factors used for certain expenses resulting in the District Specific revenue requirement for Joplin. 159

Conclusions of Law Regarding Revenue Requirement

MAWC has compromised on its requested revenue requirement by entering into the Global Agreement and recommending to the Commission that its authorized revenue requirement in this case be increased by \$28,463,584. This recommendation is joined by Staff, Public Counsel, AGP, MEG, Warrensburg, Water Districts, MIEC, MSD, Parkville, and the HBA. No party has contested this revenue requirement or demonstrated any inefficiency or improvidence on the part of MAWC.¹⁶⁰ Moreover, subject matter experts Edward J. Grubb, Donald J. Petry and Stephen Rackers attested to the reasonableness of the Global Agreement and all of its elements, including the revenue requirement.¹⁶¹

The Commission concludes that the total revenue requirement of \$195,381,179, increasing MAWC's base rates by \$28,463,584, is a just and reasonable revenue requirement for MAWC that is fair to both the utility and its customers. While the parties to the Global Agreement/Joint Recommendation have not articulated, or specifically agreed upon a rate base, rate of return or return on equity, it is clear that the annual revenue requirement agreed to by, or uncontested by, all of the parties could only be derived by use of a rate of return on a rate base that would fall squarely within the zone of reasonableness as determined by the Commission.

¹⁵⁹ *Id*.

¹⁶⁰ As noted earlier in this order, any parties challenging the conduct, decision, transaction, or expenditures of a utility have the initial burden of showing inefficiency or improvidence, thereby defeating the presumption of prudence accorded the utility. The utility then has the burden of showing that the challenged items were indeed prudent.

¹⁶¹ Transcript pp. 178-180 (Testimony of Edward J. Grubb); pp. 230-231 (Testimony of Donald J. Petry); pp. 319-320 (Testimony of Stephen Rackers).

The Commission concludes that this revenue requirement is no more than is sufficient to keep MAWC's utility plants in proper repair for effective public service, and insure to MAWC's investors a reasonable return upon funds invested. The Commission shall approve the Joint Recommendation as to MAWC's annual revenue requirement, in all respects, as encompassed in the Global Agreement.

Rate Design - Class Cost of Service Allocations

Findings of Fact Regarding Class Cost of Service Allocations

- 72. Rate design for MAWC is composed of two separate components, District Specific Pricing and Class Cost of Service.
- 73. District Specific Pricing ("DSP") sets different rates for each of MAWC's service areas, based upon the discrete cost of service in each district, as opposed to Single Tariff Pricing ("STP"), a rate design theory under which all customers of a system with multiple service areas, whether interconnected or not, pay the same rate, regardless of differences in the actual cost of providing the service to the various customers.¹⁶²
- 74. DSP was adopted as the rate design theory to be applied to MAWC in the company's rate case before the Commission in 2000. 163
- 75. Class Cost of Service involves allocating costs in proportion to each customer class's use of the commodity, facilities and services involved. Its purpose is to accurately

¹⁶² In the Matter of Missouri-American Water Company's Tariff Sheets Designed to Implement General Rate Increase for Water and Sewer Service Provided to Customers in the Missouri Service Area of the Company, , Case No. WR-2000-281, Report and Order, p. 58, Issued August 31, 2000, effective dated of September 14, 2000.

¹⁶³ *Id*. at p. 58-61.

allocate costs on a causal basis. Once costs are allocated to customer classes using this method, rates can be developed to recover the necessary revenue from each class. 164

- 76. Customer classes commonly used in class cost of service studies for water and sewer utilities are: Residential, Commercial, Industrial, Other Public Authority, Other Water Utilities and Private Fire Protection. 165
- 77. The subject matter experts providing testimony on Class Cost of Service in relation to rate design for MAWC in this case included: James Russo for the Staff of the Commission; Barbara A. Meisenheimer for OPC; Paul R. Herbert for MAWC; and Donald E. Johnstone for AGP. 166
- 78. Mr. Russo, Mr. Herbert and Ms. Meisenheimer all utilized the "Base-Extra Capacity Method" whereby various cost components are allocated based upon data pertaining to operating costs, operating revenues, system capacity, customer usage and customer numbers. The results of these allocations demonstrate the relative cost level that should be recovered from each customer class, and rates are then designed to recover the costs allocated to each class.¹⁶⁷

¹⁶⁴ *Id*. at 61.

¹⁶⁵ Exhs.: Staff-25, M. Russo Direct, p. 3; OPC-1, Meisenheimer Direct, p. 6; MAWC-11, Herbert Rebuttal, p. 15-16; AGP-1, Johnstone Direct, pp. 3-7. See also the schedules accompanying the identified testimony for the exact calculations advocated by the parties.

¹⁶⁶ Mr. Russo serves the Commission as a Rate and Tariff Examination Supervisor. He holds a BS Degree in Accounting. He has provided subject matter expert testimony in multiple cases before the Commission. Exh. Staff-25 p. 1-2, and Schedule 1. Ms. Meisenheimer is the Chief Utility Economist for OPC. She holds a BS Degree in Mathematics and has completed comprehensive exams for a Ph.D. in Economics. She has provided subject matter expert testimony in multiple cases before the Commission. Exh. OPC-1, p.1. Mr. Herbert is the President of Valuation and the Rate Division of Gannett Fleming, Inc. He holds a BS Degree in Finance. He has provided subject matter expert testimony before eleven state regulatory commissions. Exh. MAWC-12, pp. 1-2. Mr. Johnstone is the President of Competitive Energy Dynamics. He holds a BS Degree in electrical Engineering and a Masters in Business Administration. He has provided subject matter expert testimony before thirteen state regulatory commissions. Exh. AGP-1, Schedule 1.

¹⁶⁷ Exh. Staff-25, p. 3-4; OPC-1 p. 4-5; Exh. MAWC-11, pp. 4-8. See also the schedules accompanying the identified testimony for the exact calculations advocated by the parties.

79. In the base-extra capacity method, costs are generally separated into four primary classes of cost: costs related to the number of customers regardless of consumption (customer costs), cost related to the total quantity of water used (base costs), costs related to the various peak water usage such as peak day usage (extra capacity costs), and costs that are related to fire-protection water usage (fire protection costs). ¹⁶⁸

80. Edward J. Grubb, another of MAWC's subject matter experts, testified that, based upon a review of the rate design data found in the American Water Works Association Manual of Water Supply Practices, he believed that MAWC's current customer classifications were appropriate based upon the company's current cost structures and rates. ¹⁶⁹

- 81. Mr. Herbert for MAWC noted that Staff and OPC did not refine their class cost of service studies to reflect the use of small mains in several districts, differences in system-wide peak hour ratios, and the benefits resulting from retained contract customers.¹⁷⁰
- 82. Staff's Witness, Mr. Russo, testified that he believed that revenues should be collected differently on a going forward basis. In particular he noted what he termed significant shifts with the revenue requirements for the class of Private Fire Protection.¹⁷¹
- 83. Mr. Russo further testified that Staff's rate design for MAWC's sewer operations was based upon the Water and Sewer Departments small company rate design methodology. 172

¹⁶⁸ *Id*.

¹⁶⁹ Exh. MAWC-6, p. 17.

¹⁷⁰ Exh. MAWC-11, pp. 12-15. See also the schedules accompanying the identified testimony.

¹⁷¹ Exh. Staff-25, p. 5. See also the schedules accompanying the identified testimony.

- 84. Barbara A. Meisenheimer for OPC performed a class cost of service study and based upon her results she stated: "It appears that district costs shifts and intra-district class shift that occurred following the late rate case have brought the classes closer to cost. While the Commission might decide it is appropriate to focus on aligning certain classes in certain district, I do not believe a comprehensive adjustment is necessary in this case. For example, my studies indicate that for most districts, the Residential Class is reasonably close to its cost of service." 173
- 85. Donald E. Johnstone for AGP advocated a "straight fixed-variable rate design, eliminating the use of customer class designations, i.e. residential, commercial, industrial, public authority and sales for resale.¹⁷⁴
- 86. Mr. Johnstone recommended "Volumetric Rates Based on Rate Rationalization" utilizing fixed rates per 1000 gallons usage with four volumetric block classifications. 175
- 87. The signatory parties to the Global Agreement reached a compromise with regard to allocating costs on a class basis for all of MAWC's Districts for the following classes: Residential (including Rate A for St. Louis), Commercial (including Rates A and K for St. Louis), Industrial, Private Fire Protection, Public Fire Protection, Other Public Authorities (including Rate A for St. Louis), and Sales for Resale.¹⁷⁶

¹⁷² Exh. Staff-25, p. 6. See also the schedules accompanying the identified testimony.

¹⁷³ Exh. OPC-1, p. 4. See also OPC-3, Meisenheimer Surrebuttal, p. 2. See also the schedules accompanying the identified testimony.

¹⁷⁴ Exh. AGP-1, pp. 3-7. See also the schedules accompanying the identified testimony.

¹⁷⁵ *Id*.

¹⁷⁶ See *Non-Unanimous Stipulation and Agreement* filed on August 9, 2007, pp. 2-3, paragraph 4 and Appendix A-1.

- 88. The signatory parties to the Global Agreement reached agreement as to the Billing Determinants utilized for purpose of rate design. 177
- 89. No party has objected to the Class Cost of Service allocation factors or the Billing Determinants utilized for each District as set forth in the Global Agreement.¹⁷⁸
- 90. No party objected to any component of any calculations, negotiations or compromise resulting in determining the Class Cost of Service allocation factors or the Billing Determinants as set forth in the Global Agreement.
- 91. No party requested a hearing on any portion of the determination of the Class Cost of Service allocation factors or the Billing Determinants as set forth in the Global Agreement.
- 92. All parties waived cross-examination of any witness with regard to the determination of the Class Cost of Service allocation factors or the Billing Determinants as set forth in the Global Agreement.
- 93. Again, Joplin, the only party objecting to the Global Agreement, has expressly stated that the only contested issues in this matter involve allocation factors used for certain expenses resulting in the District Specific revenue requirement for Joplin, not any of the allocation factors or billing determinants that relate to the determination of Class Cost of Service.¹⁷⁹

Conclusions of Law Regarding Class Cost of Service Allocations

The Commission observes that the parties' experts, while primarily using the same methodology (AGP's witness being the exception) identified some variations with the

 $^{^{177}}$ *Id.*, pp. 2-3, paragraph 5 and Appendix B.

¹⁷⁸ See Footnote Number 158, *supra*.

¹⁷⁹ *Id*.

manner in which they performed their Class Cost of Service analyses and with their ultimate recommendations regarding whether the customer classes were appropriately matched to their cost of service. Despite these variations, the parties providing testimony on these matters reached a compromise in the Global Agreement as to the respective factors to quantify each Class Cost of Service.

No party opposed this portion of the rate design and from all appearances in Appendix A-1 of the Global Agreement, the parties agreed to maintain the status quo as evidenced by repeated references to the terminology of "equal percent class revenue increase/decrease." The parties' unanimous agreement to, or lack of opposition to, class cost of service allocation factors and billing determinants demonstrates to the Commission that this portion of rate design is just and reasonable. Moreover, subject matter experts Edward J. Grubb, Donald J. Petry and Stephen Rackers attested to the reasonableness of the Global Agreement and all of its elements, including rate design.¹⁸¹

The Commission notes that the parties to this action represented a wide range of government, commercial, industrial and public interest groups. The fact that this wide representation of competing interests resulted in unanimous agreement to, or lack of opposition to these factors, demonstrates that the agreed upon allocations factors and billing determinants achieve the Commission's statutory goals of ensuring that just and reasonable rates are set that are fair to the utility and its customers, and in this instance to each class of the utility's customers. The Commission shall approve the Joint

¹⁸⁰ See also Exh. MIEC-3, Gorman Rebuttal. See also the schedules accompanying the identified testimony.

¹⁸¹ Transcript pp. 178-180 (Testimony of Edward J. Grubb); pp. 230-231 (Testimony of Donald J. Petry); pp. 319-320 (Testimony of Stephen Rackers).

Recommendation as to the class cost of service allocation factors and billing determinants, in all respects, as encompassed in the Global Agreement.

Joplin's Contested Issues – Rate Design – District Specific Pricing

As noted throughout this order, Joplin's contested issues involve certain allocation factors as they relate to the DSP component of rate design. Based upon the competent and substantial evidence on the record as a whole, the Commission makes the following findings of facts and conclusions of laws with regard to the issues raised by Joplin.

Issue 1: What is the proper basis for allocating MAWC's corporate expenses to the various districts, to include administrative and general expenses, customer accounts, depreciation, and other general taxes?

Findings of Fact Regarding Joplin's Issue 1

- 94. MAWC serves the following operating water and/or sewer districts: Brunswick, Cedar Hill, Jefferson City, Joplin, Mexico, Parkville, St. Charles, St. Joseph, St. Louis, Warren County, and Warrensburg.¹⁸²
- 95. When determining what portion of MAWC's revenue requirements will be allocated for each operating district, certain costs must be taken into account: (1) those that are directly attributable to each district (e.g., employees, office space, vehicles, etc.) and thus directly assigned to that district; and, (2) general corporate costs not directly attributable to a specific district(s), which therefore must be allocated to the districts.
- 96. Examples of these general corporate costs include management fees charged by the American Water ("Service Company") to the operating subsidiaries such as

¹⁸² See Findings of Fact 1-4, 19-22, and 27, *supra*; Hearing Exh. Staff-29, Staff True-Up Accounting Schedules.

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97. Functions provided by the Service Company include financial services, accounts payable, human resources, purchasing, etc. These costs are consolidated at the Service Company level to achieve economies of scale. They are then allocated by the Service Company to the operating subsidiaries based on the number of customers served by the operating subsidiary as a percentage of total customers served by all operating subsidiaries.¹⁸⁴

- 98. In addition to Service Company costs, MAWC incurs its own administrative and general expenses, such as corporate employees' salaries, collection agency fees, customer billing expense, postage, rents, office supplies, and janitorial expenses. These administrative and general costs are recorded in a corporate business unit so they can be identified and controlled and are then allocated to the districts for recovery in a rate case.¹⁸⁵
- 99. Prior to entering the Global Agreement, MAWC proposed to allocate these general corporate costs to the various districts primarily based upon the number of customers served in each district as a percentage of total customers served statewide. 186
- 100. MAWC's witness Edward J. Grubb, testified that MAWC chose to use customers as its primary allocation factor for most of the general corporate costs because it believes that its focus is serving its customers, and it is the customers that drive the costs incurred by MAWC.¹⁸⁷

¹⁸³ Transcript p. 160-164 (Testimony of Edward J. Grubb). See also Exhs. MAWC-6, 7, 8, 9.

¹⁸⁴ *Id*.

¹⁸⁵ *Id*.

¹⁸⁶ Transcript p. 155 (Testimony of Edward J. Grubb). See also Exhs. MAWC-6, 7, 8, 9.

¹⁸⁷ Transcript p. 178 (Testimony of Edward J. Grubb). See also Exhs. MAWC-6, 7, 8, 9. Edward J. Grubb is MAWC's Manager of Rates and Regulation. He holds a BS Degree in Business Administration with a major

- 101. MAWC's witnesses Mr. Grubb and Donald Petry testified that exceptions to the general allocation factor of using customer number, as proposed by MAWC, include: (1) workers compensation expense, which MAWC proposed to allocate based on payroll; (2) transportation expense which MAWC proposed to allocate based on vehicles; and, (3) corporate depreciation expense which MAWC proposed to allocate based on plant-inservice. 188
- 102. The Staff proposed allocating general corporate costs based mainly on the total payroll expense directly attributable to each district as a percentage of the total payroll attributable to all districts. Of the approximately thirty different categories of administrative and general expense at the corporate level, Staff used payroll as its allocation factor on all but one expense.¹⁸⁹
- 103. Staff's witness Stephen Rackers asserts that payroll is the most appropriate allocation factor because the costs of corporate employees, as well as other costs incurred at the corporate level, are incurred to support the employees in the field and/or at the district level. 190
 - 104. As testified to by witnesses for both Staff and MAWC, there is a correlation

in Accounting and a Masters of business Administration. He has also completed Certification programs in management Accounting and Financial Management. He has prepared rate cases and presented subject matter expert testimony before eight regulatory commissions. Exh. MAWC-6 p. 1 and Schedule EJG-1.

¹⁸⁸ Transcript pp. 159-160 (Testimony of Edward J. Grubb), 216-220 (Testimony of Donald J. Petry). See also Exhs. MAWC-6, 7, 8, 9, 16, 17. Donald J. Petry is MAWC's Senior Financial Analyst. He holds a BS Degree in Accounting and Masters Degree in Business Administration. He has prepared subject matter expert testimony for the Public Utilities Commission of Ohio. Exh. MAWC-16, p. 1 and Schedule DJP-1.

¹⁸⁹ Transcript pp. 310-312 (Testimony of Stephen Rackers). See also Exhs. Staff-5, 6, 7, 28, 29, 30, 31 and 32.

¹⁹⁰ Transcript pp. 284-286, 290, 296, 307-311 and 329 (Testimony of Stephen Rackers). See also Exhs. Staff 5, 6, 7, 28, 29, 30, 31, and 32. Stephen Rackers serves the Commission in the position of Utility Regulatory Auditor V. He has a BS Degree in Business Administration with a major in Accounting and is a CPA. Stephen Rackers has provided subject matter expert testimony in 28 cases before the Commission. Exh. Staff-5, Schedule 1,

between payroll and customers. The amount of employees assigned to a particular district is a function of the number of customers that those employees are required to serve. ¹⁹¹

- 105. Staff also proposed allocating corporate depreciation expense based on payroll which, according to Mr. Rackers, reflects the fact that the general corporate assets, such as vehicles, computers, etc., exist to support the employees or work force assigned to each of the districts.¹⁹²
- 106. Staff's use of payroll as an allocation factor is consistent with the way in which it has allocated costs in previous MAWC rate cases, and is consistent with the way in which Staff has traditionally allocated corporate type expenses in other utility rate cases.¹⁹³
- 107. Under MAWC's method of allocating costs, 5.03% of the total, per book corporate costs were allocated to the Joplin District. Under Staff's method of allocating costs, 5.11% of the total, per book corporate costs were allocated to the Joplin District. 194
- 108. Although Staff used different allocation factors than MAWC, the end result of Staff's allocation was very similar to that of MAWC and within the realm of reasonableness in the opinion of MAWC.¹⁹⁵
- 109. On the other hand, Joplin's initial proposal was to allocate all corporate costs solely based upon "length of mains" (*i.e.*, the linear feet of mains in a district as a

¹⁹¹ Transcript pp. 157, 181-182 (Testimony of Edward J. Grubb), 215 (Testimony of Donald J. Petry), 320-321(Testimony of Steve Rackers). See also Exh. MAWC-6, 7, 8, 9, 16, 17, and Staff 5, 6, 7, 28, 29, 30, 31 and 32.

¹⁹² Transcript p. 302-303 (Testimony of Stephen Rackers). These same allocation methods are embodied in the Global Agreement to which Staff and MAWC are both signatories. See also Exhs. Staff-5, 6, 7, 28, 29, 30, 31 and 32.

¹⁹³ Transcript pp. 295 and 320-321(Testimony of Stephen Rackers); See also *In Re: Union Electric*, 27 Mo. P.S.C. (N.S.) 183, 275 & 290, 66 PUR4th 202(1985), and Exhs. Staff 5, 6, 7, 28, 29, 30, 31 and 32.

¹⁹⁴ Transcript pp. 155-159, 181, 191-192 (Testimony of Edward J. Grubb). See also Exhs. MAWC-6, 7, 8, 9.

¹⁹⁵ Transcript pp. 155-157, 181, 189 (Testimony of Edward J. Grubb). See also Exhs. MAWC-6, 7, 8, 9.

percentage of the total linear feet of mains statewide). 196

110. In her prepared rebuttal testimony, Joplin's witness, Ms. Leslie Jones, unequivocally stated that the "most appropriate factor" is length of mains "because the amount of usage of corporate services is directly tied to the actual infrastructure on the ground in an [sic] utilities environment."

111. Ms. Jones further testified that "other allocation factors do not accurately reflect the needs and uses of corporate resources to the extent that infrastructure basis would." 198

112. Ms. Jones provided only three pages of pre-filed testimony in this matter addressing these factors, and filed no accounting schedules to corroborate her testimony when it was pre-filed.¹⁹⁹

113. Ms. Jones testified that she had no work papers of any kind to verify her prefiled rebuttal testimony and clarified, "Mostly what I was doing was working off of the schedules that I had and using my adding machine. I was not working in a spreadsheet."

114. At hearing, Ms. Jones stated that she chose length of mains over any other factor because: "Basically, the infrastructure of the City of Joplin. It -- the City of Joplin has not had any -- any improvements for a long time as -- that's my understanding. And the

¹⁹⁶ Transcript pp. 358-360 (Testimony of Leslie Jones). Exh. Joplin-1, pp. 1-3.

¹⁹⁷ Ex. Joplin-1, p. 2. Ms. Jones holds a BS Degree in Accounting and is a CPA and CMA. Transcript p. 390. Ms. Jones testified that this was the first utility rate case that she had personally been involved with. Transcript p. 407.

¹⁹⁸ Ex. Joplin-1, p. 2.

¹⁹⁹ Ex. Joplin-1.

²⁰⁰ Transcript p. 403 (Testimony of Leslie Jones).

length of mains, I felt, reflected the infrastructure in the City of Joplin, and, therefore, a - a good factor, allocation factor, for corporate expenses."²⁰¹

- 115. Ms. Jones provided essentially no documentary support for Joplin's prehearing position regarding using length of mains as the sole allocation factor, only providing 3 pages of accounting spreadsheets entitled "Revenue Requirement" after the hearing and after being ordered by the Commission to provide any and all materials relied upon by Joplin to support its position offered in the prefiled rebuttal testimony of Ms. Jones.²⁰²
- 116. The amount of mains located within a district; however, is not an appropriate indication of the amount of corporate costs attributable to that district.²⁰³ There is no correlation between the feet of pipe located within a district and the number of customers that the Company serves in that same district.²⁰⁴ Additionally, using length of mains as an allocation factor does not reflect the total plant investment in all districts.²⁰⁵
- 117. Using length of mains as the sole allocation factor, Joplin proposed to allocate.011% of general corporate costs to the Joplin District.²⁰⁶
 - 118. Prior to Ms. Jones presenting her live testimony at hearing, Staff's Witness

²⁰¹ Transcript p. 359. (Testimony of Leslie Jones)

The Commission's order essentially compelled Joplin to respond to AGP's Data Request #4, Hearing Exh. AGP-4, served on July 20, 2007, to which Joplin responded that it had no documents at that time, but would supplement the data request if the documents were generated. *Order Extending Deadline for Filing Suggestions Regarding Non-Unanimous Stipulation and Agreement, Setting Briefing Schedule, Order Proposed Findings of Fact and Conclusions of Law, Directing the filing of Late-Filed Exhibits and Responses, and Addressing Other Procedural Matters*, issued August 15, 2007; *Order Clarifying Post-hearing Procedural Schedule*, issued August 20, 2007; *Statement of Filing Documents Pursuant to Commission Order of August 15, 2007*, filed August 22, 2007. See also Footnote Numbers 16 through 18, *supra*.

²⁰³ Transcript p. 183 (Testimony of Edward Grubb). See also Exhs. MAWC-6, 7, 8, 9

²⁰⁴ Transcript 165-166, 182-184 (Testimony of Edward Grubb). See also Exhs. MAWC-6, 7, 8, 9.

²⁰⁵ Exh. Staff-7, Rackers Surrebuttal, p. 2.

²⁰⁶ Transcript p. 374, 407-408. Staff's Witness Stephen Rackers testified that the only position he was aware of Joplin advocating was the length of mains, but that Staff's correction to the length of main calculation would increase the percentage for that allocator from 0.011% to 7.105%. Transcript p. 332-333.

Stephen Rackers made a correction to the linear feet of mains calculation in the St. Louis County District.²⁰⁷

- 119. Staff's correction had the effect of changing the allocation of corporate costs to the Joplin District based on length of mains from .011% to 7.105%.²⁰⁸
- 120. Because Staff used the length of main allocation factor sparingly, this change had an immaterial effect on the Staff's case.²⁰⁹ Staff only uses this factor to allocate distribution expense, which is a relatively minor amount of expense roughly \$6,000.²¹⁰
- 121. Using the corrected allocation factor for length of mains in Joplin's originally advocated position; however, would result in a higher allocation of costs to Joplin than Staff (and the Global Agreement) had proposed.²¹¹
- 122. Staff had informed Joplin of the correction to the length of main calculation on Wednesday, August 8, 2007, two days prior to Joplin filing its revised issues list, where it reiterated its position that linear feet of main was the appropriate allocation factor for corporate and general expenses, and six days prior to the resumption of the evidentiary hearing.²¹²
- 123. Ms. Jones acknowledged that she was aware of Staff's change in calculations for the length of main allocator on Thursday, August 9, 2007.²¹³

 $^{^{207}}$ Transcript pp. 270-277 (Testimony of Stephen Rackers). See also Exhs. Staff 5, 6, 7, 28, 29, 30, 31, and 32.

²⁰⁸ Transcript pp. 325, 333 (Testimony of Stephen Rackers), p. 408 (Testimony of Leslie Jones). See also Exhs. Staff 5, 6, 7, 28, 29, 30, 31, and 32.

²⁰⁹ Transcript pp. 270-272, 281(Testimony of Stephen Rackers). See also Exhs. Staff 5, 6, 7, 28, 29, 30, 31 and 32.

²¹⁰ Transcript p. 281(Testimony of Stephen Rackers). See also Exhs. Staff 5, 6, 7, 28, 29, 30, 31 and 32.

²¹¹ Transcript p. 324.

²¹² See Joplin's "List of disputed Issues," filed August 10, 2007; Transcript pp. 274-275.

²¹³ Transcript p. 370, 396 (Testimony of Leslie Jones).

- 124. At hearing, after Mr. Rackers' testimony corrected the length of mains allocation factor, Ms. Jones sought to correct her testimony and changed her position as to the proper allocation factor(s) to be used for these expenses.²¹⁴
- 125. Although Joplin was denied the opportunity to correct its testimony because it went beyond the point of corrections and amounted to a complete change in position, Joplin was permitted to supplement its testimony on the basis of Staff's correction.²¹⁵
- 126. Joplin's new position, as testified to by Ms. Jones, was to: (1) allocate all of the expenses under customer accounts based on MAWC's customer allocation factor; (2) allocate all corporate benefits, workers compensation, OPEBs and pension expenses based on Staff's payroll allocation factor; (3) allocate other general taxes based on the MAWC's customer allocation factor; (4) allocate Belleville Labs based on Staff's "per test" allocation factor; and, (5) only corporate depreciation expense would be allocated using length of mains. ²¹⁶
- 127. Ms. Jones testified that she was more comfortable using pipe length as an allocation factor when the pipe length percentage ascribed to Joplin was very small, i.e. .011%.²¹⁷
- 128. Ms. Jones testified that she could not answer the question regarding how Joplin's new positions would affect Joplin's portion of MAWC's revenue requirement.²¹⁸

²¹⁴ Transcript pp. 336-358 (Testimony of Leslie Jones) .

²¹⁵ Id

²¹⁶ Transcript pp. 337-354 (Testimony of Leslie Jones) . Staff calculated that Joplin's portion of MAWC's revenue requirement would be decreased by \$85,113 if Joplin's newly advocated cost allocation methods were utilized. See *Staff's Response to the Commission's Order Directing Filing of September 10, 2007*, filed September 17, 2007.

²¹⁷ Transcript p. 374 (Testimony of Leslie Jones).

²¹⁸ Transcript pp. 400-401, 415, 419 (Testimony of Leslie Jones).

- 129. Ms. Jones testified that her testimony was going to be "[a]s favorable to Joplin" as possible, "but also as reasonable and a direct correlation as possible."
- 130. Ms. Jones also testified that she intended to abandon her prefiled rebuttal testimony prior to 9:00 a.m. on August 14, 2007, (the date and time the hearing resumed from its postponement on August 6, 2007) prior to hearing the testimony of Mr. Rackers and his changes to the length of main allocator.²²⁰
- 131. Ms. Jones stated various reasons for wishing to change her testimony including: "I've had an opportunity to spend more time reviewing the EMS run." "I've listened to the testimony today." "With allocations, you try to find the best allocation that has the most direct correlation, the most direct relationship to that district so that you can arrive at a district specific cost." "I've had additional time to review the information that's been coming in literally daily, sometimes two and three times a day." "I've sat here listened to the testimony." "I don't think it's just the testimony that changed my mind." It's just looking at how to best properly allocate the administrative and general corporate expenses to every district." ²²¹
- 132. When asked what information caused Ms. Jones to change her position Ms. Jones testified: "I -- I guess I would have to say I'm -- I don't think it's really additional information as much as reviewing the information. And then as more information came in on payroll and the chemical today and -- and then the length of mains, it was just a culmination of all of it."

²¹⁹ Transcript p. 409 (Testimony of Leslie Jones).

²²⁰ Transcript pp. 363-366 (Testimony of Leslie Jones).

²²¹ Transcript pp. 337, 354, 360, 361(Testimony of Leslie Jones).

²²² Transcript p. 369 (Testimony of Leslie Jones). With regard to Ms. Jones's change in position, Counsel for Joplin stated: "I think it's – based upon what I've heard today, it appears to be correcting testimony, based

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133. When asked: "Is there anything that you heard today that changed how you

were going to testify regarding allocation factors?," she responded: "Today? No."

134. When asked, "And can you identify any piece of information, any specific

piece of information, that led to your changed testimony?", Ms. Jones replied, "No. Not one

-- not any one piece. No."223

135. Ms. Jones went on to testify that she continued to work on her analysis right

up to the start of the hearing on August 14, 2007 and that she had no opportunity to inform

the other parties of her changes in position.²²⁴

136. Ms. Jones further testified that the change in Mr. Rackers' testimony had

some effect on her own testimony stating: "Well, obviously, when you're going to present a

700 percent increase when it has – when that number is going to affect Joplin, you know, I

have to stop and re-evaluate the information."²²⁵

137. Ms. Jones also testified that she had not checked Staff's length of main

calculations; had not performed a study on Joplin's water main infrastructure; was not

familiar with the wells recently drilled in Joplin; had not generated any documents showing

the calculation of the impact of her proposed allocator(s); and had not, to her knowledge,

followed her normal practice to save any computer generated spreadsheets reflecting any

such calculations.²²⁶

138. Ms. Jones further testified that she was not an expert in utility regulation and

upon what the Staff's testimony was changing the factors." Transcript p. 338.

²²³ Transcript p. 371 (Testimony of Leslie Jones).

²²⁴ Transcript p. 371-373 (Testimony of Leslie Jones).

²²⁵ Transcript pp. 374-376 (Testimony of Leslie Jones).

²²⁶ Transcript pp. 374, 379, 383-386 (Testimony of Leslie Jones).

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not an expert in utility infrastructure. 227

- 139. When asked, "And what basis are you tendering testimony before the Commission as an expert on?", Ms. Jones replied "Well, I'm not sure I've ever said I'm an expert exactly. But, basically, allocations." Ms Jones clarified that she tendered herself before the Commission as an expert in allocations.²²⁸
- 140. Ms. Jones also testified that she had not reviewed any previous rate cases for MAWC; had not reviewed any allocation factors previously approved by this Commission; was unaware of the Commission's approved systems of accounts, and was unaware of the National Association of Regulatory Utility Commissioners' ("NARUC") water cost allocation manual.²²⁹
- 141. In essence, Joplin's new position was to adopt, for all but one of the corporate expense items, the same allocation factors proposed by the Company or Staff (i.e., customers or payroll).²³⁰
- 142. After acknowledging that all but one of her newly recommended allocation factors was in line with either Staff's position or MAWC's position, Ms. Jones testified that she could not offer an opinion as to whether she was in agreement with any of the compromises these parties had reached in the Global Agreement.²³¹
- 143. Ms. Jones further testified that while she felt Staff's allocation methods were "not the best" that she was unable to comment as to whether the application of Staff's

²²⁷ Transcript p 394 (Testimony of Leslie Jones).

²²⁸ Transcript pp. 394-395 (Testimony of Leslie Jones). See Footnote Number 197, *supra*, for Ms. Jones's biographical information.

²²⁹ Transcript pp. 395, 406-407 (Testimony of Leslie Jones).

²³⁰ Transcript pp. 411-413 (Testimony of Leslie Jones) .

²³¹ Transcript p. 415 (Testimony of Leslie Jones).

methods produced an unreasonable result.²³²

144. Staff's placed a value of \$85,113 on Joplin's Corporate Allocation issue based upon District Specific Pricing. ²³³

Issue 2: What is the proper basis for payroll tax payment as annualized for the Joplin District and certain depreciation issues?²³⁴

Findings of Fact Regarding Joplin's Issue 2

145. There are two aspects to the payroll and payroll tax. First, there is payroll and payroll tax directly attributable to those employees who work within a specific district. That payroll and payroll tax amount is directly assigned to that particular district. Then there is the payroll and payroll tax associated with employees working at the corporate office, which is allocated to the various districts.²³⁵

associated payroll tax by determining the number of employees on its payroll at the end of the test period (i.e., June 30, 2006). It adjusts this number for any vacancies or new hires that occurred through the end of the true-up period (i.e., May 31, 2007), and calculates labor rates based on pay rates existing at the time of the true-up. Payroll taxes were based on the annualized payroll for each employee using the appropriate tax rates.²³⁶

147. Staff's witness Lisa Hanneken testified that Staff looks at all employees as of the end of the test year (*i.e.*, June 30, 2006). It includes any employees that were hired subsequent to that date and through the true-up period; and eliminates any employees that

²³² Transcript p 419 (Testimony of Leslie Jones).

²³³ Staff's Response to the Commission's Order Directing Filing of September 10, 2007, filed September 17, 2007.

²³⁴ Depreciation issues were addressed in the section covering Joplin's first issue.

²³⁵ Transcript p. 221 (Testimony of Donald J. Petry). See also Exhs. MAWC-16 and 17.

²³⁶ Transcript pp. 219-227 (Testimony of Donald J. Petry). See also Exhs. MAWC-16 and 17.

had been terminated during that period. Staff's annualization takes into effect any union labor rate increases and any changes in positions of the employees that would cause their salary to change. Staff takes an individual's hourly rate and multiplies it by the number of hours given the employee's position (including overtime amounts, shift differentials, etc.) and then arrives at an annualized salary amount for each employee. Staff takes the annualized salary amount for each employee and factors it up for payroll taxes.²³⁷

- 148. Like the Company, Staff annualized payroll and payroll tax for each employee whether they were working in a specific district, or at the corporate office.²³⁸
- 149. MAWC's witness Edward Grubb testified that he reviewed Staff's work papers and concluded that Staff properly calculated payroll and payroll tax.²³⁹
- 150. Ms. Jones again sought to change her prefiled testimony with regard to this issue and stated that she wished to change lines 14 through 17 of her prefiled testimony to read as follows: "The payroll and payroll tax annualization under Administrative and General Expenses does not flow or follow with the payroll annualization contained in the Staff schedules. While I find no problem with the payroll normalization, the payroll and payroll tax annualization should follow directly the payroll annualization since payroll taxes are a direct percentage of payroll."
- 151. When asked to clarify what her position was on payroll annualization at hearing, Ms. Jones testified: "And that would be on the corporate schedule. Particularly, the

²³⁷ Transcript p. 241-251 (Testimony of Lisa Hanneken). See also Hearing Exhs. Staff-3 and 4. Lisa Hanneken serves the Commission in the position of Utility Regulator Auditor IV. She holds a Bachelors Degree in Accounting and a Masters of Business Administration with an emphasis on Accounting. She has provided subject matter expert testimony in multiple cases before the Commission. Exh. Staff-3, p. 2 and Schedule 1.

 $^{^{238}}$ Transcript p. 243 (Testimony of Lisa Hanneken). See also Exhs. Staff-3 and 4.

²³⁹ Transcript p. 187-188 (Testimony of Edward Grubb). See also Exhs. MAWC-6, 7, 8 and 9.

salaries line item where the -- the test year number is 200. I'm sorry. I don't have that -- that one on me. But it's 200 and basically nine -- 290,000 for the test year, which is a full year. And the annualized number is much closer to 800,000. And the question is how, by annualizing from a full year, do you increase that much? And then the payroll taxes follow that -- that amount of the payroll annualization."

- 152. Ms Jones provided no accounting schedules to demonstrate her method of payroll annualization and demonstrate how Staff and MAWC had, in any way, miscalculated these values.
- 153. Ms. Jones did not delineate how her method of payroll annualization would affect Joplin's, or any other District's, portion of MAWC's revenue requirement. In fact, in its Statement of Filing of Calculations (filed August 22, 2007), the City of Joplin states that "there is no direct revenue impact upon the payroll tax annualization and payroll annualization discussed in Leslie Jones' testimony on August 14, 2007."

Findings of Fact Regarding the Live Testimony of the Witnesses

- 154. MAWC's witnesses Edward Grubb and Donald Petry, Staff's witnesses Steven Rackers and Lisa Hanneken, and Joplin's witness Leslie Jones all prefiled testimony and presented live testimony before the Commission with regard to Joplin's issues.²⁴¹
- 155. Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken have all served as subject matter experts in numerous utility rate cases.²⁴²
 - 156. Ms. Jones has not served as a subject matter expert in any prior utility rate

²⁴⁰ Transcript p. 355 (Testimony of Leslie Jones).

²⁴¹ See Footnote Numbers 187 (Grubb), 188 (Petry), 190 (Rackers), 197 (Jones) and 237 (Hanneken) for biographical information on these witnesses.

²⁴² See Footnote Number 241, *supra*.

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- 157. Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken all provided extensive pre-filed testimony in this matter addressing the allocation factors in dispute.²⁴⁴
- 158. Ms. Jones provided three pages of pre-filed testimony composed of conclusory statements.²⁴⁵
- 159. Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken provided extensive documentary support with regard to their respective positions on the proper allocation factors, via various accounting schedules.²⁴⁶
- 160. Ms. Jones provided virtually no documentary support for her positions, providing only three pages of calculations when compelled by the Commission to produce them.²⁴⁷
- 161. While on the witness stand, Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken were composed, confident, sincere, and unwavering in their testimony.
- 162. Ms. Jones demeanor on the witness stand was anxious, defensive, and wavering.
- 163. Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken were articulate and their testimony at the hearing was consistent with their pre-filed testimony.
- 164. Ms. Jones's testimony at the hearing was inconsistent with her pre-filed testimony; in fact, it represented a complete and sudden change in position.

²⁴³ Ms. Jones testified that this was the first utility rate case that she had personally been involved with. Transcript p. 407.

²⁴⁴ Exhs. MAWC MAWC-6, 7, 8, 9, 16, and 17; Staff-3, 4, 5, 6, 7, 28, 29, 30, 31, and 32.

²⁴⁵ Exh. Joplin-1.

²⁴⁶ See Footnote 241.

²⁴⁷ See Statement of Filing of documents Pursuant to Commission's Order of August 15, 2007, filed August 22, 2007.

- 165. Ms. Jones's testimony at the hearing was also internally inconsistent and contradictory throughout its presentation and duration.²⁴⁸
- 166. The testimony provided by Mr. Grubb, Mr. Petry, Mr. Rackers and Ms. Hanneken was substantial, credible and unbiased.
 - 167. Ms. Jones's testimony was insubstantial, non-credible, and self-serving.
 - 168. Ms. Jones's testimony was biased by her own admission.²⁴⁹

Conclusions of Law Regarding Joplin's Issues

Allocation of costs is not an exact science or a process that has only a single correct answer. The Missouri Supreme Court has stated that it is "the province and duty of the commission, in determining the questions of reasonable rates, to allocate and treat costs . . . in the way in which, in the commission's judgment, the most sound result is reached." As Mr. Grubb appropriately noted in his testimony, the choice of allocation factors should be reasonable and promote consistency. ²⁵¹

Noting that "allocation factors are used to allocate those costs which cannot be directly assigned to a particular customer class," the Commission has previously found that the proper method for allocating administrative and general expenses is on the basis of direct payroll (*i.e.*, labor). The Commission further stated ". . . that it is through its employees that the coordination and management of all facets of its operations are conducted, and that therefore the proper method to allocate costs associated with those

²⁴⁸ See Findings of Fact Numbers 111-155.

²⁴⁹ Id

²⁵⁰ State ex rel. City of West Plains v. Public Service Commission, 310 S.W.2d 925, 933 (Mo. banc 1958).

²⁵¹ Transcript p. 178 (Testimony of Edward J. Grubb).

²⁵² In Re: Union Electric, 27 Mo. P.S.C.(N.S.) 183, 275 & 290, 66 PUR4th 202(1985).

employees' expenses is by direct labor."253

Conclusions of Law: Issue 1

Considering the chronology of events surrounding Joplin's last-minute change of position, and the lack of evidentiary support for any of the positions put forth by Joplin, the Commission concludes that Joplin is merely attempting to arbitrarily shift costs away from Joplin to the other districts.²⁵⁴ Joplin was fully advised of Staff's correction to the length of main allocator calculation well in advance of hearing, yet as late as August 10, after being so advised, Joplin steadfastly maintained its position that corporate administrative and general expenses should be allocated based on length of main.

On Tuesday, August 14, following the testimony of MAWC and Staff witnesses and, more importantly, hearing the corrected number of linear feet of main in the St. Louis County District, (a calculation Ms. Jones had not independently confirmed prior to hearing) Ms. Jones took the witness stand, and attempted to "correct" her testimony and her position regarding the proper allocation of corporate costs. Ms. Jones gave dramatically contradictory reasons for having changed her positions further suggesting her change of position was a spur of the moment decision. It is clear to the Commission that Ms. Jones did not change her testimony based upon a belief that her newly selected allocation factors were, in fact, more appropriate allocators, but rather because Staff's correction caused her initially preferred allocation factor (*i.e.*, length of mains) to increase from .011% to 7.105%.

Had Ms. Jones stuck with her initial position that the "amount of usage of corporate

²⁵³ (27 Mo.P.S.C.(N.S.) at 290)

²⁵⁴ It is also important to note that when Joplin proposes to shift costs away from its district, those costs flow to other districts. So while Joplin may get the benefit of a reduced revenue requirement, it has done so at the expense of one or more other districts. As Joplin witness Jones acknowledged in response to questioning from the bench – "... obviously, the revenue requirement for Joplin should go down. By how much, I cannot tell you. And, ... that would make the revenue requirement for some other districts increase." (Tr. 415, 416)

services is directly tied to infrastructure on the ground" (*i.e.*, lengths of mains), and used the corrected allocation factor for length of mains, she would have allocated more costs to the Joplin District than allocating by either Staff or the proposal in the Global Agreement. Ms. Jones revealed the true purpose of changing her testimony when she testified that she was going to be as favorable to Joplin as possible and that she was more comfortable with using pipe length as an allocation factor when the length of main allocator was very small (*i.e.*, .011%).

Joplin provided no credible evidence that its shifting position on these allocation factors was superior to those factors agreed to by the signatory parties to the Global Agreement. Moreover, Joplin provided no evidence that the allocation factors agreed to by the signatory parties to the Global Agreement were in any way unjust or unreasonable.

As a result of the compromises in Global Agreement, the allocation of costs to Joplin is actually less than it would be under a strict application of district-specific costs, resulting in a revenue increase for the Joplin District that is far less than it would be under a strict district-specific cost of service allocation. Joplin's main professed concern with the Global Agreement was that the resulting increase for Joplin was somehow discriminatory. Given that Joplin would receive a much lower revenue increase from the Global Agreement

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For example, in Staff's True-Up Accounting Schedule (which at the time it was filed assumed a total revenue increase of \$19,493,370 based on Staff's mid-point return on equity of 9.10%) Joplin's revenue increase would be \$4,580,185 using a strict district-specific cost assignment. (Staff True-Up Accounting Schedule 1, Total Company and Joplin District, in Exhibit Staff-29) The Global Agreement proposes an overall revenue increase of \$28,700,000 (Appendix A-1-1), which is approximately \$9 million greater than the Staff's True-Up Accounting Schedules. Factoring up the Joplin increase to reflect Joplin's ratable share of the increase in the revenue requirement deficiency on a total company basis between Staff True-Up Schedule and the Global Agreement would add roughly \$670,060 to the Joplin District revenue requirement on a district specific basis. (Revised Reconciliation, filed September 7, 2007) Thus, the total revenue requirement on a district specific basis for Joplin would be \$5,250,245 (\$4,580,185 + \$670,060), prior to correction for chemicals. In contrast, the Global Agreement proposes that Joplin's share of this stipulated total water revenue requirement deficiency of \$28,579,683 is only \$4,856,240, prior to the correction for chemicals (See FOF Numbers 28-29, 57-62, 107, 126, and 144, *supra*; the Global Agreement, filed August 9, 2007; and Staff's Revised Reconciliation, filed September 7, 2007.

than it would receive using strict district specific pricing, there is no credible argument that the Global Agreement is discriminatory.

Joplin has not demonstrated that the basis for Staff's allocation factors, as incorporated into the Joint Recommendation/Global Agreement is unreasonable, particularly where it now proposes to use many of the same allocation factors as Staff. Subject matter experts Edward J. Grubb, Donald J. Petry and Stephen Rackers attested to the reasonableness of the Global Agreement and all of its elements, including the chosen allocation factors. The Commission concludes that the allocation factors agreed to by the signatories to the Joint Recommendation, as embodied in the Global Agreement, are not only reasonable, but are supported by competent and substantial evidence as being the most reasonable and appropriate methods for allocating the costs in dispute.

Conclusions of Law: Issue 2

The payroll and payroll tax annualization reflects actual employee levels as of the end of the true-up period and reasonably reflects a going-forward level of payroll and payroll tax expense that MAWC will likely incur at the time rates set in this proceeding will become effective. Joplin offered no evidence to support its position that the method of payroll and payroll tax annualization executed by Staff is in error. Similarly, it offered no calculation of an alternative payroll and payroll tax annualization amount. Joplin merely offers a conclusory statement that Payroll was inappropriately annualized. Under the circumstances, not only is Staff's calculation of payroll and payroll tax appropriate, there is no credible evidence to suggest otherwise. Moreover, Joplin has affirmatively pled that

²⁵⁶ Transcript pp. 178-180 (Testimony of Edward J. Grubb); pp. 230-231 (Testimony of Donald J. Petry); pp. 319-320 (testimony of Stephen Rackers). Mr. Grubb further testified that there was no "anti-Joplin" animus exhibited by Staff at any time. Transcript pp. 189-190.

²⁵⁷ Transcript pp. 247-259.

"there is no direct revenue impact upon the payroll tax annualization and payroll annualization discussed in Leslie Jones' testimony on August 14, 2007." Consequently, it is unclear what, if any, objection Joplin continues to have with the payroll and payroll tax annualization amounts. The Commission concludes that Staff's payroll and payroll tax annualization, as embodied in the Joint Recommendation/Global Agreement, is accurate and reasonable.

Local 335's Issues

As noted in the procedural history, Local 335 did not join the other parties in their motion to modify and limit the issues list. Local 335 considers the three issues it raised during the course of this proceeding to be live issues and the Commission issued a notice stating it would consider all record evidence in this matter addressing Local 335's issues.²⁵⁸

Findings of Fact Regarding Local 335's Issues

- 169. The issues raised by Local 335 were:
 - 1. whether MAWC has provided adequate training of its employees in dealing with asbestos-cement and lead-jointed pipe;
 - 2. whether funds should be allocated to employee training or the removal of asbestos-cement and lead-jointed pipe; and
 - 3. whether MAWC has properly asserted privilege with regard to payroll information. ²⁵⁹
- 170. Local 335 affirmatively pled that it did not oppose the outcome of the case as proposed in the Global Agreement, and that it recognized that the issues it raised may not

²⁵⁸ See Order Granting Motion to Modify Order and Amend Issues List, issued August 30, 2007, Local 335's Advice to the Commission, filed September 4, 2007, and Notice Regarding Issues List, issued September 5, 2007.

²⁵⁹ *Id*.

be outcome determinative for this matter.²⁶⁰

- 171. Local 335 failed to appear at the evidentiary hearing. Because Local 335 failed to appear at hearing, it is subject to dismissal as a party to this action pursuant to Commission Rule 4 CSR 240-2.116(3).
- 172. Because Local 335 failed to appear at hearing, it was not present to formally offer the testimony of its witness, Alan Ratterman into evidence, or to defend that offering from objections from the other parties. The mere pre-filing of testimony is not a formal offer of evidence into the record.²⁶¹
- 173. Mr. Ratterman's testimony was prefiled as "rebuttal" testimony and addressed issues 1 and 2 in Finding of Fact Number 169 above.
- 174. Mr. Ratterman's rebuttal testimony did not rebut any other witness's direct testimony as required by Commission Rule 4 CSR 240-2.130(7)(B). While a party is not required to file direct testimony, rebuttal testimony must be responsive to direct testimony.²⁶²
- 175. The objections to Mr. Ratterman's testimony based upon it being improper rebuttal were sustained at hearing and Mr. Ratterman's prefiled rebuttal testimony was excluded from the record.²⁶³
 - 176. The only remaining evidence offered into the record by Local 335 was Mr.

²⁶¹ Exh. Local 335-1, Ratterman Rebuttal, filed July 13, 2007. On July 31, 2007, Local 335 filed a motion to refile Mr. Ratterman's testimony to include two exhibits that it had failed to file on July 13, 2007. Also on July 31, 2007, MAWC filed a motion to strike Mr. Ratterman's rebuttal testimony.

²⁶⁰ Local 335's Advice to the Commission, filed September 4, 2007.

²⁶² Commission Rule 4 CSR 240-2.130(7)(B) is not ambiguous and states that "where all parties file direct testimony, rebuttal testimony shall include all testimony which is responsive to the testimony and exhibits contained in any other party's direct testimony."

²⁶³ Transcript, p. 443 While Local 335 filed a written response to MAWC's objections that were first raised in a Motion to Strike filed on July 31, Local 335's circular arguments that not filing direct testimony negated the rule on rebuttal testimony, or that the Commission should waive its rules, are not persuasive.

Ratterman's live testimony at the local public hearing held in Kirkwood, Missouri on June 13 264

177. The only issue raised by Mr. Ratterman at the public hearing was issue 3 in Finding of Fact Number 169 above regarding whether MAWC properly raised privilege with respect to disclosing certain payroll information.²⁶⁵

178. Mr. Ratterman's statements at the local public hearing were conclusory in nature and did not provide a proper legal basis to support an argument regarding MAWC's exercise of privilege.

179. The Commission has a proper procedure for challenging the classification of information in Rule 4 CSR 240-2.135(2)(B); a procedure that Local 335 elected not to follow.

Conclusions of Law Regarding Local 335's Issues

The evidentiary rules ensure a level playing field for all of the parties and prevent undue surprise and prejudice to any party. If Local 335 wished to present its case-in-chief regarding its issues, the proper procedure would have been to file Mr. Ratterman's testimony as direct testimony. Local 335's failure to follow proper procedure in this matter has essentially left the Commission with only Mr. Ratterman's conclusory statements from the local public hearing in Kirkwood for its review.²⁶⁶ Having no substantial or credible

²⁶⁴ Local Public Hearing, Kirkwood, Missouri, June 13, 2007, Transcript Volume 9, pp. 9-11.

²⁶⁵ *Id*.

The pleadings of Local 335's attorneys are also of no consequence, because it is well established legal doctrine that unsworn statements of attorneys or parties, statements in briefs, pleadings, motions, arguments, allegations, or charging documents, as well as articles or exhibits not formally or constructively introduced are not evidence of the facts asserted unless conceded to by the opposing party. *State ex rel. TWA, Inc. v. David*, 158 S.W.3d 232, 236 (Mo. Banc 2005) (Judge White Dissenting), citing to, *State ex rel. Dixon v. Darnold*, 939 S.W.2d 66, 69 (Mo. App. 1997); *State v. Smith*, 154 S.W.3d 461, 469 (Mo. App. 2005); *Lester v. Sayles*, 850 S.W.2d 858, 864 (Mo. Banc 1993); *State v. Rutter*, 93 S.W.3d 714, 727 (Mo. Banc 2002); *State v. Robinson*, 825 S.W.2d 877, 880 (Mo. App. 1992); *State ex rel. Horn v. Randall*, 275 S.W.2d 758, 763-764 (Mo. App.

evidence in the record upon which to evaluate Local 335's issues, the Commission concludes that Local 335 failed to meet its burden with establishing the need for further training of MAWC's employees or the need to declassify MAWC's salary information.

This is not to say that the Commission does not appreciate, or lacks concern regarding, the issues raised by Local 335. Ensuring the provision of safe and adequate service is of paramount importance to the Commission. These safety issues not only involve MAWC's employees, but also the consumers of the water MAWC provides to its customers. Local 335 has not provided the Commission with evidence in this rate case upon which to fully evaluate these issues, and the rate case may not, in any event, be the appropriate forum to address these issues. Consequently, the Commission will authorize and direct its Staff to conduct an informal investigation case into: (1) whether MAWC provides adequate training of its employees in dealing with asbestos-cement and lead-jointed pipe, (2) whether funds should be allocated to employee training or the removal of asbestos-cement and lead-jointed pipe, and (3) whether MAWC's water customers face health risks in association with the use of asbestos-cement and lead-jointed pipe.

Finally, the Commission notes that while Local 335 has not yet followed proper procedure to challenge the classification of the payroll information it wishes to be made public, there is nothing to prevent Local 335, or Staff, from filing a motion pursuant to

^{1955).} No party has conceded to any of the issues raised by Local 335.

Local 335 did not file a pre or post-hearing brief. Local 335's pleading did include: Application to Intervene, filed January 4; Position on Test Year and True-Up Recommendation, filed January 24; Suggestions in Response to the Non-Unanimous Stipulation and Agreement, filed August 13; Advice to the Commission, filed September 4; and Proposed Findings of Fact and Conclusions of Law, filed September 17. On September 19, 2007, MAWC moved to strike Local 335's Proposed Findings of Fact and Conclusions of Law asserting that there was no record evidence for the Commission to consider in regard to Local 335's allegedly "live issue," and that; consequently, the Commission should strike Local 335 proposed findings and conclusions. The Commission finds no reason to sustain this motion given there is no record evidence to support Local's 335's Proposed Findings of Fact and Conclusions of Law.

Commission Rule 4 CSR 240-2.135(2)(B) to determine whether the requested information may be deemed public.

Capacity Charge Tariffs for Warren and Jefferson Counties

As noted in the procedural history, on April 2, MAWC filed revised sewer tariffs for the purpose of implementing a capacity charge for its Warren County and Jefferson County sewer districts, Tariff File Numbers JS-2007-0713 and JS-2007-0714. These tariff filings were filed outside of the existing rate cases and docketed under Case Number ST-2007-0443. Ultimately ST-2007-0443 was consolidated with this case, and the capacity charge tariffs were suspended to match the suspension date of the rate-case tariffs. Case Number ST-2007-0443 was left open to follow a separate additional procedural schedule and receive filings specifically related to the capacity charge tariffs.

Findings of Fact Regarding Capacity Charge Tariffs

- 180. In the Global Agreement, the signatories agreed to dispose of all issues in Case Number ST-2007-0443 concerning the capacity charges proposed by MAWC for its sewer districts serving Warren County (Incline Village subdivision) and Jefferson County (Cedar Hill subdivision).²⁶⁷
- 181. MAWC had originally filed tariffs proposing capacity charges of \$5,500 per new residential customer for those districts.²⁶⁸
- 182. HBA and the OPC objected to those proposed charges, and the tariffs were suspended by this Commission.²⁶⁹
 - 183. Pursuant to the Global Agreement, the signatories which include HBA,

²⁶⁷ Non-Unanimous Stipulation and Agreement, paragraph 6, filed August 9, 2007.

²⁶⁸ See Tariff filings JS-2007-0713 and JS-2007-0714, filed April 2, 2007.

²⁶⁹ Order Suspending Tariffs and Scheduling a Conference, Case No. ST-2007-0443 (May 31, 2007). Order Suspending Procedural Schedule, Case No. ST-2007-0443 (Aug. 10, 2007).

OPC, Staff, and MAWC – all agreed that capacity charges of \$1,500 per new residential customer would be appropriate.²⁷⁰

- 184. Those four parties are the only parties that have entered appearances in case Number ST-2007-0443.²⁷¹
- 185. A schedule of the agreed-to capacity charges for Single Family Residence, Mobile Home, Multi-Family Apartment and Commercial Premise customer classes are specifically described in the specimen tariffs that were attached to the Global Agreement as Exhibit C.²⁷²
- 186. The capacity charges proposed in the Global Agreement are acceptable to all concerned parties as evidenced by these parties being signatories to the Agreement.²⁷³
- 187. No party has objected to the capacity charges proposed in the Global Agreement.
- 188. No party requested a hearing with regard to the capacity charges proposed in the Global Agreement.
- 189. All parties waived cross-examination of any and all witnesses with regard to the capacity charges proposed in the Global Agreement.
- 190. The Global Agreement resulted from extensive negotiations between parties with diverse interests including public consumer groups, large-use industrial customers, municipalities, a labor union, and the Commission's Staff.

²⁷⁰ Non-Unanimous Stipulation and Agreement, paragraph 6, filed August 9, 2007.

²⁷¹ See Case Number ST-2007-0443.

²⁷² Non-Unanimous Stipulation and Agreement, Appendix C, filed August 9, 2007.

²⁷³ *Id.* at pp. 10-12.

191. Subject matter experts, Edward J. Grubb, Donald J. Petry and Stephen Rackers attested to the reasonableness of the Global Agreement and all of its elements, including the capacity charge tariffs for Warren and Jefferson Counties.²⁷⁴

Conclusions of Law Regarding Capacity Charge Tariffs

After reviewing the proposed capacity charges encompassed in the Global Agreement/Joint Recommendation, and the parties' positions on those charges, the Commission finds the proposed charges to be reasonable. The Commission shall allow MAWC to implement its capacity charges in the amount of \$1,500 per new residential customer for the specified districts, and shall require MAWC to file revised tariff sheets in the form attached to the Global Agreement as Exhibit Appendix C.

All Remaining Items in the Global Agreement/Joint Recommendation

The Global Agreement/Joint Recommendation contains several additional items that the Commission must address. These items include the following:

Sewer Rates – The portion of the overall increase to be obtained from MAWC's sewer districts is identified as follows: \$55,465 in the Warren County district, \$57,552 in the Cedar Hill district and \$7,300 in the Parkville district.

Experimental Consolidated Bill Tariff – MAWC proposed in this case tariff sheets that would implement an experimental consolidated bill tariff for the

²⁷⁴ Transcript pp. 178-180 (Testimony of Edward J. Grubb); pp. 230-231 (Testimony of Donald J. Petry); pp. 319-320 (Testimony of Stephen Rackers).

At the hearing on Joplin's opposition to the Global Agreement, MAWC's pre-filed testimony in case no. ST-2007-0443 was admitted into evidence as Hearing Exh. MAWC-26 Testimony of Greg A. Weeks (July 10, 2007). See Transcript pp. 116-119. MAWC prepared the testimony to support its initial proposal for higher capacity charges and, the testimony necessarily also supports the much lower capacity charges presented in the Global Agreement. The other parties – HBA, Public Counsel, and Public Service Commission staff – have not yet filed their own testimony, because the procedural schedule in ST-2007-0443 was suspended pending review of the Global Agreement. In the event that the Commission were to refuse to accept the position in the Global Agreement, the parties have reserved the right to put on additional testimony as discussed at the September 6, 2007 prehearing conference and as discussed the day of hearing in this matter, August 14, 2007.

Company's St. Louis district. This would allow consolidation of customer's bills for contiguous, owner-occupied properties to allow for an aggregation of usage. The signatories propose tariff sheets for this purpose. See Appendix D of the Global Agreement.

OPEBs/FAS 106 Tracker Mechanism and Pensions/FAS 87 Tracker Mechanism – "Tracker" mechanisms concerning both MAWC's Other Post-Employment Benefits (OPEB) and pension costs are recommended. See Appendix E of the Global Agreement.

National Call Center and Shared Services Center Transition Costs – It is recommended that the Commission authorize MAWC to create a regulatory asset associated with the net investment that was made to plan, design and implement the National Call Center and National Shared Services Center utilized by MAWC. This asset would be amortized and recovered in rates over a fifty (50) year period. The mechanism would provide MAWC with recovery of its investment, while not requiring the customers to fund a return on the investment.

Tank Painting Tracker – It is recommended that the Commission authorize MAWC to establish a regulatory asset or liability for tank painting and inspection expense. An asset or liability will be recorded on an annual basis in the amount that actual tank painting and inspection expense is greater than or less than \$1,000,000 in that year. This mechanism addresses an issue where there is disagreement as to whether past expense levels are indicative of future expenses.

Depreciation Rates – A comprehensive set of depreciation rates, to be effective as of January 1, 2008, are recommended and attached to the Global Agreement as Appendix F.

ISRS (Infrastructure System Replacement Surcharge) – As required by Commission Rule 4 CSR 240-3.650(17) and Section 393.1006.6(1), RSMo 2000, MAWC's current ISRS shall be reset to zero upon the effective date of the new rates in this proceeding. The Signatories agree that for any ISRS filings implemented between the date new rates are established in this proceeding and the effective date of new rates established in MAWC's next general rate increase, the overall rate of return shall be computed by utilizing a 10% return on common equity and the Company's capital structure filing in this case.

Customer Service Reports – It is recommended that MAWC be required to provide certain reports concerning its Call Center performance.

Consumer Service – The Company agrees to respond to Commission Staff inquiries/complaints within specified time periods in a specified form.

Cost Allocation Manual – MAWC agrees to provide an updated cost allocation manual on an annual basis in a specified form.

Weather Reporting – The Company agrees to provide certain billing cycle data in a specified form.

Findings of Fact Regarding Remaining Items in Global Agreement

- 192. The remaining items proposed in the Global Agreement/Joint Recommendation, as outlined above, are acceptable to all concerned parties as evidenced by these parties either being signatories to the Agreement, or by having not objected to these items.²⁷⁶
- 193. No party has objected to the remaining items, as outlined above, proposed in the Global Agreement.
- 194. No party requested a hearing with regard to the remaining items, as outlined above, proposed in the Global Agreement.
- 195. All parties waived cross-examination of any and all witnesses with regard to the remaining items, as outlined above, proposed in the Global Agreement.
- 196. The Global Agreement resulted from extensive negotiations between parties with diverse interests including public consumer groups, large-use industrial customers, municipalities, a labor union, and the Commission's Staff.
- 197. Extensive Local Public Hearings were held to receive public comment on the proposed rate increases.²⁷⁷

²⁷⁶ Non-Unanimous Stipulation and Agreement, pp. 10-12, filed August 9, 2007.

²⁷⁷ See procedural history section of this Report and Order. See also Transcript, Volumes 3-11.

198. Subject matter experts, Edward J. Grubb, Donald J. Petry and Stephen Rackers attested to the reasonableness of the Global Agreement and all of its elements, including all of the items listed above.²⁷⁸

Conclusions of Law Regarding Remaining Items in Global Agreement

After reviewing the remainder of the items encompassed in the Global Agreement/Joint Recommendation, as outlined above, and the parties' and public's positions on, or lack of position on, those items, the Commission finds the proposed items to be reasonable as adjunctive provisions of the Global Agreement/Joint Recommendation. The Commission shall approval all of the above items as encompassed in the Joint Recommendation.

Final Decision

Joplin was the only party to this action that opposed the Global Agreement. Joplin's opposition was limited to two issues related to District Specific Pricing. The Commission has determined that the positions of the joint signatories with regard to those issues were supported by substantial and credible evidence on the record as a whole. The Commission further discharged its statutory duty with regard to determining what constituted just and reasonable rates for MAWC. The Commission went to great lengths to ensure that all due process requirements were satisfied and that all parties had an opportunity to fully litigate any issue identified in this matter.

Having found in favor of the joint signatories with regard to the only issues in dispute, and having found all of the components of the Joint Recommendation to be just and reasonable, the Commission will adopt the Joint Recommendation of the signatory

²⁷⁸ Transcript pp. 178-180 (Testimony of Edward J. Grubb); pp. 230-231 (Testimony of Donald J. Petry); pp. 319-320 (Testimony of Stephen Rackers).

parties, as embodied in the Global Agreement, in its entirety. The Commission shall direct the parties to comply with the terms of the Global Agreement in all respects.

IT IS ORDERED THAT:

- 1. The Joint Recommendation, as embodied in the Non-Unanimous Stipulation and Agreement, filed on August 9, 2007, it approved in its entirety.
- 2. The signatory parties shall comply with the terms of the Non-Unanimous Stipulation and Agreement, filed on August 9, 2007. A copy of the Agreement is attached to this order.
- 3. The proposed water service tariff sheets submitted under Tariff File Nos. YW-2007-0407, YW-2007-0409, YW-2007-0410, YW-2007-0411, YW-2007-0412, and YW-2007-0413 on December 15, 2006, by Missouri-American Water Company for the purpose of increasing rates for water service to customers are rejected. The specific sheets rejected are:

P.S.C. Mo. No. 6

13th Revised Sheet No. RT 1.0, Canceling 12th Revised Sheet No. RT 1.0 13th Revised Sheet No. RT 2.0, Canceling 12th Revised Sheet No. RT 2.0 13th Revised Sheet No. RT 2.1, Canceling 12th Revised Sheet No. RT 2.1 13th Revised Sheet No. RT 2.2, Canceling 12th Revised Sheet No. RT 2.2 10th Revised Sheet No. RT 2.3, Canceling 9th Revised Sheet No. RT 2.3 12th Revised Sheet No. RT 2.6, Canceling 11th Revised Sheet No. RT 2.6 10th Revised Sheet No. RT 3.0, Canceling 9th Revised Sheet No. RT 3.0 9th Revised Sheet No. RT 3.1, Canceling 8th Revised Sheet No. RT 3.1 11th Revised Sheet No. RT 4.0, Canceling 10th Revised Sheet No. RT 4.0 13th Revised Sheet No. RT 5.0, Canceling 12th Revised Sheet No. RT 5.0 13th Revised Sheet No. RT 5.1, Canceling 12th Revised Sheet No. RT 5.1 13th Revised Sheet No. RT 5.2, Canceling 12th Revised Sheet No. RT 5.2 13th Revised Sheet No. RT 6.0, Canceling 12th Revised Sheet No. RT 6.0 13th Revised Sheet No. RT 7.0, Canceling 12th Revised Sheet No. RT 7.0 13th Revised Sheet No. RT 8.0, Canceling 12th Revised Sheet No. RT 8.0 2nd Revised Sheet No. RT 10.0(a), Canceling 1st Revised Sheet No. RT 10.0(a)

P.S.C. Mo. No. 3

11th Revised Sheet No. 1, Canceling 10th Revised Sheet No. 1
7th Revised Sheet No. 2, Canceling 6th Revised Sheet No. 2
4th Revised Sheet No. 2A, Canceling 3rd Revised Sheet No. 2A
9th Revised Sheet No. 3, Canceling 8th Revised Sheet No. 3
11th Revised Sheet No. 1, Canceling 10th Revised Sheet No. 1
10th Revised Sheet No. 4, Canceling 9th Revised Sheet No. 4
2nd Revised Sheet No. 5A, Canceling 1st Revised Sheet No. 5A

P.S.C. Mo. No. 2

12th Revised Sheet No. 3, Canceling 11th Revised Sheet No. 3 7th Revised Sheet No. 5, Canceling 6th Revised Sheet No. 5 9th Revised Sheet No. A-1, Canceling 8th Revised Sheet No. A-1 6th Revised Sheet No. A-2, Canceling 5th Revised Sheet No. A-2 6th Revised Sheet No. A-3, Canceling 5th Revised Sheet No. A-3 9th Revised Sheet No. B-1, Canceling 8th Revised Sheet No. B-1 6th Revised Sheet No. B-2, Canceling 5th Revised Sheet No. B-2 6th Revised Sheet No. B-3, Canceling 5th Revised Sheet No. B-3 9th Revised Sheet No. C-1, Canceling 8th Revised Sheet No. C-1 6th Revised Sheet No. C-2, Canceling 5th Revised Sheet No. C-2 6th Revised Sheet No. C-3, Canceling 5th Revised Sheet No. C-3 10th Revised Sheet No. D-1, Canceling 9th Revised Sheet No. D-1 6th Revised Sheet No. D-2, Canceling 5th Revised Sheet No. D-2 6th Revised Sheet No. D-3, Canceling 5th Revised Sheet No. D-3 8th Revised Sheet No. E-1, Canceling 7th Revised Sheet No. E-1 6th Revised Sheet No. E-2, Canceling 5th Revised Sheet No. E-2 6th Revised Sheet No. E-3, Canceling 5th Revised Sheet No. E-3 6th Revised Sheet No. E-4, Canceling 5th Revised Sheet No. E-4

P.S.C. Mo. No. 1

12th Revised Sheet No. 1, Canceling 11th Revised Sheet No. 1 1st Revised Sheet No. 1b, Canceling Original Sheet No. 1b 8th Revised Sheet No. 2, Canceling 7th Revised Sheet No. 2

P.S.C. Mo. No. 7

1st Revised Sheet No. 4, Canceling Original Sheet No. 4

4. The proposed sewer service tariff sheets submitted under Tariff File Nos. YS-2007-0415, YS-2007-0416, and YS-2007-0417 on December 15, 2006, by Missouri-American Water Company for the purpose of increasing rates for sewer service to customers are rejected. The specific sheets rejected are:

P.S.C. Mo. No. 8

3rd Revised Sheet No. 4, Canceling 2nd Revised Sheet No. 4

P.S.C. Mo. No. 2

3rd Revised Sheet No. 4, Canceling 2nd Revised Sheet No. 4

P.S.C. Mo. No. 7

1st Revised Sheet No. 9, Canceling Original Sheet No. 9

5. The proposed capacity charge tariff sheets submitted under Tariff File Nos. JS-2007-0713, and JS-2007-0714 on April 2, 2007, by Missouri-American Water Company for the purpose of increasing rates for sewer service to customers are rejected. The specific sheets rejected are:

PSC Mo. - No 8

Jefferson County (Cedar Hill) District
Original Sheet No. 4a
Original Sheet No. 16a
Original Sheet No. 16b
Original Sheet No. 16c

PSC Mo. - No 7

Warren County (Incline Village et al.) District
Original Sheet No. 9a
Original Sheet No. 9b
Original Sheet No. 9c

6. Missouri American Water Company may file proposed water service tariff sheets in compliance with this Report and Order.

- 7. Missouri American Water Company may file proposed sewer service tariff sheets in compliance with this Report and Order.
- 8. Missouri American Water Company may file proposed capacity charge service tariff sheets in compliance with this Report and Order.
- 9. Pursuant to Commission Rule 4 CSR 240-3.650(17) and Section 393.1006.6(1), RSMo 2000, MAWC's current Infrastructure System Replacement Surcharge is reset to zero upon the effective date of the new rates in this proceeding. Any new ISRS filings implemented between the dates the new rates are established in this proceeding and the effective date of new rates established in Missouri American Water Company's next rate case proceeding shall follow the terms established for said filing in the Joint Recommendation, as embodied in the Non-Unanimous Stipulation and Agreement filed on August 9, 2007.
- 10. The Staff of the Missouri Public Service Commission is hereby authorized and directed to conduct an informal investigation into the issues raised by Utility Workers Union of America Local 335, AFL-CIO Local 335 as directed in the body of this order. The Staff shall file a report of this informal investigation with the Commission under this case number, WR-2007-0216.
 - 11. All pending motions, not otherwise disposed of herein, are hereby denied.
- 12. Any witness not finally excused by the Commission prior to the issuance of this Report and Order is hereby finally excused.

13. This Report and Order shall become effective on October 14, 2007.

BY THE COMMISSION

Colleen M. Dale Secretary

(SEAL)

Davis, Chm., Clayton, Appling, and Jarrett, CC., concur; Murray, C., concurs, with separate concurring opinion attached; and certify compliance with the provisions of Section 536.080, RSMo.

Dated at Jefferson City, Missouri, on this 4th day of October, 2007.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Water and Sewer Service Provided by Missouri-American Water Company.) Case No. WR-2007-0216) SR-2007-0217
In the Matter of Missouri-American Water Company's Filing of Revised Sewer Tariff Sheets to Implement a Capacity Charge for Missouri-American's Warren County and Jefferson County Sewer Districts.))) Case No. ST-2007-0443)

NONUNANIMOUS STIPULATION AND AGREEMENT

COME NOW Missouri-American Water Company (MAWC or Company), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel (Public Counsel), AG Processing Inc. (AGP), Missouri Energy Group (MEG), City of Warrensburg (Warrensburg), Public Water Supply District Nos. 1 and 2 of Andrew County and Public Water Supply District No. 1 of DeKalb County (Water Districts), Missouri Industrial Energy Consumers (MIEC), Metropolitan St. Louis Sewer District (MSD), the City of Parkville (Parkville), and the Home Builders Association of St. Louis and Eastern Missouri, Inc. (HBA), and respectfully state to the Missouri Public Service Commission (Commission) that, as a result of negotiations, the undersigned parties (Signatories) have reached the stipulations and agreements contained herein.

1. **Issues Settled.** This Stipulation and Agreement is intended to settle among the Signatories for purposes of the above captioned cases all issues previously identified by some or all of the Signatories through testimony and or schedules in both Case No. WR-2007-0216 and Case No. ST-2007-0443, except for the Jefferson City

issues. The Signatories recommend that the Commission accept this Stipulation and Agreement as a fair compromise of their respective positions on these issues.

- 2. **Parties Not Objecting.** While they are not Signatories, the following parties have affirmatively stated that they have no objection to this Stipulation and Agreement and do not request a hearing concerning the matters resolved by this Stipulation and Agreement: City of Jefferson (Jefferson City); City of St. Joseph (St. Joseph).
- Annual Revenue Requirement. In settlement of the above issues, the Parties agree that the Company's annual revenue requirement for purposes of these cases is \$195,617,595. In order to achieve this revenue requirement, the Parties agree that the Company's base rates shall be increased by \$29,000,000¹ annually. Revenue amounts referenced in this paragraph are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes. The current Infrastructure System Replacement Surcharge (ISRS) in the St. Louis District will be reset to zero and the property tax surcharge in the St. Joseph District will be terminated for service rendered on and after the effective date of rates in this case.
- 4. Rate Design/Cost of Service. The Signatories agree that the revenue increase established in this case shall be allocated to each district and each rate class in accordance with the amounts set forth on <u>Appendix A</u> hereto. This includes: 1) Calculations consistent with the District class revenues as shown in Appendix A-1; 2) Change of current class revenue to reflect rate block adjustments for St. Joseph as shown in Appendix A-2, then equal percent increase in rate elements; 3) St. Louis

The net increase will be \$28,700,000, after imputation of the \$300,000 of revenues to the St. Joseph district referenced in paragraph 4. The total revenue requirement of \$195,617,595 includes the reduction of \$300,000 for the St. Joseph District's imputation of revenues.

revenue adjustments as shown in Appendix A-3; 4) For districts other than St. Louis and St. Joseph, class rate elements within the districts will be adjusted by an appropriate percentage amount to achieve the agreed-to increases; and, 5) the imputation of \$300,000 in annual revenues for St. Joseph.

- 5. **Billing Determinants**. For purposes of Rate Design, the Signatories will use the agreed to billing determinants attached hereto as **Appendix B**.
- 6. Capacity Charge. MAWC shall implement a capacity charge of \$1,500 applicable to all new sewer connections in its Warren County and Cedar Hill districts as set forth in Appendix C hereto. This Stipulation and Agreement, if accepted by the Commission, disposes of all issues in Case No. ST-2007-0443.
- 7. **Sewer Rates**. Sewer base rates in MAWC's Warren County district shall be increased by \$55,465 (or approximately 62%), sewer base rates in MAWC's Cedar Hill district shall be increased by \$57,552 (or approximately 31%) and sewer base rates in MAWC's Parkville district shall be increased by \$7,300 (or approximately 14%).
- 8. Experimental Consolidated Billing. MAWC shall implement an experimental consolidated billing tariff for its St. Louis County district as set forth in Appendix D hereto.
- 9. **Effective Date of Rates.** The Signatories request that the Commission consider and approve this Stipulation and Agreement, and the resulting tariffs, to be effective for service rendered on and after October 1, 2007, or as soon thereafter as is reasonably practicable.
- 10. **OPEBs/FAS 106 Tracker Mechanism.** The Signatories agree that MAWC will establish an OPEBs/FAS 106 "Tracker Mechanism" as described in the

attached **Appendix E**. The sum of \$1,804,996, of which \$1,027,584 is included in operating and maintenance expense, will be used as the starting point for the OPEBs/FAS 106 Tracker Mechanism until MAWC's next rate proceeding.

- 11. **Pensions/FAS 87 Tracker Mechanism.** The Signatories agree that MAWC will establish a Pensions/FAS 87 "Tracker Mechanism" as described in the attached **Appendix E**. The sum of \$5,078,794, of which \$2,891,358 is included in operating and maintenance expense, will be used as the starting point for the Pensions/FAS 87 Tracker Mechanism until MAWC's next general rate proceeding.
- 12. National Call Center and Shared Services Center Transition Costs.

 The Signatories agree that starting with the effective date of the Report and Order approving this Stipulation and Agreement, MAWC shall be authorized to transfer from Utility Plant in Service and Utility Plant Depreciation Reserve to a regulatory asset (in Account 186) the net investment that was made to plan, design and implement the National Call Center and the National Shared Services Center. This asset shall be amortized and recovered in rates over a fifty (50) year period beginning with the effective date of the Final Order in this case. The unamortized balance of the regulatory asset shall not be included in rate base in any future rate proceeding. MAWC will maintain this regulatory asset on its books until such time as the amortization has been completed.
- 13. **Tank Painting Tracker.** The Signatories agree that MAWC will establish a regulatory asset or liability for tank painting and inspection expense. The regulatory asset or liability will increase or decrease each year by the same amount that actual tank painting and inspection expense is either greater than or less than \$1,000,000.

The tracker will be maintained through the effective date of the rates established in the next regulatory proceeding and the disposition of any amounts accumulated (under or over) will be determined in the next general rate proceeding. The continuation of the tank painting tracker will be addressed and evaluated in that proceeding.

- 14. **Depreciation**. The Signatories agree that MAWC shall be authorized as of January 1, 2008, to use the depreciation rates attached hereto as **Appendix F**, as to all of its operating districts.
- shall be reset to zero upon the effective date of new rates in this proceeding. The Signatories agree that, for any ISRS filings implemented between the date new rates are established in this proceeding and the effective date of new rates established in the Company's next general rate case proceeding, the overall rate of return shall be computed by utilizing a 10% return on common equity and the Company's capital structure filed in this case. Plant in service additions to be included in a future ISRS may include those additions placed in service after May 31, 2007.
- 16. **Customer Service Reports**. MAWC agrees to continue the reporting of the information regarding Call Center performance as required by the Stipulation and Agreements in Case Nos. WM-2001-0309 and WR-2003-0500.

In addition to the current reporting, MAWC agrees to provide to Staff and Public Counsel, and any other requesting Signatory, the following monthly information within forty-five days of the end of each quarterly period: (a) the number of actual monthly meter reads in total and per district, listed by St. Louis County and each of the other districts/cities; (b) the number of monthly estimated meter reads in total and per district,

listed by St. Louis County and each of the other districts/cities; (c) the number of consecutive estimated reads for St. Louis County for 3+ and 12+ months; (d) the number of consecutive estimated reads for each of the other districts/cities for 3+ and 12+ months; and, (e) meter reader staffing levels separated for St. Louis County and the other districts/cities.

Data will distinguish quarterly versus monthly billed service territories as well as definitions for specific types of read categories presented on the reports, such as automatic, radio, card, estimated, inside, manual, office estimate, remote, service order and telephone. All other report definitions will also be provided including regulatory estimates, read meters, percentage of estimates and percentage of reads.

- 17. **Consumer Service**. The Company agrees to respond to inquiries/complaints from Staff's Consumer Services Department within three (3) business days, except for interruption of service issues, which will be responded to within twenty four (24) hours. The Company's response will include a receipt notice, a current account status and an estimated timeframe for complete review/resolution.
- the Staff and Public Counsel by March 16th of each year its updated CAM. The CAM will include all information in its annual CAM filing that was agreed to as part of the stipulation and agreement from Case No. WR-2003-0500. The information in the CAM will be updated each year. If any allocation factor should change during the year, this change will be provided to the Staff and Public Counsel. Also included in the CAM will be reports that are routinely prepared on a monthly basis. Any report that is prepared specifically for the CAM would only have to be prepared on an annual basis. The

reporting has been agreed to by the Company, Staff and Public Counsel. These reports would be available monthly if requested by Staff, Public Counsel or any other Signatory, in the context of a general rate case. Staff's CAM requirement regarding monthly expense detail would not be required as part of the annual filing of the CAM. This information would be available as part of a future general rate case.

monthly/quarterly aggregations of billing cycle data (i.e., number of customers or accounts billed, billing cycle sales volumes in M-gallons, and rate revenue) for all of its Missouri service areas, transmitted quarterly to the Staff by district, rate class, billing month, billing cycle number, beginning read-date and ending read date. This data shall be provided following all procedures ultimately agreed to by the Staff and Company as part of Case No. WR-2003-0500. This data will be made available to Public Counsel and other Signatories upon request.

Contingent Waiver of Rights

20. This Stipulation and Agreement is being entered into solely for the purpose of settling the identified issues in the cases that are listed above. Unless otherwise explicitly provided herein, none of the Signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue-related methodology. Other than explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in these or any other proceeding regardless of whether this Stipulation and Agreement is approved.

- 21. This Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.
- 22. If the Commission does not approve this Stipulation and Agreement without condition or modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.
- 23. In the event the Commission accepts the specific terms of this Stipulation and Agreement without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to

§536.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order approving this Stipulation and Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation and Agreement.

Right to Disclose

- 24. The Staff may file suggestions or a memorandum in support of this

 Stipulation and Agreement. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum, which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.
- 25. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided, that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to

public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to Commission Rule 4 CSR 240-2.135.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 9th day of August, 2007, to:

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Dean L. Cooper

Parkville

Mexico

			Brunswick		Jefferson Ci	ty	Joplin		Mexico		Parkville		St. Charles
Step 1	7-13 Staff Annual Revenue Requirement Increa	ise f	541,58	9	1,049,26	8	4,191,962		609,91	7	381,197		(188,314)
	7-13 Current Revenue	\$	189,08	0	4,155,77	7	7,840,294		2,592,056	5	3,206,421		9,487,745
	COS District % Increase/Decrease		286.43	%	25.25	%	53,47%	'	23,539		11.89%		-1.98%
			200.10		43.40	,,,	33.477		23,33	/0	11.0370	,	-1.98%
	Proposed District Settlement		50.45	.,									
	Capped Increase Percent Capped \$ Increase	•	53,47										
	Subsidy	\$	101,09										
	Contribution		(440,49	4)								_	
	Company Funded Adjustment											\$	188,314
	District Increase/Decrease	\$	101,09	5 \$	1,049,26	8	\$ 4,191,962	\$	609,917	\$	381,197	\$	
	Proposed percent change in permanent	t ra	53.479	%	25.25	%	53.47%	,	23.53%	6	11.89%		0.00%
	Current District Class Revenues Including St. Le	ouis ISRS	S and St Jose	eph E	Block Adjusti	шеп	nts						
	Residential (Rate A STL)	\$	100,235				\$ 3,928,982	\$	1,225,466	\$	2,285,332	\$	7,939,619
	Commercial (Rate A STL)	\$	24,813	\$	1,214,740)	\$ 1,703,207	\$	345,689	\$	574,707		954,138
	Commercial - Rate K STL												•
	Industrial	\$	523	-	•	1	\$ 1,361,461	\$	374,721	\$	17,485	\$	2,427
	Private Fire	\$	4,764				-	\$	88,572	\$	84,624	\$	133,318
	Public Fire	S	•	\$			\$ 10	\$	-	\$	25	\$	-
	Public Authorities (Rate A STL)	Ş	3,682		364,528				194,675		47,177	N. S	165,921
	Sales For Resale	\$	54,853	_	-		\$ 203,363	<u>\$</u>	314,090		159,291	Y 	
	Total Revenue	\$	188,870	\$	4,128,443	,	\$ 7,597,146°	\$	2,543,213	\$	3,168,641	\$	9,195,423
	Share of District Current Class Revenue												
	Residential (Rate A STL)		53.07%		53.96%	-	51.72%		48.19%	,	72,12%		86,34%
	Commercial (Rate A STL)		13.14%		29.429		22.42%		13.59%		18.14%		10.38%
	Commercial - Rate K STL Industrial		0.00%		0.009		0.00%		0.00%		0.00%		0.00%
•	Private Fire		0.28%		5.02%		17.92%		14.73%		0.55%		0.03%
	Public Fire		2.52%		2.769		2.78%		3.48%		2.67%		1.45%
	Public Authorities (Rate A STL)		0.00% 1.95%		0.00% 8.83%		0,00%		0.00%		0.00%		0.00%
	Sales For Resale		29,04%		0.00%		2.49% 2.68%		7.65% 12.35%		1.49%		1.80%
				•	0.007		2,0676		12.3370	l	5.03%		0.00%
	District Specific Equal Percent Class Revenue In					_							
	Residential (Rate A STL)	\$	53,652		566,185			\$		\$		\$	-
	Commercial (Rate A STL) Commercial - Rate K STL	\$ \$	13,282		308,733		-	\$	82,904	\$	-	\$	-
	Industrial	S		\$	- -	\$		\$	-	\$		\$	-
	Private Fire	\$	280 2,550	\$ \$	52,718 28,985			\$ \$	89,866	\$		\$	-
	Public Fire	\$	2,330	\$	20,767	\$,	s	21,241	S S	•	\$	•
	Public Authorities (Rate A STL)	Š	1,971	\$	92,647			\$	46,687	\$		\$ \$	-
	Sales For Resale	\$	29,361	\$	-	\$	•	\$	75,326	\$		\$	_
	Total	S	101,095		1,049,268	_			609,917		381,197		
C4 0	To a series of the series of t		•	•	-,,	-	,,,,,,,,,,	•	00,,,,,,	•	301,137	•	-
Step 2	Incremental Water Revenue Requirement Adj	justment	t										
	\$14,342,790												
	Share of Company Current Class Revenue												
	Residential (Rate A STL)		0.06%		1,36%		2.40%		0.75%		1.39%		4.84%
	Commercial (Rate A STL)		0.02%		0.74%	,	1.04%		0.21%		0.35%		0.58%
	Commercial - Rate K STL		0.00%		0.00%	,	0.00%		0.00%		0.00%		0.00%
	Industrial		0.00%		0.13%	ı	0.83%		0.23%		0.01%		0.00%
	Private Fire		0.00%		0.07%		0.13%		0.05%		0.05%		0.08%
	Public Fire		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
	Public Authorities (Rate A STL) Sales For Resale		0.00%		0.22%		0.12%		0.12%		0.03%		0.10%
	Safes LOI Vesafe		0.03%		0.00%		0.12%		0.19%		0.10%		0.00%
	Company Equal Percent Class Revenue Increase/I	Decrease											
	Residential (Rate A STL)	\$	8,764	\$	194,786	\$	343,541	\$	107,152	\$	199,824	\$	694,223
	Commercial (Rate A STL)	\$	2,170	\$	106,214	\$	148,925	\$	30,226		50,251		83,428
	Commercial - Rate K STL	S	-	\$	· -	\$	-	\$	-	\$	- 5	5	-
	Industrial	S	46	\$	18,137	\$	119,043	\$	32,765	\$	1,529 5	\$	212
	Private Fire	\$	417		9,972	\$	18,454	\$	7,745	\$	7,399	3	11,657
	Public Fire	\$	-	\$		\$	1 .		•	\$	2 \$	3	•
	Public Authorities (Rate A STL) Sales For Resale	\$	322	\$	31,874	\$	16,532			\$	4,125		14,508
		<u>\$</u>	4,796	\$		\$	17,782			<u>s</u>	13,928		
_	Total	\$	16,514	\$	360,982	\$	664,278	5	222,373	\$	277,059 \$	•	804,027
Combined I													
	Residential (Rate A STL)	\$	62,416		760,970	\$	2,511,480	2	401,045	\$	474,757 \$:	694,223
	Commercial (Rate A STL)	\$	15,451	\$	414,947		1,088,722		113,130	\$	119,390 \$		83,428
	Commercial - Rate K STL	\$	-	\$		\$		\$		\$	- \$		-
	Industrial	S	326	\$		\$	870,272		-	\$	3,632 \$		212
	Private Fire Public Fire	\$	2,967	\$	38,957		134,908			\$	17,580 \$		11,657
	Public Authorities (Rate A STL)	\$ \$	2 203	\$	124 420	\$	120.050			\$	5 \$		-
	Sales For Resale	\$		\$ \$	-	\$ \$	120,858			\$	9,801 \$		14,508
	Total	<u>\$</u>		<u>\$</u>	1 410 250	_	129,993			<u>\$</u>	33,091 \$		904.000
	Percent Change	*	62,20%		1,410,250 33,93%	S	4,856,240 5 61.94%	•	832,290 32.11%	.5	658,256 \$		804,027
	-				33,73 /0		V117470		34.1170		20.53%		8,47%

Brunswick

Jefferson City

Joplin

		St. Joseph		Warren County	Warrensb	บาร	St. Louis		Total
Step 1	7-13 Staff Annual Revenue Requirement Increase	3,358,11		210,649		115		s	14,536,893
	7-13 Current Revenue	15,424,05		110,849	2,574,				-
	COS District % Increase/Decrease	21.77		190,03%		03%	3.32%		8.73%
	Proposed District Settlement	~		150,0570		0370	3.327	•	6.7376
	Capped Increase Percent			53,47%	ı				
	Capped \$ Increase		\$						
	Subsidy		\$	(151,381)					
	Contribution Company Funded Adjustment	\$ (300.00	in)				\$ 403,561		
		,	•						
	District Increase/Decrease	\$ 3,058,11		•	•	115			14,236,893
	Proposed percent change in permanent ra	19.83	%	53.47%	14.0	13%	3,66%		8.55%
	Current District Class Revenues Including St. Loui: Residential (Rate A STL)	\$ 7,863,92	. e	109,321	\$ 1,364,9	.22	*********	\$	-
		\$ 2,795,64			\$ 504,6	465	reference and a constitution of the		
	Commercial - Rate K STL	estimat paracetura	e e e e e e e e e e e e e e e e e e e	•	•	32	\$ 350,123	4	
		\$ 2,289,16	w.v.	-	\$ 56,4	3.5	\$ 6,219,171	i	
		\$ 174,68° \$	7 \$ 1 \$:	\$ 63,6 \$ -	35			
		\$ 592,54:		-	\$ 333,9	223	\$ 943.121		
	**:	\$ 1,249,82	<u>1</u> <u>\$</u>		\$ 176,7	<u> 26</u>	\$ 4,796,879		
	Total Revenue	\$ 14,965,79	0 \$	110,681	\$ 2,500,3	84	\$ 119,635,661	\$	164,034,252
	Share of District Current Class Revenue								
	Residential (Rate A STL)	52.559	%	98.77%	54.5	9%	64.18%		
	Commercial (Rate A STL)	18.689		1.23%	20,1		04.18% 19,32%		
	Commercial - Rate K STL	0,009		0.00%	0.0	0%	0.29%		
	Industrial Private Fire	15.309		0.00%	2,20		5,20%		
	Public Fire	1.179		0.00% 0.00%	2.5: 0,00		1.13% 5,08%		
	Public Authorities (Rate A STL)	3,969	%	0.00%	13.30		0.79%		
	Sales For Resale	8.359	%	0.00%	7.01	7%	4.01%		
	District Specific Equal Percent Class Revenue Incr-								
	Residential (Rate A STL)			-	\$ 197,12				
	Commercial (Rate A STL) Commercial - Rate K STL		\$ \$		\$ 72,88 \$ -	35 \$ \$	•		
	Industrial				\$ 8,16				
	Private Fire	•			\$ 9,19		,		
	Public Fire Public Authorities (Rate A STL)				\$ - \$ 48.22	\$,		
	Sales For Resale				\$ 48,22 \$ 25,52				
	Total 5		\$		\$ 361,11	_	•	\$	14,236,893
Step 2	Incremental Water Revenue Requirement Adju \$14,342,790								
	Share of Company Current Class Revenue								
	Residential (Rate A STL)	4.79%	ó	0.07%	0.83	%	46.81%		
	Commercial (Rate A STL) Commercial - Rate K STL	1.70%		0.00%	0.31		14.09%		
	Industrial	0.00% 1.40%		0.00% 0.00%	0.00 0.03		0.21% 3.79%		
	Private Fire	0.11%		0.00%	0.03		0.83%		
	Public Fire	0.00%	5	0.00%	0.00		3.70%		
	Public Authorities (Rate A STL) Sales For Resale	0.36%		0.00%	0,20		0.57%		
		0.76%	•	0.00%	0.11	%	2.92%		
	Company Equal Percent Class Revenue Increase/D Residential (Rate A STL) \$	607.604		0.550	11004	- ^			
	Residential (Rate A STL) \$ Commercial (Rate A STL) \$			9,559 \$ 119 \$			6,713,924 2,020,951		
	Commercial - Rate K STL \$,	Š		- 17,12	\$			
	Industrial \$	200,160		- \$) \$	543,790		
	Private Fire \$ Public Fire \$	15,274 0	\$ \$	- \$			118,407		
	Public Authorities (Rate A STL) \$	51,811		- 3		\$ \$	531,097 82,464		
	Sales For Resale	109,282					419,428		
	Total \$	1,308,575	\$	9,678 \$	218,628	3 \$	10,460,676	ŝ	14,342,790
Combined	···								
	Residential (Rate A STL) \$ Commercial (Rate A STL) \$	2,294,523		68,098 \$	-		9,553,969		
	Commercial (Rate A STL) \$ Commercial - Rate K STL \$	815,709	\$	847 \$ - \$	-	\$ \$	2,875,830 43,564		
	Industrial \$	667,929		- s			773,818		
	Private Fire \$	50,970		- \$	14,755	\$	168,495		
	Public Fire \$ Public Authorities (Rate A STL) \$	0 172,891	\$ \$	- S		\$	755,755		
	Sales For Resale \$	364,671		- \$	•		117,348 596,850		
	Total S	4,366,694		68,945 S	~~~	-	14,885,628 \$: :	28,579,683
	Percent Change	28.31%		62.20%	22.52%		12.30%		17.16%

TAW_R_COCDR1#036Attachment Page 275 of 1985 A-1-3

		Brunswick	Jefferson City	Joplin	Mexico	Parkville	St. Charles
Sewer Adjustments							
Water + Sewer Increase	\$	29,000,000					
Current Sewer Revenue							
Cedar Hill	\$	185,292					
Parkville	\$	51,874					
Warren County	S	89,215					
	\$	326,381					
Increase							
Cedar Hill	\$	57,552	31,06%				
Parkville	Š	7,300	14.07%				
Warren County	\$	55,465	62.17%				
	\$	120,317	02.1770				
Water Only	\$	28,879,683					
Less St. Joseph	\$	300,000					
Adjusted Water Only	\$	28,579,683					

Current	St
Block	St. Joseph D
Rate Proposal	District

			Sale for Resale	Public Authority	Industrial	Commercial	Residential
		For the first For the next For the next For all over	For the first For the next For the next For all over	For the first For the next For the next For all over	For the first For the next For the next For all over	For the first For the next For the next For all over	
		100,000 1,900,000 3,000,000 5,000,000	100,000 1,900,000 3,000,000 5,000,000	100,000 1,900,000 3,000,000 5,000,000	100,000 1,900,000 3,000,000 5,000,000	100,000 1,900,000 3,000,000 5,000,000	
		7,735 121,795 170,396 334,812	62,404 79,799 41,696 26,539	56,683 387,531 206,775 436,487	459,834 313,545 34,838 7,669	1,615,322 15,719 1,310 5,240	<u>Usage</u>
		5.6592 3.1703 2.4466 1.6495	3.9599 2.2148 1.712 1.1528	5.0756 2.8433 1.715 1.401	3.5681 1.9989 1.5427 1.0388	\$3.1010 1.7373 1.3406 0.9028	Present Rates
\$ 11,652,699	\$ 11,652,699	\$ 43,774 \$ 386,127 \$ 416,891 \$ 552,272 \$ 1,399,064	\$ 247,114 \$ 176,739 \$ 71,384 \$ 30,594 \$ 525,830	\$ 287,700 \$ 1,101,867 \$ 354,619 \$ 611,518 \$ 2,355,705	\$ 1,640,734 \$ 626,746 \$ 53,745 \$ 7,967 \$ 2,329,192	\$ 5,009,113 \$ 27,309 \$ 1,756 \$ 4,730 \$ 5,042,908	Revenue Amount
19		3,2697 2,5393 2,1158 1,4430	3,2697 2,5393 2,1158 1,4430	4.7931 2.6850 1.6195 1.3230	3.2697 2.5393 2.1158 1.4430	3.2697 2.5393 2.1158 1.4430	Rate
	\$ 11,652,388	\$ 25,291 \$ 309,268 \$ 360,523 \$ 483,147 \$ 1,178,230	\$ 204,044 \$ 202,630 \$ 88,220 \$ 38,297 \$ 533,191	\$ 271,685 \$ 1,040,530 \$ 334,879 \$ 577,478 \$ 2,224,572	\$ 1,503,533 \$ 796,171 \$ 73,711 \$ 11,067 \$ 2,384,482	\$ 5,281,665 \$ 39,915 \$ 2,772 \$ 7,561 \$ 5,331,913	Revenue Amount
	es	so so	69	ь	₩	₩	
	(310)	(220,834) (310.39)	7,361	(131,132)	55,290	289,005	Impact
		-15.78%	1.40%	-5.57%	2.37%	5.73%	

MISSOURI-AMERICAN WATER COMPANY

Proposed Allocation St. Louis District

9	00	`	1 0) U	4.	. c	N) <u>~</u>		Line
Total Rate Class	Other (S-8)	Sales For Resale (S-7)	Public Authorities (S-6)	Public Fire (S-5)	Private Fire (S-4)	Industrial (Rate J)	Commercial (S-2)	Residential (S-1)		Rate Class
₩	ı							€9		ı
\$ 120,789,838 \$ 6,440,709 \$ 127,230,547	1,302,091	4,852,425	1,046,960	5,970,241	711,978	6,219,171	23,463,143	77,223,828	3	Present Base Revenues
↔	ſ						G	49		
6,440,709			19,827				55,683	6,365,199	(2)	Present ISRS Revenues
₩								()		<u> p</u>
127,230,547	1,302,091	4,852,425	1,066,787	5,970,241	711,978	6,219,171	23,518,827	83,589,027	(3)	Present Base & ISRS Revenues
6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	(4)	Percent Increase to St. Louis
()								€9		I
135,675,466	1.388,518	5,174,504	1,137,595	6,366,515	759,235	6,631,968	25,079,887	89,137,243	(5)	Total Adjusted Revenues
~	6	•	•	en V	G	6	4	4	(0.54); (2.66)	9 (086 53 3 <u>8 8</u> 6 6
14,885,628	86.426	322.079	90,635	396,274	47,257	412,797	1,616,744	11,913,415		St Louis Revenue Increase
12.32%	6 64%	6.64%	8.66%	6.04%	6.64%	6.64%	6.89%	15.43%	(2)	Adjustment to Current Base Rates*

* (Col. 5/Col. 1) - 1 St. Louis Rate Increase

Base Rate Increase Revenue Over ISRS Increrase Base + ISRS

\$ 8,444,919

8,774,720

Billing Determinants at 5/31/07

	Bruns	Brunswick	Jeffers	Jefferson City	nijaol	.5	Mexico		Darioullo Meter	Water	7	
	No. of	No. of	No. of	No. o	No of	N O	No of	Ş Ç	No of	No other	No of Man	
Rate Class	Cust Bills (annualized)	Mgallons (annualized)	Cust Bills	Mgations (annualized)	Cust Bills	Mgallons	Cust Bills	Mgallons	Cust Bills		Cust. Bills	Mgallons
Residential Monthly Quarterly Rate F	4,441.3	17,531	107,724.0	539,863	246,144.0	1,265,550	51,434.7	234,948	59,462.9	522,376	522,376 345,096.0	2,874,171
Single Family with Meters Residential without Meters (Flat Rate) Mobile Homes Inside Mobile Home Park (Flat Rate)												
Mutti-ramily Kesidence, per Unit (Flat Kate) Commercial Monthly	876.4	5,124	17,001.4	443,294	37,536.0	982,883	5,299.0	101,369	5,163.1	170,275	11,628.0	434,014
Autarreny Rate F Industrial Large Industrials Rate J Rate J	24.0	46	144.0 24.0	15,078 103,190	935.0	1,406,601	293.0	137,507	129.0	4,796	12.0	1,362
Rate F Other Public Authority Capital Complex State Penitentiary	84.0	745	3,302.0	118,451 9,563 43	1,666.0	110,906	1,136.0	61,484	481.0	11,913	813.0	66,777
rate A Rate F Other Water Utilities Rate B	60.0	14,024	0.0	O	68.0	204,041	72.0	111,126	48.0	77,175	0.0	0
Rate H (Fixed Annual Charge) Rate H (C-1 Water) Sale for Resale Rate C-1 (Kirkunge)		0		0		ō		٥		0		-0
Private Fire		O		o		0		O		o		0
Rate E (39 Hydrants @ \$196.92 & 1 @ \$98.46) Public Fire Rate E (30,845 Hydrants @ \$196.92)		0		0		0		0		0		0
Total Annualized Mgallons	Ľ	37,470		1,229,482		3,969,981		646,434		786,535		3,376,324

Note: No of Customer Bills includes meter billings

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Rate Class	No.of Cust Bills	Nesof College	No.of Cost Rec	Mo. of	No. of	No. of	No of		No of	, 0.0	No.of	.1/4	A 41.5	
	(struction) (so	- Document	(armedia)	(pezamo	e) (pezienuce)	(Contract)				100 AN	A CONTRACTOR OF THE CONTRACTOR			8 8
Residential	342,936.3	1,637,427			73,668.0	388,372	4,886.9	30,029			_	0	۱ 	10
Monuny Quarterty *			300.5 1,306,436.1	68,380								•		
Rate F				374										
Single Family with Meters									399.2	13,946	0	0	24.0	8
Mobile Leaner Incide Mobile Leaner Port (Plate									6,796.0					
Multi-Family Residence nor Unit (Flat Rate)		•							1,220.0					
Commercial	34 508 0	700 970			1				299.0					
Monthly	7.08c.t	00'0	1 130 3	400	/.00e./	181,435	24.0	487	246.7					
Quarterly			72,003.9	7,921,332										
Rate F			2,000.3	7 000,000						•				
Industrial	1 528 0			7 7 7										
Large Industrials		1 676 810			7.007	200		C						
Rate J		0.000	2 550 0	6 105 227	0.00	30,462		5						
Rate K			3,934.0	124 126										
Rate F			6.380.0	14.081										
Other Public Authority	2.415.0	210 438		ř	18540	130 003		ć						
Capital Complex) - -	5			0.400,	? 0 0		5						_
State Penitentiary														
Rate A				429,296										
Rate F				35										
Other Water Utilities	230.0	634,737			36.0	100,829		0						_
Rate B			0.0	1,792,385										Γ/
Kate H (Fixed Annual Charge)														\\
Rate H (C-1 Water)			0.0	1,128,804									-	٧_
Oale 101 Kessale		¢		O		0		0					_	F
Nate G-1 (Nixwood)		(24.0	1,445,532									_	_
National Control of the Control of t		ə		0		6		0						C
Rate E (39 Hydrants @ \$196 92 & 1 @ \$98 46)			4											0
Public Fire))			•		•		-				С
Rate E (30,845 Hydrants @ \$196.92)		•	30 845 0			>		5						Đ
Total Annualized Mgallons		4,975,299		53,492,357		840,951	-	30,516	ŀ	13.946		 -	ŀ	₹∤₺
			J		J		J		j	2121		7]	P	
Note: No of Customer Bills includes meter billings													ag	03
* Ketlects decrease of 491,715 mgallons related to the \$1,000,000 Staff offer related to Staff's Annualiz	,000,000 Staff of	fer related to	Staff's Annualiz	ed Revenues in the STL District	he STL District								је	
													2	
													28	
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													of	
													3	
													55	
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Note: No of Customer Bills includes meter billings * Reflects decrease of 491,715 mgallons related to the \$1,000,000 Staff offer related to Staff's Annualized Revenues in the STL District

FORM NO. 13

P.S.C. MO. NO. 7

CANCELLING

(Original)

SHEET NO.

9a

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

Sewer Service
Schedule of Rates

Capacity Charge Definition and Purpose:

A Capacity Charge is a charge employed to assign to future customers the capital cost responsibility of backbone facilities, such as treatment facilities, lift stations, and major trunk sewers providing capacity that is available for and caused by future customers. This Capacity Charge is a charge applied in addition to the Connection Charge

addressed in Rule 4.

Determination Of The Capacity Charge:

The appropriate Capacity Charge shall be determined by the following schedule of Capacity Charges or by the terms of a written contract governing the rendering of service to a commercial premise.

Schedule Of Capacity Charges:

(1) Single Family Residence:

\$1,500

(2) Mobile Home:

\$1,435

(3) Multi-Family Apartment (per unit):

\$1,369

(4) Commercial Premise (per unit):

Capacity Charge is based on the multiplication of \$4.05 per gallon per

day, by the estimated water

consumption, as determined from the Estimated Daily Water Consumption

table below:

* Indicates	new	rate	or	text
-------------	-----	------	----	------

+ Indicates change DATE OF ISSUE

DATE EFFECTIVE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President, Corporate Counsel and Secretary

727 Craig Road St. Louis, MO 63141

Name of Officer, Title

Address

FORM NO. 13

P.S.C. MO. NO. 7

(Original) SHEET NO. 9b SHEET NO.

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR Incline Village, et al., Foristell, Missouri
COMMUNITY, TOWN, OR CITY

Rules and Regulation	_	
Rendering of Service	ce (Continuea)	
Estimated Daily Water Consumption Table For Indivi Premise:	idual Units Within a C	Commercial
Total Capacity Charge per unit within a comme sum of all applicable flows within that unit.	rcial premise will be l	based upon the
Unit Within A Commercial Premise		Gallons Per Day
Boarding Houses	gallons per person	50
Boarding Schools	gallons per person	50
Country Clubs	gallons per member	30
Day Schools	gallons per student	20
Laundromats	gallons per machine	200
Nursing Homes	gallons per resident	125
Service Stations	gallons per day	600
Swimming Pools (one person per 15 sq. ft. of pool area)	gallons per person	3
Offices, Warehouses, Workshops (total charge is sum of applicable fee type listed below):	es	
Each Bathroom	gallons per day	300
Each Floor Drain	gallons per day	50
Each Full Time Employee (8 hr. shift)	•	20
Per 100 sq. ft. of floor space	gallons per day	5
* Indicates new rate or text + Indicates change		
	DATE EFFECTIVE	

DATE OF ISSUE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate Counsel and Secretary
Name of Officer, Title

DATE EFFECTIVE

Month day year

727 Craig Road
St. Louis, MO 63141

Address

TAW_R_COCDR1#036Attachment

FORM NO. 13

P.S.C. MO. NO. 7

	(Original)	SHEET NO.	9c
CANCELLING		SHEET NO.	

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR Incline Village, et al., Foristell, Missouri
COMMUNITY, TOWN, OR CITY

Rules and Regulation Rendering of Service		
Rendering of Service	e (Continued)	
Grocery Store		
(per 100 sq. ft. of floor area)	gallons per day	20
Hotels and Motels (per room)	gallons per day	75
Restaurants:		
Fast Service & Carry Out Restaurants	gallons per patron served	3
Full Service	gallons per seat	40
Taverns, Bars, Cocktail Lounges	gallong non gost	10
Taverns, Dars, Cocktan Lounges	gallons per seat gallons per bar stool	10 10
sewer. Failure to request in writing an adjustme Capacity Charge paid for a commercial premise commercial premise.		
Determination Of When Payment Of The Capacity Ch	arge Is Due:	
The Capacity Charge is due and payable at the ti	ime of application for servi	ce.
Caxes:		
All applicable Federal, state and local taxes shall	I be added to the above cha	rges.
Indicates new rate or text Indicates change		

DATE OF ISSUE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate Counsel and Secretary
Name of Officer, Title

DATE EFFECTIVE

Month day year

727 Craig Road

St. Louis, MO 63141

Address

TAW_R_COCDR1#036Attachment

FORM NO. 13

P.S.C. MO. NO. 82

(Revised)	SHEET NO.	4a	
(Original)	SHEET NO.		

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR _Certificated area in Jefferson County, Missouri COMMUNITY, TOWN, OR CITY

Rules Rei	s and regulation Governing ndering of Sewer Service	
Capacity Charge:		
All new service connections shall	pay a Capacity Charge in accordance with Rule 4A.	
Indicates new rate or text Indicates change		
DATE OF ISSUE	DATE EFFECTIVE	

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President, Corporate Counsel and Secretary

727 Craig Road St. Louis, MO 63141

Name of Officer, Title

Address

TAW_R_COCDR1#036Attachment Page 285 of 355

FORM NO. 13

P.S.C. MO. NO. 8

(Original)
CANCELLING (

SHEET NO.

16a

MISSOURI-AMERICAN	WATER COMPANY
NAME OF ISSI	IING CORPORATION

FOR Certificated area in Jefferson County, Missouri
COMMUNITY, TOWN, OR CITY

Rules and Regulations Governing Rendering of Sewer Service (Continued)

Rule 4A: Capacity Charges

(a) Capacity Charge Definition and Purpose:

A Capacity Charge is a charge employed to assign to future customers the capital cost responsibility of backbone facilities, such as treatment facilities, lift stations, and major trunk sewers providing capacity that is available for and caused by future customers. This Capacity Charge is a charge applied in addition to the Connection Charge addressed in Rule 4.

(b) Determination Of The Capacity Charge:

The appropriate Capacity Charge shall be determined by the following schedule of Capacity Charges or by the terms of a written contract governing the rendering of service to a commercial premise.

Schedule Of Capacity Charges:

(5) Single Family Residence:

\$1,500

(6) Mobile Home:

\$1,435

(7) Multi-Family Apartment (per unit):

\$1,369

(8) Commercial Premise (per unit):

Capacity Charge is based on the multiplication of \$4.05 per gallon per

day, by the estimated water

consumption, as determined from the Estimated Daily Water Consumption

table below:

Indicates new rate or text

+ Indicates change DATE OF ISSUE

DATE EFFECTIVE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President, Corporate Counsel and Secretary

727 Craig Road St. Louis, MO 63141

Name of Officer, Title

Address

FORM NO. 13

P.S.C. MO. NO. 8

(Original) CANCELLING (

SHEET NO. SHEET NO.

16b

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR Certificated area in Jefferson County, Missouri
COMMUNITY, TOWN, OR CITY

Rules and Regulations Governing				
Rendering of Sewer Service (Continued)				
(c) Estimated Daily Water Consumption Table For Individual Units Within a Commercial Premise:				
Total Capacity Charge per unit within a comme sum of all applicable flows within that unit.	rcial premise will be l	based upon the		
Unit Within A Commercial Premise		Gallons Per Day		
Boarding Houses	gallons per person	50		
Boarding Schools	gallons per person	50		
Country Clubs	gallons per member	30		
Day Schools	gallons per student	20		
Laundromats	gallons per machine	200		
Nursing Homes	gallons per resident	125		
Service Stations	gallons per day	600		
Swimming Pools (one person per 15 sq. ft. of pool area)	gallons per person	3		
Offices, Warehouses, Workshops (total charge is sum of applicable fee types listed below):				
Each Bathroom	gallons per day	300		
Each Floor Drain	gallons per day	50		
Each Full Time Employee (8 hr. shift)		20		
Per 100 sq. ft. of floor space	gallons per day	5		
* Indicates new rate or text + Indicates change				
DATE OF ISSUE	DATE EFFECTIVE	· · · · · · · · · · · · · · · · · · ·		

DATE OF ISSUE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate Counsel and Secretary
Name of Officer, Title

DATE EFFECTIVE

Month day year

727 Craig Road
St. Louis, MO 63141

Address

TAW_R_COCDR1#036Attachment Page 287 of 355

FORM NO. 13

P.S.C. MO. NO. 8

(Original) CANCELLING (

SHEET NO. SHEET NO.

<u>16c</u>

MISSOURI-AMERICAN WATER COMPANY NAME OF ISSUING CORPORATION

FOR Certificated area in Warren County, Missouri
COMMUNITY, TOWN, OR CITY

Rules and Regulation		
Rendering of Sewer Se	rvice (Continued)	
Grocery Store		
(per 100 sq. ft. of floor area)	gallons per day	20
Hotels and Motels (per room)	gallons per day	75
Restaurants:		
Fast Service & Carry Out Restaurants	gallons per patron served	3
Full Service	gallons per seat	40
Taverns, Bars, Cocktail Lounges	gallons per seat	10
	gallons per bar stool	10
request such an adjustment within two years of a sewer. Failure to request in writing an adjustment Capacity Charge paid for a commercial premise commercial premise.	ent within this period shall e	stablish the
d) Determination Of When Payment Of The Capacity	Charge Is Due:	
The Capacity Charge is due and payable at the t	ime of application for servic	ce.
e) Taxes:		
All applicable Federal, state and local taxes shal	l be added to the above char	ges.
Indicates new rate or text		
Indicates change		

DATE OF ISSUE

month day year

Month day year

ISSUED BY:

Martin D. Kerckhoff, Vice President,
Corporate Counsel and Secretary
Name of Officer, Title

DATE EFFECTIVE
Month day year

727 Craig Road
St. Louis, MO 63141
Address

FORM NO. 13

P.S.C. MO. NO. 6

CANCELLING

(2nd Revised) (1st Revised)

SHEET NO. SHEET NO.

RT 10.0(a) RT 10.0(a)

MISSOURI-AMERICAN WATER COMPANY
NAME OF ISSUING CORPORATION

FOR ST. LOUIS COUNTY, MO
COMMUNITY, TOWN, OR CITY

Experimental Bill Consolidation Tariff DESCRIPTION AND TERMS: To provide for the experimental consolidation of water usage for billing purposes for customers in the St. Louis District owning and occupying contiguous properties served by multiple meters. Qualifying customers and facilities are those locations where a customer's property or contiguous properties are served by a single distribution main or distribution facility, although service is provided through more than one meter. **APPLICABILITY:** * This consolidation will be provided to existing customers who apply and whose eligibility under the terms above is confirmed by the Company. Initiation of the bill consolidation for an existing customer will commence at the conclusion of the Company's next general rate case, except for The Boeing Company and DaimlerChrysler, for whom the experiment will start as soon as possible after the effective date of this tariff sheet.. New customers may apply for such consolidation at the time service is requested. Bill consolidation will be applied for new customers to the first bill issued to the customer following application and the Company's confirmation of eligibility. **RATE CALCULATION:** Customers qualifying for experimental bill consolidation will be charged for each meter associated with each of the subject property or contiguous properties. Consumption rates under Rate J will be applied to the total aggregated usage of all meters at the property or contiguous properties to arrive at the total bill for service. For Rate J, the 60% maximum usage criteria for any of the months of June July, August or September will be based on the consolidated consumption volume. Thus, the customer's bill calculation will be governed by the rules for the Rate J tariff until such time the customer is no longer eligible under the Experimental Bill Consolidation Tariff. * - Indicates new rate or text

DATE OF ISSUE	DATE EFFECTIVE	
	month day year	Month day year
ISSUED BY:	Martin D. Kerckhoff, Vice President,	727 Craig Road
	Corporate Counsel and Secretary	St. Louis, MO 63141
	Name of Officer, Title	Address

Appendix E

Missouri American Water Tracker Mechanism OPEBs and Pensions Case No. WR-2007-0216

OPEB

The OPEB tracker mechanism represents the difference between the allocated and funded FAS 106 cost, as calculated by the Company's actuary, and the recalculated and allocated FAS 106 cost included in rates in this case. This difference results from the elimination of the corridor approach for amortizing unrecognized net gains and losses and a reduction in the amortization period. Instead of utilizing a corridor with a longer amortization period, the total net unrecognized gains and losses will be amortized over ten years. A regulatory asset or liability will be established to accumulate the amount of the tracker and the balance will be an addition or reduction to rate base in the next general rate proceeding. The continuation of the tracker and disposition of amounts accumulated will be reviewed in the next general rate proceeding. Over time, the regulatory asset and liability balances are expected to offset each other.

Pensions

The Pensions tracker mechanism represents the difference between the allocated FAS 87 cost, as calculated by the Company's actuary, and the recalculated and allocated FAS 87 cost included in rates in this case. This difference results from the elimination of the corridor approach for amortizing unrecognized net gains and losses and a reduction in the amortization period. Instead of utilizing a corridor with a longer amortization period, the total net unrecognized gains and losses will be amortized over ten years. A regulatory asset or liability will be established to accumulate the amount of the tracker and the balance will be an addition or reduction to rate base in the next general rate proceeding. The continuation of the tracker and disposition of amounts accumulated will be reviewed in the next general rate proceeding. Over time, the regulatory asset and liability balances are expected to offset each other.

APPENDIX F

1973 NARUC	MAWC	Description	D D-1-	401	N/ 0-1
Account	Account	Description	Depr. Rate	ASL	% Salvage
311.00	304.100	S&I - SOURCE OF SUPPLY	2.45%	55	-35%
312.00		COLLECTING AND IMPOUNDING RESERVOIRS	1.25%	80	0%
313.00		LAKE, RIVER AND OTHER INTAKES	1.77%	65	-15%
314.00		WELLS AND SPRINGS	1.67%	60	0%
315.00	308.000	INFILTRATION GALLERIES AND TUNNELS	1.67%	60	0%
316.00	309.000	SUPPLY MAINS	1.60%	75	-20%
317.00	339.200	MISCELLANEOUS SOURCE OF SUPPLY - OTHER	4.00%	25	0%
321.00		S&I - POWER AND PUMPING	1.73%	75	-30%
322.00		BOILER PLANT EQUIPMENT	2.00%	50	0%
323.00		POWER GENERATION EQUIPMENT	2.00%	50	0%
324.00		PUMPING EQUIPMENT NON-STEAM	2.44%	45	-10%
325.00	311.000	STEAM PUMPING EQUIPMENT			
331.00		S&I - WATER TREATMENT	1.63%	80	-30%
332.00		WATER TREATMENT EQUIPMENT	2.78%	45	-25%
332.00	339.400	MISCELLANEOUS WATER TREATMENT - OTHER	3.33%	30	0%
341.00	304.400	S&I - TRANSMISSION AND DISTRIBUTION	2.67%	45	-20%
341.63	304.400	S&I - SPECIAL CROSSING	0.00%	n.a.	n.a.
342.00		DISTRIBUTION RESERVOIRS & STANDPIPES	2.25%	60	-35%
343.00		MAINS - TRANSMISSION AND DISTRIBUTION	1.50%	90	-35%
344.00		MAINS - FIRE	1.50%	90	-35%
345.00		SERVICES	3.08%	65	-100%
346/347		METERS AND METER INSTALLATIONS	2.43%	40	3%
348.00		FIRE HYDRANTS	1.92%	65	-25%
349.00	339.500	MISCELLANEOUS TRANS. & DISTR OTHER	2.00%	50	0%
351.00		Structures & Improvements	2.50%	40	0%
352.10		Collection Sewers Forced	2.00%	50	0%
352.20		Collecting Mains	2.00%	50	0%
352.20		Collecting Mains Other	2.00%	50	0%
353.00		Service to Customers	2.00%	50	0%
363.00		Electric Pumping Equipment	10.00%	10	0%
372.00		T&D Equipment	5.00%	20	0%
372.00 374.00		T&D Equipment Influent Lift Outfall Sewer Lines	5.00% 2.00%	20 50	0%
374.00			2.00%	30	0%
390.00		S&I - SHOP AND GARAGE	2.40%	50	-20%
390.10		S&I - OFFICE BUILDINGS	2.40%	50	-20%
390.30		S&I - MISCELLANEOUS	2.40%	50	-20%
390.90		S&I - LEASEHOLD	5.00%	20	0%
391.00		OFFICE FURNITURE	4.00%	25	0%
391.20		COMPUTER HARDWARE	14.29%	7	0%
391.25 391.26		COMPUTER SOFTWARE COMPUTER SOFTWARE-PERSONAL	14.29%	7	0%
391.30		OTHER OFFICE EQUIPMENT	14.29% 6.67%	7 15	0% 0%
392.10		TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	0.00%	8	25%
392.12		TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	8.33%	9	25% 25%
392.20		TRANSPORTATION EQUIPMENT - AUTOS	0.00%	5	25%
392.30		TRANSPORTATION EQUIPMENT - OTHER	0.00%	15	0%
393.00		STORES EQUIPMENT	2.86%	35	0%
394.00		TOOLS, SHOP AND GARAGE EQUIPMENT	5.00%	20	0%
395.00		LABORATORY EQUIPMENT	4.00%	25	0%
396.00	345.000	POWER OPERATED EQUIPMENT	6.82%	11	25%
397.00	346.100	COMMUNICATION EQUIPMENT - NON-TELEPHONE	5.00%	20	0%
397.20	346.200	COMMUNICATION EQUIPMENT - TELEPHONE	6.67%	15	0%
		MISCELLANEOUS EQUIPMENT	5.00%	20	0%
399.00	348.000	OTHER TANGIBLE PROPERTY	5.00%	20	0%

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
American Water Company to Increase its)	Case No. 09-391-WS-AIR
Rates for Water and Sewer Services)	
Provided to its Entire Service Area.)	

OPINION AND ORDER

The Commission, coming now to consider the application, testimony, pleadings, and public comments of record in this proceeding, hereby issues its opinion and order.

APPEARANCES:

Bricker & Eckler, by Sally W. Bloomfield and Matthew W. Warnock, 100 South Third Street, Columbus, Ohio 43215-4291, on behalf of Ohio American Water Company.

Richard Cordray, Ohio Attorney General, by Duane W. Luckey, Section Chief, and Thomas G. Lindgren and Sarah Parrot, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215-3793, on behalf of Staff of the Commission.

Janine L. Migden-Ostrander, Ohio Consumers' Counsel, by Melissa R. Yost and Michael E. Idzkowski, Assistant Consumers' Counsel, 10 West Broad Street, Suite 1800, Columbus, Ohio 43215, on behalf of residential customers of Ohio American Water Company.

Henry W. Eckhart, 50 West Broad Street, Suite 2117, Columbus, Ohio 43215, on behalf of Dragoo Management Company.

Mark D. Russell, Law Director, 233 West Center Street, Marion, Ohio 43302, on behalf of the city of Marion, Ohio.

HISTORY OF THE PROCEEDINGS:

Ohio American Water Company (Ohio American, Company) is an Ohio corporation headquartered in Marion, Ohio, and a public utility supplying water and wastewater service to consumers within the state of Ohio. The Company is the successor to the Marion Water Company, incorporated in 1923, and subsequently formed by the merger of the Marion Company with Ashtabula Water Works Company, Lawrence County Water Company, and the Ohio Cities Water Company in Tiffin, Ohio. In 2002, Ohio American

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added customers in Franklin and Portage counties through the purchase of the assets of Citizens Utilities Company of Ohio (Citizens) (Staff Ex. 3, at 1, 30).

Ohio American is a wholly owned subsidiary of American Water Works Company, Inc. (AWW), headquartered in Voorhees, New Jersey, which controls water company subsidiaries serving almost 17 million people in 29 states. Administrative, legal, engineering, and other back-office functions are provided by a related affiliate, American Water Works Service Company, Inc., through its central region office in St. Louis, Missouri. In January 2003, AWW was acquired by RWE AG (RWE), a German multinational utility group headquartered in Essen, Germany. In November 2006, RWE announced its intention to divest all of its shares of AWW, subject to market conditions. On April 23, 2008, RWE sold approximately 40 percent of its shares of the common stock of AWW through an initial public offering on the New York Stock Exchange. Since that time, RWE has been divesting itself of AWW stock. As of August 18, 2009, RWE's holdings in AWW common stock have been reduced to 23.54 percent (Id.).

Ohio American's service territory consists of 17 water systems and three wastewater systems serving approximately 51,120 water and 6,575 wastewater customers throughout Ohio, as of December 31, 2008. The Company's service territory is separated over eight districts in the state of Ohio: Ashtabula, Lawrence County, Marion, Tiffin, Franklin County, Mansfield, Lake White, and Portage County. These districts are combined into three divisions for rate-making purposes:

- (1) The "Water A" division includes the Ashtabula, Lake White, Lawrence County, Mansfield, Marion, and Tiffin districts.
- (2) The "Water C" division includes the former Citizens customers in Portage County and water operations in Franklin County.
- (3) The "Wastewater" division includes only wastewater operations in Franklin County.

(Ohio American Ex. 1 at 4-6; Staff Ex. 3, at 1).

The Company operates its own water treatment facilities, except in Lawrence County, Portage County, and a portion of Marion County. The Lawrence County District purchases all of its water from the Huntington Water Company, a West Virginia subsidiary of AWW. The Portage County District purchases all of its water from Portage County Water Resources. The Preble County portion of the Marion District purchases all of its water from the Richmond District of Indiana American Water Company, another AWW subsidiary (Staff Ex. 3, at 1).

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On May 7, 2009, Ohio American filed a notice of intent to file an application to increase its water rates in its entire service area, and its sewer service rates in the Franklin County district. In its notice of intent, the Company also requested a waiver for certain standard filing requirements relating to financial and informational data and testimony. By entry issued June 3, 2009, the Commission approved the requested waivers, date certain of December 31, 2008, and test-year period of October 1, 2008 through September 30, 2009.

Ohio American filed its application to increase rates with standard filing requirements on June 8, 2009. Ohio Consumers' Counsel (OCC), Dragoo & Associates, Inc. aka Dragoo Management, Inc. (Dragoo), and the city of Marion filed motions to intervene in the case on May 15, 2009, May 27, 2009, and July 20, 2009, respectively. By its entry issued July 29, 2009, the Commission accepted the application for filing as of June 8, 2009, and ordered the applicant to publish notice of the application pursuant to Section 4909.19, Revised Code.

On September 23, 2009, Ohio American filed a motion seeking an expedited ruling from the Commission that substantial compliance with the publication directive outlined in the July 29, 2009, entry had been achieved and directing that an additional notice be published to ameliorate a newspaper's error in publication. Specifically, Ohio American explained that, rather than publishing notice of the application once a week for three consecutive weeks as directed by the July 29, 2009, entry, notice was published three times but twice in one week (i.e., August 10 and August 12, 2009) in the Columbus Dispatch. By entry issued September 30, 2009, the Commission found that substantial compliance with the publication directive had occurred but to ameliorate the newspaper's error, a fourth publication of notice at the newspaper's expense was approved. On October 13, 2009, Ohio American filed proofs of publication.

Pursuant to Section 4909.19, Revised Code, Staff conducted an investigation of the application and filed its report (Staff Report, Staff Ex. 3) on November 27, 2009. Objections to the Staff Report were filed by Ohio American, OCC, and Dragoo on December 28, 2009.

Ohio American's current rates and charges were established by this Commission's opinion issued on November 12, 2008, in Case No. 07-1112-WS-AIR. The following table shows the approximate amount and percentage increase of additional revenue generated using the applicant's proposed rates versus those recommended in the Staff Report, when applied to the total adjusted test year sales volume.

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Service Area Water A	Application	Staff Report
Revenue Increase	\$6,694,235	\$1,216,714 to \$1,645,968
Percentage Increase	23.57%	4.30 - 5.82%
Water C		
Revenue Increase	\$1,339,956	\$299,601 to \$372,505
Percentage Increase	26.44%	5.85% <i>-</i> 7.27%
Wastewater		
Revenue Increase	\$716,760	\$136,470 to \$200,967
Percentage Increase	18. 28 %	3.58% <i>-</i> 5. 2 7%
Total Company		
Revenue Increase	\$8,750,951	*\$1,936,113
Percentage Increase	23.40%	5.20%

(Staff Report at 2-4, 84.) *Total Company Staff Mid-Point.

By entry issued January 5, 2010, local public hearings were scheduled for January 20, 2010, in both Mansfield and Marion, Ohio; on January 21, 2010, in Galloway, Ohio; on January 25, 2010, in Groveport, Ohio; and on January 28, 2010, in Westerville, Ohio. By entry issued January 29, 2010, additional local public hearings were scheduled for February 22, 2010, in Ashtabula, Ohio and on February 23, 2010, in Tiffin, Ohio. The evidentiary hearing was held as scheduled beginning on January 27, 2010, and lasting until February 12, 2010, at the offices of the Commission. Notice of the local public hearings was published in accordance with Section 4903.083, Revised Code, and proofs of such publication were filed on January 26, 2010, and March 5, 2010.

PUBLIC TESTIMONY:

More than 180 letters, petitions, and other correspondence were filed in this docket by Ohio American customers and public officials in opposition to the proposed rate increases. Most of the comments relate to the amount or percentage of the proposed increase and the frequency of Ohio American rate increases given that this proceeding marks the Company's fourth rate case in just over five years.¹

Each of the seven local hearings were well-attended with 11 witnesses testifying at the January 20, 2010, afternoon hearing in Mansfield, and 14 witnesses testifying at the evening hearing in Marion. At the Mansfield hearing, the public witnesses generally

In Ohio-American's previous rate cases, the company's application was filed on March 12, 2004, in Case No. 03-2390-WS-AIR, on April 17, 2006, in Case No. 06-433-WS-AIR, and on November 17, 2007, in Case No. 07-1112-WS-AIR.

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voiced opposition to the size and frequency of the Company's rate increases, and concerns about the impact of higher rates on property values, low-income customers, and retirees on fixed incomes. Two witnesses testified that they would like to have a water meter installed to measure the volume of water they use. One witness testified to rust problems, while others asserted that their water quality was good and that service has improved since Ohio American assumed ownership of their system.

At the Marion hearing, every witness voiced opposition to the current proposed increase, particularly in light of the Company's history of recent increases. Other concerns dealt with water leaks and repair problems, billing or meter issues, and odor or appearance issues. Many witnesses discussed the depressed economy of Marion and how an additional rate increase will impact the unemployed, low-income, and senior citizen populations.

As in the previous Ohio American rate cases, the local public hearings in Franklin County, specifically Groveport (January 25, 2010), Galloway (January 21, 2010), and Westerville (January 28, 2010), were heavily attended with 38 witnesses testifying in Groveport, 14 witnesses testifying in Galloway, and 32 customers testifying in Westerville. These customers almost unanimously testified in opposition to the proposed rate increase. Many witnesses claimed that the water led to the premature replacement of water-using appliances and fixtures such as water heaters, dishwashers, faucets, and toilets. Also discussed were sediments suspended in the water and an orange residue and white chalky substance left behind by the water. Numerous witnesses at the Groveport hearing expressed frustration at having to bear the expense of privately softening the water while paying such high rates to Ohio American for water service. A few witnesses even expressed a belief that the water contributed to health concerns. Many witnesses claimed to be receiving inferior water quality while paying an outlandish rate. Several witnesses discussed the relatively high rates of Ohio American compared with nearby municipal water services. Additionally, as noted in the 2006 and 2008 hearings, customers are concerned about the impact of the frequent rate hikes on their neighborhoods that are populated by moderate and fixed-income families, and their ability to sell their homes given the relatively higher water and sewer rates compared to surrounding areas served by cheaper municipal water and sewer services. Many discussed the level of their rates as compared with wage and inflation levels, and expressed a desire to see justification for the proposed increase and to better understand the factors upon which their rates are determined.

At the Ashtabula local public hearing on February 22, 2010, five witnesses testified concerning Ohio American's rate application. All five witnesses expressed opposition to the rate increase proposed by the Company. Several witnesses testified that during these tough economic times, Ohio American should make do with the revenues the Company

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currently receives. One witness noted that any increase in rates would be devastating to a lot of households in the area (Ashtabula transcript at 10). A county commissioner testified that any increase in rates would impact more than just Ohio American customers as the county also buys water in bulk from Ohio American (*Id.* at 12). Another customer expressed concern over the proposal to increase the customer charge and the provisions for unaccounted-for-water. Four witnesses testified at the Tiffin local public hearing on February 23, 2010. The mayor of Tiffin testified that he would like to see the Company update the water infrastructure within the community when the water lines are exposed during a construction project (Tiffin transcript at 14). The Seneca County Job and Family Services director offered statistics on the underemployed and unemployed in Seneca County while the director of law for the city of Tiffin expressed a position that Tiffin customers just cannot afford a 23.57 percent rate increase (*Id.* at 15-16, 20).

COMMISSION REVIEW AN DISCUSSION

Motion for Protective Order

On January 4, 2010, OCC filed a motion seeking protective treatment of the confidential testimony of OCC witness Rusty Russell. In support of the motion, OCC submits that portions of Mr. Russell's testimony reflects information deemed by Ohio American to constitute trade secret information. OCC's motion for protective treatment of the unredacted version of the testimony of Rusty Russell is well made and is, therefore, granted. Pursuant to Rule 4901-1-24(F), Ohio Administrative Code (O.A.C.), protective treatment will be granted for 18 months from the date of this opinion and order.

Post-hearing Motions to Strike

Following the conclusion of briefing in this matter, OCC and Staff filed motions to strike certain portions of the briefs submitted by Ohio American. These motions generally fall into two categories: (1) objections to the Staff Report that should be deemed withdrawn; and (2) arguments based on non-record resources. We will address these two categories below.

On March 25, 2010, Staff filed a memorandum in support of a motion to strike portions of Ohio American's initial and reply briefs filed by OCC on March 24, 2010. Included within the memorandum in support, Staff made arguments concerning 12 objections the Company made to the Operating Income and Rate Base and Rate of Return sections of the Staff Report that Ohio American did not address in its initial brief. Citing to Rule 4901-1-28(D), O.A.C., and the attorney examiner's December 9, 2009, ruling in this case, Staff notes that the Company's objections are, without further action, deemed withdrawn. Staff requests that the Commission strike those portions of Ohio American's

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reply brief that pertain to objections to the Staff Report that the Company failed to address in its initial brief. Staff argues that Ohio American's opportunity to refute these arguments has been foreclosed by its failure to address its objections in its initial brief.

On March 29, 2010, Ohio American filed a memorandum contra the OCC motion to strike and the memorandum in support filed by Staff on March 24 and March 25, 2010, respectively. Regarding those issues Staff has argued should be deemed withdrawn, Ohio American claims that those objections were addressed in either the Company's initial brief and/or reply brief. The Company also notes that it would be unfair to prohibit the Company from filing a reply brief responsive to the arguments made in the Staff's initial brief. Further, Ohio American claims that there is no requirement in the Commission's rules indicating that an objection topic must be addressed in a certain amount of detail. Nevertheless, the Company submits that the Commission has the authority, pursuant to Rule 4901-1-38(B), O.A.C., to waive any requirement, including Rule 4901-1-28(D), O.A.C., upon its own motion or for good cause shown. On April 5, 2010, Staff filed a reply to Ohio American's memorandum contra.

OCC filed, on April 1, 2010, a motion listing 24 objections that should be deemed withdrawn as Ohio American failed to address those objections in the Company's initial brief. OCC's list of withdrawn objections includes and expands on the list contained in the March 25, 2010, Staff memorandum in support. On April 2, 2010, Ohio American filed a memorandum contra OCC's April 1, 2010, motion. Ohio American reiterates its disagreement with Staff's interpretation of Rule 4901-1-28(D), O.A.C., and the role of reply briefs in Commission proceedings. The Company states that the only objections withdrawn by the Company are those objections not raised in either the initial or the reply briefs. Ohio American then listed six specific objections (subsumed within the lists offered by Staff and by OCC) withdrawn by the Company. OCC filed a reply to Ohio American's memorandum contra on April 9, 2010.

The Commission agrees with the positions expressed by Staff and by OCC in support of their respective motions to have certain Ohio American objections withdrawn for failure to address those issues in the Company's initial brief. Rule 4901-1-28(D), O.A.C., is very straightforward. This rule states that "In a rate case proceeding, an objection to a staff report will be deemed withdrawn if a party fails to address it in its initial brief." This rule is intended to narrow the issues which the Commission must decide in its order and it serves to provide parties with issues to address in their reply briefs. Ohio American has also pointed out that the Commission has the authority to waive this rule. We decline to do so as it would prejudice the other parties in this case. Ohio American had a full opportunity to address these issues in its initial brief. The Company's failure to avail itself of that opportunity provides no basis for us now to provide the Company with relief. Accordingly, the Company objections listed by Staff

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and by OCC in their respective pleadings filed on March 25, 2010, and April 1, 2010, are deemed withdrawn. Pursuant to Rule 4901-1-28(C), Ohio Administrative Code (O.A.C.), unless otherwise discussed in this opinion and order, Staff's position on the issues as set forth in the Staff Report to which no objection has been filed and as modified by Staff testimony presented at the evidentiary hearing, is adopted. Those modifications to the Staff Report recommendations made at hearing include: (1) Schedule C-3.1 Sales Revenue (Tr. IX at 1598); (2) Schedule C-3.5 Purchased Power Expense (Staff Ex. 4 at 5; Tr. XI at 1481-1487); (3) Schedule C-3.9 Unaccounted for Water Expense Adjustment (Staff Ex. 9 at 4; Tr. IX at 1524-1525); and (4) Schedule C-3.14 Tank Painting Expense Adjustment (Staff Ex. 9 at 6).

On March 24, 2010, OCC filed a motion to strike certain portions of Ohio American's initial and reply briefs for relying on non-record resources. OCC first seeks to strike portions of the Company's reply brief (pages 49-50) which cite to Application Schedule E-2 as this schedule, along with the application, certain schedules, and company work papers, were never introduced as exhibits at the hearing. Next, OCC seeks to strike testimony filed as part of a previous rate case that was subsequently stipulated. OCC also notes that references to this testimony had been stricken by the attorney examiner at the hearing (Tr. XII at 2139-2140). According to OCC, Ohio American also improperly cited to two documents from the Federal Register that were not introduced at the hearing to support the Company's contention that additional costs to increase water quality standards are affordable if they do not exceed 2.5 percent of median household income. OCC also points to information from other Commission cases (e.g., Aqua Ohio and FirstEnergy) that is not evidence in this case that Ohio American uses to support its positions. OCC next moves to strike references in the initial and reply briefs to a National Regulatory Research Institute (NRRI) Report used to rebut arguments of residential subscribers subsidizing special contract customers. OCC notes that a co-author of the NRRI Report was an OCC witness and thus the report could have been introduced and the OCC witness could have been cross-examined about the report during the hearing but this was never done. OCC also challenges the use by Ohio American of a quotation from a book entitled Principles of Public Utility Rates. Further, OCC seeks to strike all discussion of updated rate case expense offered in response to a Staff Data Request No. 80 that was not offered as evidence. Finally, OCC submits that arguments offered concerning hiring dates and employment details of certain Ohio American employees and non-record statements in an attempt to refute criticisms of the Company's rate case expenses should be stricken.

Ohio American filed a memorandum contra on March 29, 2010. Ohio American submits that it is not necessary to introduce the application as evidence as the application is the foundation of the Staff's investigation and is statutorily required pursuant to Section 4909.18, Revised Code. Regarding Schedule E-2, the Company explains that this schedule and Schedule E-1 (which was admitted as an exhibit) are essentially the same document.

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Regarding testimony from a prior Ohio American rate case, the Company submits that it very carefully crafted this portion of the brief to conform to the testimony at the hearing and that was not otherwise stricken. Citing to 44 USCS § 1507, Ohio American claims that the contents of the Federal Register are appropriate for judicial notice. Regarding citation to OCC comments made in a prior Aqua Ohio proceeding, the Company notes that this is a publicly filed document and a proper subject for administrative notice. As for the reference to the FirstEnergy tariff, Ohio American notes that a published tariff has the effect of a statute. OCC's objections to the NRRI Report should be denied, according to the Company, as OCC also cited to sources not introduced as evidence in the case. Regarding the book entitled Principles of Public Utility Rates, Ohio American claims that this is a citation to a learned treatise relied upon in the direct prefiled testimony of Company witness Ahern. Moreover, the author of the quotation cited from the book, James Bonbright, has been relied upon by the Supreme Court and lower federal courts. Regarding Staff Data Request No. 80, Ohio American claims such technical noncompliance can be cured by a late-filed exhibit if the Commission wishes the Company to file this data request response. Lastly, the Company believes it is utterly ridiculous for OCC to argue that every sentence and/or thought needs to be cited in a brief. OCC filed a reply to Ohio American's memorandum contra on April 5, 2010.

The Commission will grant in part and deny in part OCC's motion to strike certain portions of the brief for reliance upon non-record evidence. For the reasons cited in OCC's March 24, 2010, motion to strike and the April 5, 2010, reply, the Commission will strike references to the testimony of Patrick Baryenbruch filed as part of the 2007 Ohio American rate case, the statements referring to OCC comments concerning the service quality of Aqua Ohio made in a separate Commission proceeding, references to the NRRI Report, arguments concerning Staff Data Request No. 80, and non-record statements concerning hiring dates and regarding OCC attorneys Mr. Poulos and Mr. Weston. The remaining motions to strike are denied. Thus, the Commission will not strike references in the Company's initial or reply briefs to the application and schedules required by the Commission's standard filing requirements, Chapter 4901-7-01, O.A.C., the Company's citation to the Federal Register, citation to the book entitled *Principles of Public Utility Rates*, and the reference to the FirstEnergy tariff.

RATE BASE

Rate base represents an applicant's net investment in plant and other assets as of the date certain which are used and useful in providing regulated utility services to its customers and upon which its investors are entitled to the opportunity to earn a fair and reasonable rate of return. For purposes of the Staff Report, rate base is divided into Plant in Service, Depreciation Reserve, Construction Work in Progress, Working Capital, and Other Rate Base Items.

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Continuing Property Records Adjustments

Ohio American objects to the Staff's exclusion of approximately \$1.5 million of electrical upgrades at the Marion Electrical Plant. Ohio American claims that, in 2008, the Company completed significant upgrades to the entire electrical system at its Marion Treatment Plant (Marion Electrical Plant). According to the Company, these upgrades included necessary equipment such as generators, switch gear, and wiring and breakers (Tr. IX at 1451). Staff did not question, Ohio American claims, the Company's inclusion of approximately \$2 million of the electrical upgrades (Tr. IX at 1458), yet arbitrarily excluded from rate base more than \$1.5 million including \$99,999 from Account No. 323 (Other Power Producing Equipment) and \$1,455,176 from Account No. 325 (Electrical Pumping Equipment) due to a keypunch error whereby Ohio American employees failed to transfer the disputed amounts from Construction Work in Progress (CWIP) to Utility Plant (Staff Ex. 3 at 96, Sch. B-2.2a4). Ohio American claims that the evidence conclusively establishes that the entire Marion Electrical Plant was completed, in service, and used and useful as of the date certain and that the Marion Electrical Plant could not have operated without the components that the Staff excluded.

Pointing to the testimony of Mr. David K. Little, President of Ohio American and Operator in Responsible Charge of the Marion Electrical Plant in 2008, the Company claims that the Marion Electrical Plant became operational on November 20, 2008, more than five weeks before the date certain in this case (Ohio American Ex. 1A at 8; Tr. IX at 1454; Rebuttal Testimony of David K. Little, Ohio American Ex. 37 at 8). Mr. Little testified that he personally observed the upgraded electrical system in service and operational on November 20, 2008, and was at the Marion Treatment facility when Ohio Edison Company disconnected the old switch gear and transferred service to the new switch gear (Ohio American Ex. 37 at 8). Relying on maintenance records and other documentation, Mr. Little asserts that the upgraded Marion Electrical Plant was completed, in-service, and used and useful as of the date certain (Ohio American Ex. 37, Rebuttal Ex. DKL-2).

On brief, Ohio American argues that Staff's exclusive reliance on the Company's CPR records is misplaced and unreasonable. Citing to Section 4909.18(A), Revised Code, Ohio American submits that Ohio law simply requires utility plant to be used and useful in order to be included in rate base. Staff relied solely on the Company's CPR records over any other evidence such as testimony of a witness who attended the in-service event and exhibits documenting the testing of equipment after it was in service. Ohio American contends that Staff's position defies common sense and Ohio Supreme Court precedent which states that the used and useful determination "should be ascertained by the trier of the facts in light of all the circumstances." Office of Consumers' Counsel v. Pub. Util. Comm'n, 58 Ohio St.2d 449, 453 (1979). Ohio American asserts that not only did Staff know

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of the accounting error in the Company's CPR records, but Staff further inquired about the error and reviewed documents relating to the error before disregarding such information and relying solely on the Company's CPR records (Tr. IX at 1457). The Company claims that Commission precedent obligates Staff to perform a supplemental investigation of the plant account when notified of an error by an applicant and that information concerning unclassified plant can be included in rate base even though the Staff Report predated the availability of the information concerning the unclassified plant (Reply brief at 6). Based on the evidence of record, Ohio American asserts that approximately \$1.5 million associated with electrical upgrades at the Marion Electrical Plant was used and useful as of the date certain and should have been included in the Company's rate base.

According to the Staff Report (Staff Ex. 3), Ohio American's plant-in-service represents the surviving original cost of the plant that is used and useful in providing water and wastewater services to its customers. The Company maintains it property records by district. The Mansfield district has ten physically separate systems while the Franklin County district has five separate systems and includes three wastewater treatment plants (Id. at 4). The Staff reviewed and tested Ohio American's plant accounting system to ascertain if the information in the Company's plant ledgers and supporting continuing property records represents a reliable source of original cost data. The Staff further conducted inspections to verify the existence of property and to determine its used and useful nature (Id.). When the application was filed, Ohio American was in the midst of changing the CPR accounting system from JD Edwards to PowerPlant and, as a result, the Company had difficulty supporting its date certain plant-in-service account balances as reflected in the application. The Company's B-2.3 schedules reflect account balances but no work papers were provided supporting where plant additions, retirements, or transfers took place within Water A, Water C, and Wastewater (Id. at 5). As a result, the Staff requested the Company's CPR by district. In response to the Staff's request, Ohio American provided three different CPR workbook files on three separate occasions. Nearly six weeks into the Staff's investigation, the Company provided a set of CPR's with work order numbers. Further complicating the Staff's investigation was the fact that the Company reflected plant additions in this case with a vintage date (discussed below) prior to the date certain in the previous rate case, Case No. 07-1117-WS-AIR (Id.). Ultimately, the Staff adjusted the plant balances in the application to match the balances reflected in the third set of continuing property records (Id. at 7; Staff Ex. 4 at 2).

Citing to Section 4909.15(A)(1), Revised Code, the Staff explains that the value of rate base must be determined by examination of the utility's property as of the date certain and that the property must be used and useful on that date (Staff brief at 4). The Ohio Supreme Court has also addressed this issue, finding that property included in rate base must be used and useful by the date certain (OCC v. PUCO at 457). The Staff notes that Ohio American chose when to file this rate application and also selected the test year and

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the date certain. The Company's CPR records indicate that the items excluded by the Staff were not listed as plant-in-service on December 31, 2008, the Company's selected date certain (Staff brief at 4).

In the Staff's view, Ohio American is asking the Commission to ignore what its own records reveal. However, the Staff is bound by statute to assess property as of the date certain. In this case, Staff used Ohio American's CPR's which establish that a portion of the electrical system upgrade to the Marion Electrical Plan was not plant-in-service as of the date certain (Staff Ex. 4 at 2; Tr. IX at 1454). Although the Staff also visited the Marion Electrical Plant, the site visit occurred in August 2009, well after the date certain of December 31, 2008 (Tr. IX at 1453, 1454, 1470). Additionally, although the Staff had some indication from the Company's CPR that at least a portion of the electrical system upgrade was operational in November 2008, the Staff had no way of knowing whether the specific items ultimately excluded were used and useful as of the date certain (Tr. IX at 1454, 1470). Nor should it matter, according to the Staff, that the excluded items were included in CWIP. The Staff did not review the CWIP account because Ohio American did not request an allowance for CWIP in its application (Staff Ex. 3 at 12). On rebuttal, Ohio American attempted to demonstrate, by way of plant maintenance records for a back-up generator, that the excluded items had to be operational on the date certain (Ohio American Ex. 37; Rebuttal Ex. DKL-2). These plant maintenance records were only seen by the Staff during the final days of the evidentiary hearing and, therefore, were not reviewed by Staff during the course of its investigation (Staff brief at 6). The Staff asserts that the Staff, and the Commission, must be able to rely on a company's CPR. The Staff maintains that the Commission's practice of relying on utility records of property in service to determine the value of utility property used and useful has been upheld as a reasonable means of determining rate base. City of Columbus v. Pub. Util. Comm'n, 58 Ohio St.2d 103, 105 (1979). According to Staff, the fact that these items were not included in plant-in-service in the Company's own CPRs, combined with the discrepancies found in those records as discussed below in the Prior Vintage Additions section, supports the Staff's recommendation to exclude a portion of the Marion Electrical Plant system upgrade (Staff brief at 6). Lastly, Staff asserts that Ohio American bears the burden of proof in this proceeding, and the Company's CPRs fail to support this burden (Staff Reply brief at 5).

Having fully reviewed the arguments presented on this issue, we find that Staff's disallowance of \$1.5 million in electrical upgrades at the Marion Electrical Plant was proper. As noted by Staff, Ohio American has the burden of proof on this item and the evidence of record is far from clear on whether the electrical upgrades Staff questioned were used and useful on the date certain. While the Company president testified that electrical upgrades were completed five weeks before the date certain in this case, Ohio American's own continuing property records do not support the Company's contention. The Company on rebuttal also pointed to maintenance records to attempt to prove that the

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electrical upgrades were completed and the plant operational on the date certain. We afford these maintenance records little weight because the Company was aware of Staff's position in late November 2009 but chose to wait to bring the maintenance records to the Staff's attention until the final days of the evidentiary hearing. Under these circumstances, Staff had little or no opportunity to examine and investigate Ohio American's additional proof. For the foregoing reasons, we adopt the Staff's position on this issue.

Prior Vintage Adjustments

Ohio American next objects to exclusion by Staff of \$1,442,914 of Prior Vintage Additions from the Company's rate base (\$1,282,874 in Water A Utility Plant, \$101,236 in Water C Utility Plant, and \$58,804 in Wastewater Utility Plant). The Company submits that, contrary to the statutory mandate set forth in Section 4909.15, Revised Code, Staff neglected to focus on the relevant issue of whether these plant items had prior vintage dates that were used and useful as of the date certain. Instead, Ohio American claims, Staff established an arbitrary cut-off point and excluded plant items merely because Ohio American took too long after the in-service date to account for them (Tr. IX 1465-1466). The length of time between the in-service date and placement of data in the CPR is irrelevant, Ohio American claims, and constitutes no basis at all for excluding items from the Company's rate base. Moreover, the Company maintains, the fact that Ohio American failed to record the in-service date for these plant assets on the CPR schedules in its prior rate case merely means that the Company prejudiced itself from not having those items included in a prior rate case.

Further, the Staff was aware, according to the Company, that the length of time between the in-service date and the accounting date often resulted from blanket work orders (Tr. IX at 1460-1462). A blanket work order is used to account for a number of small projects (e.g., installations of service lines, meters, and meter settings) so the projects appear on a single work order instead of numerous small work orders, which entails a delay in recording the correct in-service date (Tr. IX at 1461). Perhaps, most importantly, Ohio American claims, is that the vintage date identified for each project in the blanket work order is the date of the first project on the blanket work order (*Id.*).

Staff submits that the exclusions from plant for items listed in the Company's CPRs as plant additions occurring between June 30, 2007, and December 31, 2008, but with a vintage date prior to June 30, 2007, which was the date certain in the Company's prior rate case, Case No. 07-1117-WS-AIR, (2007 Rate Case) were appropriate. Because these plant additions have a vintage date prior to the date certain in the 2007 Rate Case, the additions should have been included in Case No. 07-1117-WS-AIR (Staff Ex. 3 at 7; Staff Ex. 4 at 3). Staff witness Brown provided examples of plant items with three different dates, a vintage or in-service date, an activity date (showing when the dollars were actually booked) from

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the CPRs as submitted in this case, and a vintage or in-service date from information provided by Ohio American in Case No. 09-92-WW-SIC (Tr. IX at 1461-1464, 1499-1500, 1501; Staff Ex. 5; Staff Ex. 6; Staff Ex. 7). The Staff does not dispute that these items are in service; however, it is the timing of the plant additions and the long periods of time that passed before the Company actually booked the dollars for these plant additions that causes the concern. The Staff submits that these discrepancies impeded the Staff's investigation and made it impossible to determine just when exactly these plant additions became used and useful. While the Company attributes the discrepancies in its records to its use of blanket work orders, only some of the items are related to blanket work orders, testified Staff witness Brown (Tr. IX at 1460, 1499-1500, 1501; Staff Ex. 5). Without access to accurate CPRs, Staff cannot evaluate the used and useful nature of the plant additions as of the date certain. In the absence of reliable records, Staff would need to complete a visual inspection of each plant addition on the day that it is placed in service, clearly an expensive, time-consuming, and unreasonable proposition.

Once again, Ohio American has failed to adequately prove that the prior vintage adjustments made by Staff are unreasonable and that the items should be included in the Company's rate base. Ohio American has offered no convincing evidence to establish that plant additions with a vintage date that proceeds the date certain in the last rate case have not already been factored into the Company's rates. Given the discrepancies in the Company's records and the long periods of time that passed before Ohio American actually booked these items, it is impossible to properly determine when these plant additions became used and useful. Accordingly, Staff's position on this issue will be adopted.

Marion Corporate Office Plant - 15 Percent Exclusion

Ohio American next objects to the Staff's reduction of the Marion Corporate Office building by 15 percent. The Company claims that this exclusion is arbitrary insofar as Staff agreed to an 11 percent reduction in the 2007 Rate Case (Tr. IX at 1477). Ohio American claims that all areas of the Marion Corporate Office building are currently used and that the Company has actually increased the percentage of utilized space since the 2007 Rate Case. From Staff testimony submitted at the evidentiary hearing, Ohio American asserts that only two specific portions of the Marion Corporate Office building, the former call center and lobby, were excluded. Staff reached the conclusion that the former call center was not used and useful because the second floor conference room provided adequate conference space (Tr. IX at 1476). Staff reached this conclusion regarding the former call center, the Company avers, without opening the door to the second floor conference room and without determining the number of people the second floor conference room could hold. Staff further reached this conclusion, Ohio American claims, without acknowledging that the call center area was empty during its investigation

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in the last rate case (Tr. IX at 1475), but that, at the time of the Staff's on-site investigation in this case, the call center area had a table and some chairs and could be used for training and conferencing purposes such as employee training, staff meetings, and labor relation meetings (*Id.*).

Regarding lobby space, Ohio American claims that the Staff witness acknowledged that this is the first time that lobby space of a utility office building had not been considered used and useful (Tr. IX at 1479). In fact, according to the Company, the Staff witness was unaware of any other case in which a utility's lobby space has been excluded from rate base (Tr. IX at 1478-1479). Accordingly, because the Staff could not support the 15 percent reduction (totaling \$282,959), the Commission should, according to the Company, include 100 percent of the Marion Corporate Office building in Ohio American's rate base.

Staff claims that the balance of the land and the outer shell of the Marion Corporate Office building was reduced by 15 percent to account for the total portion that was not deemed used and useful as of the date certain (Staff Ex. 3 at 7; Staff Ex. 4 at 4). Staff's inspection revealed that the portion of the Marion Corporate Office building referred to as the former call center was only used on occasion for training or meetings and that ample training and conference space is already available in the building for the same purpose (Tr. IX at 1475-1476, 1478, 1509-1510; Staff Ex. 4 at 4). Additionally, other areas of the building, such as an office on the second floor and a room in the basement of the building, are not used and still other areas, such as the lobby, are completely empty (Tr. IX at 1510-1511; Staff Ex. 4 at 4). Accordingly, the Staff determined that approximately 15 percent of the Marion Corporate Office building is not used and useful and properly excluded that amount.

Staff notes that it was misleading to assert that, during the visual inspection, Staff did not open the door to the second floor conference room as the day of the inspection a meeting was taking place in the room and, regardless, the Staff witness knew from prior experience that the second floor conference room was a good-sized room capable of holding more than ten people (Tr. IX at 1478). Regarding the lobby area, the Staff witness noted that the lobby and counter area next to the lobby are completely empty (Tr. IX at 1510-1511; Staff Ex. 4 at 4).

Staff has provided sufficient rationale to justify excluding 15 percent of the Marion Corporate Office plant as not being used and useful. Staff noted that there are rooms on the second floor and in the basement that are not used. In addition, Staff testified that the lobby and that the counter area next to the lobby are empty. Accordingly, we find that Staff properly excluded 15 percent of the Marion corporate office plant from rate base.

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Corporate Office Plant

Ohio American next claims that the Staff improperly excluded items from Corporate Plant based on an arbitrary listing of assets compiled during the 2006 rate case (Case No. 06-433-WS-AIR). The Company claims that any plant items that the Staff could not find during an on-site visit were included on the list for exclusion from rate base (Tr. IX at 1468). Because the parties reached a stipulation in the 2006 rate case, Ohio American claims it did not contest the listing of assets at that time. For purposes of the 2007 Rate Case, Ohio American claims that it reviewed the Staff's list and eliminated certain retired plant items from the Staff's list and included those items used and useful. Yet the Staff excluded all of the assets remaining on the list from the 2006 rate case. Because the parties reached a settlement in the 2007 Rate Case, Ohio American claims that it did not formally contest the Staff's reliance on the arbitrary list of assets at that time. As the starting point for the current case, Ohio American claims that the Company once again began with the 2006 rate case list, eliminated additional retired plant from its CPRs, and included in its rate base the remaining used and useful assets. The Company claims that, despite being informed by the Company that the 2006 list is incorrect, the Staff continues to use the outdated and incorrect information from a three-year old list and improperly excluded \$797,268 of used and useful plant from rate base (Staff Ex. 3 at 99, Sch. B-2.2a7).

Staff explains that the 2006 rate case adjustments were the product of an on-site inspection for which items could not be located and other items, designated by the Company, as items to be retired off of the books (Tr. IX at 1468, 1508; Staff Ex. 4 at 3, Staff Ex. 8). These items were thus excluded by Staff in that case and again in the 2007 Rate Case. Because Ohio American did not reflect Staff's prior adjustments in its books for ratemaking purposes in the current case, Staff excluded those items that had already been deemed not used and useful (Staff Ex. 4 at 4). During its site inspection in this case, Staff found the same types of items, not in use by the Company, but rather in storage (Tr. IX at 1472). Staff thus made the same adjustments in this case as in the earlier cases. Staff maintains that the Company's CPRs continue to list items from its plant service accounts that should have been removed as a result of the past two rate cases. Therefore, Staff recommends that the Commission order Ohio American to reflect Commission-approved plant-in-service adjustments made in prior rate cases by removing the assets from its plant-in-service accounts (Staff Ex. 3 at 5).

The Commission agrees with Staff's position. Staff has justified the removal of the listed items from rate base for purposes of this proceeding. Moreover, we agree with Staff that the Company must reflect these ordered plant-in-service adjustments by now removing the assets from its plant-in-service accounts.

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Management fees

In its application, Ohio American sought recovery of management fee expenses totaling \$4,060,453 (Ohio American Ex. 10 at 21-24). In the Staff Report, Staff proposed an adjusted management fee expense level of \$2,318,804, based on various adjustments set forth in the Staff Report. At hearing, Staff offered the testimony of Staff witness Jeffrey Hecker (Staff Ex. 20) who proposed a revised level of management fee expense of \$2,035,603 in revised Schedule C-3.18 which superseded the amount set forth in the Staff Report.

Ohio American submits that the Staff Report unreasonably and unjustifiably excluded more than half of the Company's proposed management fees. Further, the Company claims that adoption of Staff's recommendations would reduce Ohio American's management fees to levels well below the amounts approved by the Commission in the last three rate cases. The first exclusion challenged by Ohio American is a reduction from management fees of \$962,568 for salary and overhead of nine employees (Ohio American brief at 15 citing Staff Ex. 3 at 19). Ohio American claims that the Staff was under the mistaken impression that the Company had hired nine employees from the Service Company during the test year (Tr. XI at 1906, 1907-1908, 1933-1934). Contrary to Staff's position, Ohio American claims that seven of the nine employees hired by the Company had never been employed by the Service Company and the other two employees were hired by Ohio American in 2006, well before the test year in this case (Ohio American brief at 17). None of the activities performed by these Ohio American employees could have been duplicated by services performed by the Service Company and, although having similar titles to Service Company employees, there was no duplication of duties according to Ohio American witness VerDouw (Tr. XIII at 2258). For these reasons, Ohio American claims that \$962,568 should be added back to the Company's expenses as management fees.

Staff disagrees with the Company's objection and continues to recommend the exclusion of management fees for nine positions. Staff witness Hecker testified that the employees in these nine positions perform functions for Ohio American that are similar in nature to functions provided by the Service Company for which Ohio America is being billed (Staff Ex. 20 at 3-4). According to Staff, the Company has apparently decided that it is preferable to staff these positions in Ohio rather than pay the costs of similar services from the Service Company (*Id.*). Staff supports Ohio American's decision to staff these employees in Ohio. Staff believes, based on information contained in the manual describing the functions that the Service Company provides, that there is some overlap in function for services including engineering, water quality compliance, lab analysis, finance, and human resources (Staff Ex. 20 at 3-4; Tr. XI at 1926, 1932). Moreover, Staff submits that the Company has provided no documentation supporting its position that

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there is absolutely no overlap in function. Thus, Staff included the nine positions in its labor expense calculation and excluded the entire salaries and associated overhead from management fees (*Id.*; Staff Ex. 22; Staff Ex. 3 at 9). Regarding the testimony of Company witness VerDouw, Staff maintains that Mr. VerDouw admitted on cross-examination that there is an overlap in positions retained by Ohio American and positions staffed at the Service Company, and that he did not know for which areas those latter positions provided support or services (Tr. XIII at 2210). Therefore, Staff claims that Ohio American's objection regarding the exclusion of \$962,568 from management fees should be rejected.

The Commission finds that Staff's exclusion of \$962,568 from management fees is appropriate. We are convinced that Staff has justified its rationale for excluding the salary and overhead for these nine positions from management fees and including such expenses in the labor expense calculation. Ohio American, who has the burden of proof in this proceeding, has failed to justify its position that there is no overlap in function regarding this matter.

Next, Ohio American claimed that Staff improperly excluded an additional \$499,435 from management fees based on a misunderstanding of the Service Company (Ohio American brief at 20). The Company submits that Staff is assuming that there is a direct correlation between the number of budgeted Service Company employees and the actual number of Service Company employees for the same period. The Company continues that Staff wrongly deducted from the fees that Ohio American pays to the Service Company the cost difference between the actual and budgeted number of Service Company employees. Staff makes this incorrect correlation, Ohio American submits, without looking at each individual position and verifying that these employees would have worked for, and charged their time to Ohio American. Without knowing the activities that each of the employees in the unfilled positions would have performed and where the time of those positions would have been charged, an adjustment like this has no factual or rational basis claims Ohio American (*Id.* at 21).

Staff disputes Ohio American's claims regarding this exclusion. Staff notes that the Company's application included three months of actual expenses and nine months of forecasted expenses for the test year (Staff Ex. 20 at 2). The forecasted expenses were based on a projected headcount that was much higher, by 212 employees, than the actual headcount at the end of the test year (Id.). Staff believes that the actual headcount at the end of the test year is more characteristic of the current employee level at the Service Company and thus a more representative figure for ratemaking purposes (Id.). Staff also disputes the Company's position that Staff used an arbitrary point in time to measure vacancies by using the actual headcount as of August 2009 (Id.). Staff states that it used the most recent headcount when the Staff Report was issued which was the August 2009

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headcount (*Id.*; Staff Ex. 3 at 19). Later, the Company provided updated information for September 2009 that revealed that there were 62 fewer employees as the Service Company than in August 2009. Thus, Staff revised its management fee adjustment to reflect the actual headcount as of September 2009 (Staff Ex. 20 at 2-3).

We concur with Staff's exclusion of an additional \$499,345 from management fees as discussed above. Staff offered a full explanation and justification for this exclusion. Ohio American, the party with the burden of proof, criticizes Staff's exclusion but offers no evidence in return to support the Company's position.

In addition to the adjustments made by Staff to the Company's proposed management fee expenses, OCC offered eight additional exclusions2 that would, if adopted, result in a further reduced recovery in the amount of \$1,475,918 in management fee expenses (OCC brief at 14). OCC's first two adjustments would eliminate one-half of the expenses associated with services provided by the Regulatory function of the Service Company as well as one-half of the expenses of the Rates and Regulation section of the Shared Service Center to Ohio American in line with OCC's recommendation to reduce by half all rate case expense (OCC Ex. 48 at 5, 10). OCC's third, forth, and fifth adjustments would be in the areas of External Affairs, Investor Relations, and Business Development. OCC offers that these three functions provide no direct and primary benefit to Ohio customers (Id. at 6-7, 8, 9). The sixth adjustment offered by OCC was to exclude that portion of management fees associated with Employee Awards such as employee appreciation dinners, prizes, and gift cards (OCC Ex. 49 at 8-11). Lastly, OCC believes that management fees, regardless of the adjustments made above, should only increase by five percent as the result of imprudent management policies and/or administrative practices of the Company (OCC Ex. 48 at 12).

In its reply brief, Ohio American asserts that none of OCC's further adjustments to management fees should be adopted. The Company argues that OCC's witness erred by beginning with Staff's reduced management fee adjustments and reducing further from this point (Tr. VII at 1236). Ohio American also claims that the OCC witness lacked an understanding of the Service Company's functions. As a final position, Ohio American states that there is absolutely no justification whatsoever for the arbitrary five percent cap the OCC witness proposed to the level of management fees (Tr. VII at 1241-1243; Ohio American reply brief at 13-14).

Staff disagrees with all of OCC's further adjustments to management fees discussed above except one. Regarding the first adjustment, Staff points out the business development function authorized by Staff includes coordinating reporting and training

We will address seven management fee exclusions here and discuss the OCC's further adjustment to deferred Pension and Other Post Employment Benefit expense below.

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between the operating companies (Staff Ex. 20 at 5). On the issue of external affairs, the expenses Staff included relate to corporate communications with customers which Staff submits are vital to the Company (Id. at 6). The investor relations expenses provide a direct and primary benefit to customers by promoting a strong and healthy company and are thus a necessary cost of doing business, Staff avers (Id. at 7). Staff next disagrees with OCC's exclusion of one-half of the expenses for regulatory and for the rates and regulation section of the Service Company. In support, Staff notes that these two categories of expenses are the normal cost of doing business and further that OCC's one-half reduction is an arbitrary reduction (Id. at 7-8). Staff does, however, agree with OCC's adjustment to exclude the expenses associated with employee awards as employee awards offer no direct and primary benefit to customers (Id. at 8). Lastly, Staff finds OCC's proposal to cap management fees at five percent based on an arbitrary percentage and contrary to the Staff's in-depth investigation of test year expenses undertaken in this proceeding (Id. at 9).

The Commission determines that Staff has reasonably justified both the adjustments that Staff made to management fee expenses and the reasons why further adjustments have not been made. For the reasons listed above, we deny all of OCC's further recommended adjustments to management fees except for those expenses associated with employee awards (in the amount of \$10,811) which should have also been excluded. Accordingly, the Commission will adopt Staff's management fee exclusions set forth in revised Schedule C-3.18 in the amount of \$2,035,603 and subject to any further modifications regarding incentive compensation discussed below.

Incentive Compensation

Staff improperly excluded 100 percent of incentive compensation plan expense from management fees totaling \$223,935, Ohio American claims (Staff Ex. 3 at 15; Ohio American brief at 21, 38). Nevertheless, at hearing, Ohio American claims that Staff witness Choudhury agreed that only 40 percent, representing the financial standard portion of the plan, should have been eliminated, leaving \$134,361 that should not have been excluded from management fees (Id.). The Company asserts that excluding only the financial portion of the incentive compensation plan would be consistent with Ohio American's 2007 Rate Case (Tr. VIII at 1335) and the Commission's January 21, 2009, opinion and order in Case No. 07-551-EL-AIR, a recent FirstEnergy rate proceeding. Further, Ohio American claims that the 2008 American Water Incentive Plan (incentive compensation plan) involved no significant changes between the 2007 Rate Case and this proceeding (Tr. VIII at 1336-1337). Before any payouts are made under the incentive compensation plan, the Service Company must meet certain financial health goals (Tr. VIII at 1344). Once the financial health goal has been satisfied, the incentive compensation plan is triggered. The plan has three components: (1) financial; (2) operational; and (3) individual (OCC Ex. 49, RPR-I at 4-5; Tr. IX at 1613-1614). From a percentage standpoint,

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the financial component comprises 40 percent of the Company's incentive compensation plan (Tr. IX at 1614). The remaining 60 percent of the incentive compensation plan not tied to Ohio American's financial goals is related to employee achievements and certain operational goals (Tr. VIII at 1345). Consistent with the Commission's treatment of incentive compensation in recent rate cases and prior Ohio American rate cases, the Company submits that 60 percent tied to the Company's employee's achievements and other operational/non-financial goals should be included as proper operating expenses (Ohio American brief at 40).

Pointing to the same 2009 FirstEnergy rate decision, OCC claims that the Commission adopted a bright-line test to determine whether incentive compensation is appropriately recoverable from customers. The test, according to OCC, was succinctly stated as "[T]o the extent that financial incentives are awarded for achieving financial goals, the primary benefit of such financial incentives accrues to shareholders and that portion of incentive compensation should not be recovered from ratepayers" (2009 FirstEnergy decision, OCC Ex. 49, Att. RPR-J at 17). OCC opposes Ohio American's collection from customers of incentive compensation because the amount of incentive compensation expense is unknown or measurable. The Company filed to collect from customers \$229,868 in incentive compensation for Ohio employees but as of the end of the test year (September 2009), the amount of accrued incentive compensation was slightly more than \$133,000 says OCC. Such a wide disparity supports the position that the Company's incentive compensation is an unknown expense according to OCC (OCC brief at 13).

OCC objects to the Staff's failure to state, as rationale for exclusion of incentive compensation from rates, that Ohio American's utilization of an income-based incentive compensation plan is inappropriate because the primary beneficiaries are the shareholders and not the customers who pay the rates (OCC Ex. 49 at 13-15).

On brief, Staff recommends that all incentive pay expenses, both the portions based on financial and non-financial goals, for Ohio employees should be excluded from management fees (Staff Ex. 3 at 19; Staff Ex. 20 at 4; Staff Ex. 12A at 2-3). Staff views the 2008 American Water Incentive Plan as a bonus, not a part of the employee's base salary. Nor does Staff believe that Ohio American must pay cash awards in order to retain employees as the Company rewarded employees with an average increase in pay of four percent during the test year (Id.). Staff recognizes that its recommendation to exclude the full amount of incentive pay, and not just the portion related to financial goals, is a departure from Commission precedent. Nonetheless, Staff believes, for the reasons set forth above, that Staff has explained the rationale for its recommendation and believes that these reasons justify a departure from the Commission's treatment of incentive pay in prior cases.

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Consistent with 2009 FirstEnergy rate decision, we find that 40 percent of the Company's incentive compensation plan is related to financial goals and are, therefore, not recoverable from ratepayers. However, the remaining 60 percent of the incentive compensation plan not tied to Ohio American's financial goals is recoverable as proper operating expenses.

Accounting Mismatches

Ohio American accuses Staff of violating the matching principle of accounting throughout this proceeding (Ohio American brief at 41-42). According to the Company, the matching principle of accounting states that revenues and expenses should relate to the same period (Tr. IX at 1488; Tr. IX at 1521-1522). Ohio American claims that Staff violated this principle by irregularly and arbitrarily mismatching 12 months of actual revenues with three months actual, nine months projected expenses (Ohio American brief at 41). Compounding this accounting error, Ohio American submits that Staff failed to annualize a number of Staff's adjustments (*Id.*).

Staff asserts that Ohio American is using an incomplete definition of the matching principle of accounting. Staff maintains that the matching principle also requires that there be a correlation, or cause-and-effect relationship, between revenues and expenses (Staff brief at 23). Contrary to the Company's position, Staff claims to have matched actual revenues with actual expenses with respect to production-related costs (e.g., purchased power, purchased water, and chemicals) that generated the Company's revenues, thus satisfying the prerequisite of a cause-and-effect relationship (Tr. XI at 1992-1993). Further, Staff explained that for those expenses that do not drive the Company's revenues, Staff elected to use projected expenses. Examples of such costs not related to production of the commodity include waste disposal, insurance other than group, and tank painting (Staff brief at 24).

The Commission finds that Staff has reasonably explained the basis upon which Staff matched actual revenues with actual expenses for production-related costs that generated company revenues while using projected figures to account for costs that do not drive the Company's revenues. Accordingly, the Commission will deny the Company's objections concerning accounting mismatches.

Pension Expense and Other Post-Retirement Employee Benefit Expense

The Staff Report adjusted test year pension and other post-retirement employee benefit (OPEB) expenses to eliminate the effects of financing and other non-service related expenses. Staff also annualized test year pension and OPEB expenses to reflect the 09-391-WS-AIR -23-

estimated service costs using the latest 2009 Actuarial Valuation Reports. Further, Staff excluded pension and OPEB deferrals for which the Company had not sought prior Commission authorization (Staff Ex. 3 at 15). Ohio American objected to Staff's treatment of pension and OPEB expenses as set forth in the Staff Report (Staff Ex. 12A at 4). In his prefiled testimony, Ohio American witness Edward Grubb (Ohio American Ex. 4) proposed a balancing account. With its prefiled and supplemental testimony of Staff witness Choudhury (Staff Ex. 12A and 12B), the Staff recommended a slightly different pension and OPEB balancing account consistent with a July 8, 2009, entry in Case No. 09-371-GA-AAM (In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods) to which the Company does not object (Tr. XIII at 2246-2247).

Under the balancing account mechanism recommended by Staff, the annual pension and OPEB costs that are incremental to the amounts currently included in the base rates would be deferred. The exact amount of the deferral will be the difference between the FAS 87 (for pensions) and FAS 106 (for OPEBs) levels in the actuarial valuation report prepared each year and the FAS 87 and FAS 106 levels included in the base rates established in the prior case. The deferred amounts will be recorded in a unique subaccount of Account 182.3. Other Regulatory Assets, or Account 254, Other Regulatory Liabilities. The deferred balances should not accrue carrying charges and the accounting treatment should be effective January 1, 2009. Ohio American should not seek recovery of pension and OPEB deferrals in a base rate proceeding for five years. Additionally, Staff recommends that the Company be required to file annual updates on the status of the deferred balances. At the end of five years, any over-recovery (regulatory liability) should be treated as a reduction to pension and OPEB expense and the amortization of the deferred liability treated as a rate base deduction. Any under-recovery at the end of five years should be treated as a regulatory asset and the Company should be permitted to begin recovery of the underfunded amount in rates beginning the first rate case following the fifth year. Likewise, the amortization of the deferred regulatory asset should also be included as a rate base addition.

OCC recommends that the Commission permit the balancing account for deferred pension and OPEB expenses only if: (1) there is no guarantee of ratemaking treatment in the next case; (2) the Company files annual updates on the status of the deferred balances; and (3) the balancing account does not continue beyond the next rate case unless a thorough review by the Staff and others determine otherwise (OCC brief at 23-28; OCC reply brief at 18-19).

Due to the rather dramatic decline in the stock market in conjunction with the decline in long-term interest rates, which are used to calculate the present value of future pension and OPEB obligations, the Commission determines that the balancing account proposal set forth by Staff is appropriate and should be adopted. We clarify that, similar

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to the July 8, 2009, entry in Case No. 09-371-GA-AAM, this balancing account approach to pension and OPEB expenses is for booking purposes only, and does not address or affect ratemaking treatment of these deferrals. Also, the balancing account concept will be reviewed during the Company's next rate case; however, it would be premature at this time to state that this process will not extend beyond the next rate case.

Pension Expense and OPEB Expense for Service Company Employees

OCC objected to Staff's failure to eliminate the deferred pension and OPEB expense from the Service Company Schedule C-3.18, Management Fees Expense Adjustment. Ohio American notes that Staff and the Company agree that Service Company pension and OPEB expenses will not be accounted for using the balancing account or deferral mechanism addressed above. The Company recommends that the Commission continue its longstanding treatment of pension and OPEB expense on this issue and continue to recognize Service Company pension and OPEB expenses at FAS 87 and FAS 106 levels as established in the Tower Perrin actuarial report in this proceeding (Ohio American brief at 33). Staff agreed with OCC that the deferred amounts for Service Company pension and OPEB should be eliminated from the Management Fees Expense Adjustment Schedule C-3.18 to be consistent with the elimination of deferred pension and OPEB adjustment made in the Labor and Labor Related Expenses in Schedule C-3.3 and C-3.3a (Staff Ex. 12A at 7). Therefore, Staff adjusted \$84,872 from pension and \$15,623 from OPEB in Management Fees.

The Commission agrees with Staff's recommendation to adjust Service Company pension and OPEB expenses to be consistent with the elimination of deferred pension and OPEB adjustment made in the Labor and Labor Related Expenses. Thus, this adjustment shall be adopted.

Rate Case Expense

Ohio American has two objections regarding Staff's recommendations concerning rate case expense. First, the Company objects to Staff's recommendation to reduce rate case expense to \$523,417, the amount authorized in the 2007 Rate Case (Staff Ex. 3 at 17; Staff Ex. 9 at 3). The justification for the level of rate case expense set forth in the Staff Report, the Company claims, is that this was a known amount from the last rate case (Tr. IX at 1529). In fact, the Company argues, Staff confirmed that Ohio American should be permitted to recover all of its actual rate case expenses at the conclusion of this proceeding, even if greater than the recommendation in the Staff Report (Tr. IX at 1554). In response to a Staff data request, the Company's updated rate case expense is approximately \$973,106 (Revised Company response to Staff Data Request No. 80; Ohio American brief at 35). In its reply brief, Ohio American takes issue with OCC's deliberate

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tactics to increase rate case expense. According to the Company, OCC promulgated an unreasonable number of discovery requests, lengthy depositions, the outright refusal to even discuss settlement, and the blatant use of this rate case as a platform to promote unreasonable legislation arbitrarily reducing the amount of recoverable rate case expense (Ohio American reply brief at 17). The Company also takes issue with the improper and unreasonable attacks on Ohio American's attorney staffing levels by OCC, city of Marion, and Staff particularly as it is Ohio American that has the burden of proving that its application is just and reasonable (*Id.* at 17-18).

Ohio American's second objection to Staff's recommendation concerning rate case expense is that Staff's recommendation for a three-year amortization period for the recovery of rate case expense runs contrary to Commission precedent (Ohio American brief at 34). The Company argues that the Commission has traditionally used two factors to determine the appropriate amortization period for the recovery of rate case expense. The first is the utility's length of time between past rate cases and the second is when that utility's next rate case will be filed (*The Chillicothe Telephone Company*, Case No. 85-995-TP-AIR, Opinion and Order dated November 12, 1986; *Ohio Suburban Water Company*, Case No. 81-657-WS-AIR, Opinion and Order dated May 5, 1982; *The Cincinnati Gas & Electric Company*, Case No. 91-410-EL-AIR, Opinion and Order date May 12, 1992; *Columbia Gas of Ohio, Inc.*, Case Nos. 88-716-GA-AIR et. al, Opinion and Order dated October 17, 1989). Based upon these factors, Ohio American recommends a two-year amortization time frame.

While OCC did not object to Staff's recommended level of rate case expense (\$523,417) or to a three-year amortization time frame, OCC did object to the Staff's failure to reduce the level of rate case expense by 50 percent (OCC Ex. 48 at 3). OCC submits that the Company and its shareholders benefit as much if not more than customers from a rate case proceeding, thus, shareholders should equally share the expenses associated with such cases (ld.). OCC claims that the Commission has reduced the allowable recovery of rate case expense by 50 percent in the past upon a finding that the requested amount was unreasonable (The Cincinnati Gas & Electric Company, Case No. 91-410-EL-AIR, Opinion and Order dated May 13, 1994). OCC also finds support for such a reduction in rate case expense by a pending bill in the Ohio House of Representatives, H.B. 344, which would permit large water companies, such as Ohio American, to recover no more than 50 percent of rate case expenses from the Company's customers (Tr. VII at 1158). In its reply brief, OCC submits that the Commission should disregard Ohio American's revised estimate of its current rate case expense set forth in the Company's initial brief (\$973,106) because the Company failed to file a late-filed exhibit of the revised estimate of current rate case expense as required by the Commission's Standard Filing Requirements, Chapter 4901-7, Appendix A, Chapter II, Section C(D)(5), Ohio Administrative Code (O.A.C.) (OCC reply brief at 17).

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Staff maintains that its rate case amount is reasonable considering that the current rates established in the 2007 Rate Case have been in effect for less than 14 months (Staff Ex. 3 at 17; Staff Ex. 9 at 3). Staff confirmed that the Company should update its estimate of rate case expense for the Commission's consideration and that the Commission make the final determination of rate case expense (Id.). Staff notes that a utility should be permitted to recover a reasonable level of rate expense (Cincinnati Gas & Electric Company, Case No. 91-410-EL-AIR, Opinion and Order issued May 12, 1992) and that such a standard has been upheld by the Ohio Supreme Court (City of Canton v. Pub. Util. Comm'n, (1980) 63 Ohio St. 2d 76, 83; Ohio Utilities Co. v. Pub. Util. Comm'n, (1979) 58 Ohio St. 2d 153, 163-164). Staff then asserts that it is not reasonable for the Company to retain four attorneys on a case, and then expect to pass the expenses along to ratepayers. In Staff's view, two attorneys would have been sufficient to litigate this case (Staff brief at 23). Moreover, Staff argues that if the Company believes that more than two attorneys were needed for this case, that Ohio American should bear the additional expense, not ratepayers (Id. at 24).

Regarding the amortization time frame, Staff points out that the Commission has traditionally used a three-year amortization period for rate case expense (In re Ohio Edison, Case No. 07-551-EL-AIR, Opinion and Order issued January 15, 2009; In re Columbus and Southern Ohio Electric Company, Case No. 77-545-EL-AIR, Opinion and Order issued March 31, 1978). Further, Staff avers that the Commission has found that because precision on this issue is not possible, it is far better to adopt an amortization time frame which minimizes the risk that ratepayers be subjected to rates which have costs built into them that have already been recovered (Id.). Given this uncertainty, Staff maintains that a three-year amortization time frame is appropriate in order to lessen the possibility that Ohio American's customers will be adversely impacted by an over-recovery of the Company's rate case expense (Staff brief at 25).

Regarding OCC's objection, Staff disagrees with reducing by half the recovery of rate case expense (Staff Ex. 9 at 8). Staff submits that OCC's recommendation is an arbitrary reduction that does not pass muster pursuant to the reasonableness standard prescribed by the Commission and the Ohio Supreme Court (Staff brief at 24).

Pursuant to the Commission's Standard Filing Requirements, Chapter 4901-7, Appendix A, Chapter II, Section C(D)(5), O.A.C., Ohio American was to have filed a revised estimate of the current rate case expense in this docket within ten days of the close of the hearings in this matter. The record reveals that no such updated filing was made. The record evidence reveals three recommendations concerning the level of recoverable rate case expense. The Company requested \$692,785 which anticipated this matter being fully litigated (Ohio American Ex. 24; Tr. IX at 1527). Staff recommended recovery of \$523,417 but noted that the Company should only recover expenses for two attorneys and

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not the four that represented the Company at the hearing and further that the Company only be permitted to recover a reasonable level of rate case expense. Finally, Staff recommends that the Commission also exclude any unamortized balance from Ohio American's prior rate case that the Company would attempt to recovery through this proceeding (Staff Ex. 9 at 3-4). OCC concurs with the Staff recommendation concerning the level of recoverable rate case expense but then OCC would reduce Staff's level by 50 percent consistent with OCC's concept that shareholders and the Company benefit equally from a rate case proceeding (OCC Ex. 48 at 3).

Considering the three recommendations in the record, the Commission determines that a reasonable level of rate case expense eligible for recovery in this case is \$692,785. This represents the Company's estimate for a fully litigated proceeding and excludes the unamortized balance from the 2007 Rate Case. We can not consider the higher level of rate case expense cited by the Company in its initial brief as Ohio American never filed an updated revised estimate for rate case expense as required by the Commission's Standard Filing Requirements, Chapter 4901-7, Appendix A, Chapter II, Section C(D)(5), O.A.C. Staff's recommendation was based on a known level of rate case expense from the 2007 Rate Case; however, the 2007 Rate Case was stipulated and did not go through a fully litigated proceeding. Staff acknowledged that the Company should be permitted to recover its reasonable actual rate case expense. We also note that the Company has the burden of proof in this matter and thus we find, under the circumstances of this case, that \$692,785 is a reasonable level of rate case expense. Regarding OCC's recommendation that the allowable rate case expense be reduced by 50 percent, we determine that such a position not be adopted. As noted by Staff, such a reduction in allowable rate case expense in this case would be contrary to the reasonableness standard prescribed by the Commission and upheld by the Ohio Supreme Court.

On the issue of the proper amortization time frame, the Commission agrees with the Company that a two-year amortization time frame is appropriate. The Company's statistics reveal that the actual number of months between the last four rate case approvals, beginning with Case No. 01-626-WW-AIR and ending with Case No. 07-1112-WS-AIR, is approximately 25.25 months. As the Company's most recent rate case approval time period is more consistent with Ohio American's recommendation, we will adopt the Company's recommended recovery interval.

Miscellaneous Operation and Maintenance Expense

Under the miscellaneous operation and maintenance (O&M) expense portion of the Staff Report, Staff adjusted test year operating expenses to eliminate certain lobbying expense and excluded a variety of other expenses such as flowers, meals, and cable service. Additionally, Staff amortized certain legal fees associated with proposed water

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legislation. Lastly, under this section of the Staff Report, Staff amortized over three years a complete reconditioning associated with a 400 HP water pump at the Company's Ashtabula plant (Staff Ex. 3 at 18).

OCC objected to Staff's miscellaneous O&M expense recommendations arguing that Staff improperly failed to exclude various items OCC finds inappropriate for recovery from ratepayers. First, OCC challenged certain lobbying expenses billed in conjunction legislative efforts at the Ohio General Assembly (OCC Ex. 49 at 4-12; OCC brief at 9-10). OCC also objected to certain legal expenses incurred as part of a National Labor Relations Board (NLRB) matter involving the Company and its union employees (*Id.*). Lastly, under this item, OCC argues that the maintenance charges associated with the reconditioning of the 400 HP water pump at the Ashtabula plant should be excluded as being much more expansive than what OCC has found to be typical (*Id.*).

In its reply brief, Ohio American took issue with the OCC's recommendations concerning further exclusions from the miscellaneous O&M expense category. The Company believes OCC's position concerning legal representation before the NLRB involving an employee union matter is unreasonable. Moreover, the Company challenged OCC's exclusion of maintenance on the Ashtabula water plant pump stating that the OCC witness on cross-examination admitted that he knew little of the importance of the pump to the Ashtabula district, the age of the pump, the maintenance schedule of the pump, or how expensive it would have been to replace the pump with a new one (Tr. VIII at 1317-1326).

Staff agreed in part and denied in part OCC's objections. Staff agreed with OCC that two years of amortized expenses for services provided in the NLRB matter should have been excluded rather than the one-year exclusion set forth in the Staff Report (Staff Ex. 10 at 4). In all other respects, Staff disagrees with OCC's objections. Regarding the expenses associated with the maintenance on the Ashtabula water pump, Staff found that, while abnormal on an annual basis, such expenses were a legitimate business expense and thus a three-year amortization period was appropriate (*Id.*). As for certain lobbying activity expenses, Staff found that such expenses were a legitimate business expense (*Id.*).

The Commission agrees with Staff's recommendations concerning miscellaneous O&M expense. Staff has reasonably examined the expenses set forth in this category by Ohio American and has made legitimate modifications and the proposed exclusions were appropriate. No further exclusions are warranted.

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Three Step Increase, Pass-Through Provisions, and Unavoidable Expense Rider

As part of its June 8, 2009, rate increase application, Ohio American proposed threestep increases in April 2011, April 2012, and April 2013. The Company also proposed two pass-through provisions for purchased water adjustments and for infrastructure improvements and an unavoidable expense rider (collectively, surcharges or pass-through provisions). The Company withdrew its step-increase proposal on January 20, 2010. Ohio American claims that a legislative effort for expanded surcharge authority was abandoned after meeting with the Commission and being advised that the Company should pursue these surcharges in the Company's next rate case application. Now, Ohio American claims that Staff has rejected the surcharge proposals with little or no analysis. The Company proclaims that each expense category covered by the proposed surcharges represent significant cost and/or expenses which significantly impact when a rate case is filed. Moreover, Ohio American believes that Staff has completely ignored the fact that the Commission long ago approved surcharges in the electric and gas industries which are directly analogous to those proposed by Ohio American in this case. Finally, Ohio American claims that Staff ignores the very purpose of the proposed surcharges which is to reduce the frequency between rate case filings and reduce the impact of rate case cost recovery on ratepayers (Ohio American Ex. 4 at 18-22).

OCC objects to the Company's surcharge proposals (OCC brief at 61-62). OCC asserts that there is no provision in the Ohio Revised Code or the Ohio Administrative Code that authorizes these types of pass-throughs for water companies as Ohio American has proposed (*Id.*). Moreover, OCC submits that where these types of pass-through provisions have been adopted for other utility industries, such items are generally related to wholesale energy costs or other costs that are outside the control of the utility and generally volatile in nature (OCC Ex. 23 at 31).

Staff does not recommend approval of the pass-through provisions. According to Staff, Ohio American would have the Commission authorize a much expanded interpretation of the purchased water adjustment clause provision and the infrastructure improvement surcharge provision as those provisions currently exist in the Ohio Revised Code (Staff brief at 41). Regarding the unavoidable expense rider, the Company seeks authority to pass along increases in purchased water rates that have been approved by regulatory authorities in other states thereby depriving the Commission and its Staff of having the opportunity to examine the reasonableness of the purchased water rate increase (Tr. XI at 1983-1984; Staff Ex. 3 at 24). For the infrastructure improvement surcharge, Ohio American seeks authority to recover the costs associated with new infrastructure, main extensions not subject to a main extension agreement, and major plant additions, repairs, and replacements providing the Company with additional revenue. This is, according to Staff, not permitted by Section 4909.172, Revised Code (Staff Ex. 3 at

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25; Staff brief at 42). Staff continues that the Company seeks to recover, through the unavoidable expense rider, costs associated with tax increases, uncollectible accounts, increases in chemical expense, wastewater disposal expense, purchased water expense, purchased power expense, and increases resulting from decisions of regulators (Staff Ex. 3 at 25). As explained by Staff witness Willis, the costs associated with some of these items (e.g., taxes) are not drivers of the Company's rate cases (Tr. XI at 1979, 1980). Additionally, there are a number of other factors that impact the Company's costs and Ohio American is not unique compared to any other Ohio-regulated water company that must deal with these circumstances (Tr. XI at 1980-1981, 1996; Staff Ex. 3 at 26).

With its pass-through provisions, Ohio American is seeking greater opportunity to adjust rates outside of a rate case proceeding than permitted under current law. We recognize that the adoption of surcharges and pass-through provisions, as proposed by Ohio American, could operate to reduce the frequency by which the Company files rate case proceedings. However, we are troubled by the fact that the Company has pointed to no statutory authority which would authorize the Commission to approve pass-through provisions for the water industry. Further, the Ohio Supreme Court has held that the Commission may only authorize adjustment clauses, such as the ones proposed by Ohio American, if authorized by statute (*Pike Natural Gas Co. v. Pub. Util. Comm'n*, (1981) 68 Ohio St.2d 181, 183). Thus, we must reject, for lack of underlying statutory authority, the Company's proposed surcharges and pass-through provisions.

Rate Base Summary

Consistent with the foregoing discussion, the Commission finds Ohio American's jurisdictional property used and useful as of the December 31, 2008, date certain, to be as set forth below.

	Water A	Water C	Wastewater	<u>Total</u>
Plant in service	\$99,142,554	16,525,092	16,330,535	131,998,181
Depreciation reserve	(35,508,813)	(5,492,709)	(5,954,449)	(46,995,971)
Net plant in service	63,633,741	11,032,383	10,376,086	85,042,210
Working capital	-0-	-0-	-0-	- 0-
CWIP	-0-	-0-	-0-	-0-
Other rate base items	(10,482,949)	(2,056,922)	(2,430,215)	14,970,086
Rate base	\$ 53,150,792	8,975,461	7,945,871	70,072,124

The Commission finds the rate bases determined herein to be reasonable and proper and adopts these valuations for purposes of this proceeding.

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OPERATING INCOME SUMMARY

Based on our findings above, the Commission finds Ohio American's operating revenues, operating expenses, and net operating incomes to be as set forth below.

	Water A	Water C	Wastewater	<u>Total</u>
Operating revenues				
Water sales	27,349,091	4,868,467	3,805,183	36,022,741
Other operating revenues	915,315	<u>256,685</u>	<u>7,009</u>	1,179,009
Total operating revenues	28,264,406	5,125,152	3,812,192	37,201,750
Operating expenses				
Operation & maintenance	15,702,989	2,968,985	1,733,391	20,405,365
Depreciation & Amortization	3,039,711	398,308	371,209	3,809,228
Taxes, other than income	5,744,047	1,255,603	1,130,149	8,129,799
Federal income taxes	<u>895,524</u>	<u>76,961</u>	<u>113,178</u>	1,085,663
Total operating expenses	25,382,271	4,699,857	3,347,927	33,430,055
Net operating income	2,882,135	425,295	464,265	3,771,695

The Commission finds Ohio American's operating revenues, operating expenses, and net operating income as determined herein to be reasonable and proper. The Commission will, therefore, adopt these figures for purposes of this proceeding.

A comparison of total operating revenue of \$37,201,750 with total operating expenses of \$33,430,055, indicates that, under existing rates, Ohio American had a net operating income of \$3,771,695. This net operating income, when applied to rate base of \$70,072,124, results in a rate of return for Ohio American of 5.38 percent. A rate of return of 5.38 percent is insufficient to provide the Company with reasonable compensation for the services the Company provides.

RATE OF RETURN

In its Staff Report, Staff found that a fair and reasonable rate of return for Ohio American in this proceeding would fall in the range 7.60 percent to 8.11 percent with a midpoint of 7.85 percent (Staff Ex. 3 at 27). Staff notes that this recommended rate of return range was developed using a cost of capital approach, which reflects the Company's market-derived cost of equity, Ohio American's embedded cost of long-term

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debt and preferred stock, and the embedded capital structure of the Company (Id.). In reaching its recommendation, Staff utilized Ohio American's capital structure rather than the capital structure of American Water Works, Inc., the Company's parent. Staff determined the embedded cost of long-term debt (6.16 percent) and the Company's embedded cost of preferred stock (8.40 percent) (Id.). To determine cost of common equity, Staff used a proxy group made up of water utilities and averaged the results calculated using the capital asset pricing model (CAPM) and the non-constant discounted case flow model (DCF). The result of averaging the non-constant DCF estimate of 10.58 percent and the 7.93 percent CAPM estimate is 9.25 percent (Id. at 28-29). To account for uncertainty, Staff included a 100 basis point range making the cost of equity estimate a range between 8.76 percent and 9.76 percent. Staff then applied an adjustment factor of 1.03627 to allow for issuance and other costs. Applying this adjustment to the baseline cost of common equity range resulted in a recommendation of 9.07 percent to 10.11 percent (Id. at 29). Representing Staff's rate of return and cost of common equity recommendations was Mr. Stephen Chaney, Utilities Specialist in the Capital Recovery and Financial Analysis Division of the Utilities Department (Staff Ex. 14).

Ohio American offered the testimony of Ms. Pauline Ahern to support the Company's proposed cost of common equity (11.7 percent) and rate of return (8.87 percent) (Ohio American Exs. 11 and 11A). To arrive at the Company's recommendations, Ms. Ahern used four methodologies: the DCF approach, the Risk Premium Model (RPM), the CAPM, and the Comparable Earnings Model (CEM). While Staff and OCC used a comparable group made up of four companies to arrive at a cost of common equity (Staff Ex. 3 at 28; OCC Ex. 47 at 10), Ms. Ahern used two groups of comparable companies, six water companies and ten gas distribution companies, adjusted for the increased business risk of Ohio American due to its relative size (.25 percent) and for the Company's increased financial risk (.30 percent) relative to the comparable companies (Ohio American Exs. 11 and 11A).

To support its cost of common equity and rate of return recommendations, OCC offered the testimony of Mr. Daniel Duann (OCC Ex. 47). OCC recommends that the Commission approve a cost of common equity of 8.31 percent and a rate of return of 7.23 percent for Ohio American in this proceeding. OCC asserts that Ohio American has failed to demonstrate that its proposed cost of common equity and rate of return are based on credible and commonly applied methodologies and financial input data (OCC brief at 31). While an improvement over the Company's recommendations, OCC also finds fault with Staff's cost of common equity and rate of return recommendations discussed further below (Id. at 32).

Ohio American filed several objections to the Staff Report and found fault, in its reply brief, with a number of Staff recommendations. For example, in its reply brief, Ohio

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American challenged the sufficiency of the Staff's cost of common equity models, the appropriateness of the Staff's comparable groups, the inappropriateness of the historical risk free rate in the CAPM, the need for adjusted Gross National Product (GNP) rates in the DCF, and the necessity for adjustments for business and financial risks (Ohio American reply brief at 35-41). However, to the extent that the Company did not discuss its objections in its initial brief, the Commission need not further address them at this time as those objections are considered withdrawn as discussed above.

Capital Asset Pricing Model (CAPM)

First, Ohio American objects that Staff's comparable group is not comparable because the Company is actually a small company. Staff responds that the cost of equity can only be observed from the large parent company as Ohio American issues no publicly traded stock (Staff Ex. 14 at 5). Therefore, it is the parent company's business characteristics that are relevant in forming a comparable group. The Commission agrees with Staff's composition of the comparable group of companies. Accordingly, Ohio American's objection is denied.

Regarding CAPM, Ohio American finds fault with the Staff using historic yield on U.S. treasury bonds as the risk-free rate rather than a more appropriate forecasted rate. Staff used actual data which reduces the amount of estimation used in the CAPM analysis (*Id.* at 6). The Commission determines that Staff's reliance on actual data is preferable to estimated data. Therefore, the Company's second objection to Staff's CAPM methodology is denied.

Similarly, Ohio American objects that Staff did not adjust its market premium estimate to reflect hypothetical changes in the overall market risk premium due to current market fluctuations. Again, Staff used actual historic information as it is not possible for any party to predict the market prospectively (*Id.*). The Commission finds that Staff's approach is reasonable and will adopt it.

Ohio American also objects that Staff inappropriately averaged the historical yields on 10-year and 30-year U.S. treasury bonds. Staff explains its approach noting that this approach accommodates the use of Ibbotson data to calculate a market-to-risk-free-spread for CAPM (*Id.*). Ibbotson's 2009 SSBI Valuation Yearbook states that long-term government bonds are those with an approximate 20-year maturity. In the CAPM calculation, the yield and the spread should be consistent with respect to maturity (*Id.*). Staff has adequately explained the rationale for its position and we will, accordingly, adopt Staff's position.

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OCC objects to Staff's exclusive use of arithmetic mean of annual returns for purposes of determining common equity cost as this approach, according to OCC, tends to inflate the historical annual rate of return and, thus, inflate the estimated cost of equity. Instead of relying solely on the arithmetic mean, OCC submits that the better approach is to average the geometric and arithmetic means of return as this approach is superior and more beneficial to Ohio American's customers (OCC Ex. 47 at 19).

Staff responds that the arithmetic mean is used as CAPM estimates current cost of equity, not past performance as the geometric mean does. Moreover, Staff uses the arithmetic mean as it is advocated by Ibbotson because it is Ibbotson data that is being used to develop the market risk premia. Therefore, Staff believes it is important to use the method consistent with the data used and that is what the Staff has done in this instance.

The Commission notes that the question of whether to use a geometric or arithmetic mean has been the subject of considerable academic debate. Nevertheless, we find that the rationale offered by Staff for using the arithmetic mean is not unreasonable. Accordingly, we will adopt the Staff's recommendation.

Discounted Cash Flow (DCF) Model

Both Ohio American and OCC object to the use of long-term GNP growth in the Staff's non-constant growth DCF calculation. However, Ohio American failed to address its objection in the Company's initial brief. Therefore, in accordance with the ruling above, Ohio American's objection is deemed to be withdrawn.

OCC faults Staff's analysis for using a growth rate based on the average annual change in GNP for the years 1929 to 2008, which does not reflect investor's expectations of the long-term dividend growth in the future, thereby artificially increasing the common equity cost that consumers have to pay. OCC would use short-term GNP as a better growth estimate measure.

Staff witness Chaney explained that he used analysts' earning growth estimates for the first five years into the future from October 2009 and then calculated a blended rate from analysts' growth earnings estimates for years six through 24. From year 25 on, the witness used long-term historical GNP growth rate in the analysis (Tr. X at 1657-1658). On redirect, Mr. Chaney testified that he used long-term average GNP for the period of 30 years onward as he believes that is the best available proxy for investors' expectations reflecting growth at that time frame (Id. at 1673).

Staff has reasonably justified its position for using an economy-wide average in the absence of a company-specific growth rate for purposes of its DCF analysis. Accordingly,

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for the reasons set forth above, the objections submitted by Ohio American and by OCC are denied.

Ohio American faulted the Staff and OCC witnesses for fixating on the source of Ohio American's funds (from the parent company) rather than the use to which the funds were put, as advocated by Ms. Ahern (Ohio American Exs. 17 and 27). As a result, neither took into account, or adjusted for, the Company's relative small size claims Ohio American (Ohio American reply brief at 44).

OCC asserts that Ohio American's proposed adjustments for business and financial risk are baseless and have no support in economic theory or empirical evidence in this proceeding to support the Company's proposed adjustments (OCC Ex. 47 at 37-38).

Staff responds that an adjustment based on the relative size of Ohio American is not necessary and that the Company misconstrues the issue by pretending to be a small company rather than part of a corporate structure serving 15 million people across 32 states and Canada (Staff Ex. 14 at 10-11). The Commission determines that no adjustment to the DCF calculation is necessary based on the relative size of Ohio American.

The Company has failed to prove any truly unusual financial or business risks associated with Ohio American for which an additional adjustment is necessary that a properly applied DCF model and properly selected comparable group do not already account for.

Issuance Costs

OCC opposes Staff's adjustment to account for equity issuance costs. OCC claims that such an adjustment unnecessarily increases the costs of water and wastewater services to Ohio American's customers. Further, OCC submits that Ohio American did not seek a cost of equity adjustment to account for issuance costs nor did the Company prove that such costs had occurred or would occur in the future (OCC Ex. 14 at 45).

Staff explains that issuance costs include expenditures made by the Company for the purpose of issuing stock. Issuance costs represent the difference between the amount paid by the primary purchasers and the net proceeds, which is the amount available for investment by the Company. Yet the investor is paid a return on the full amount of the investment. A greater return, therefore, must be earned on the lesser amount that can be invested. This is made possible, according to Staff, by the Staff's adjustment to the baseline cost of equity (Staff Ex. 14 at 12-14).

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The Commission agrees with the Staff rationale that an adjustment to the baseline cost of equity to reflect issuance costs is appropriate. We therefore adopt the Staff position on this issue.

Rate of return and authorized increase

A comparison of adjusted test-year operating revenue for the Company as a whole, of \$37,201,750, with allowable adjusted test-year expenses of \$33,430,055, indicates that the Company, under its present rates, would have realized net operating income of \$3,771,695. Applying this figure to the rate base, the applicant would have earned a rate of return of 5.38 percent during the test year. Such a rate of return is insufficient to provide the applicant with reasonable compensation for its water and wastewater services and is below the rate of return recommended by staff in the staff report, of 7.60 percent to 8.10 percent. Based on the harsh economic times as reflected in the testimony of this proceeding and because this marks the Company's fourth application for an increase in rates in just over five years, the Commission determines that the first quartile of Staff's recommended rate of return of 7.73 percent is fair and reasonable and, accordingly, we will authorize a rate of return of 7.73 percent for Ohio American for purposes of this case.

In light of the foregoing, the Commission finds that Ohio American should be authorized to increase its company-wide revenues. This increase is comprised of increases of \$1,968,175 for Water A (an increase of 6.96 percent), \$436,197 for Water C (an increase of 8.51 percent), and \$243,429 for Wastewater (an increase of 6.39 percent). The company-wide increase totals \$2,647,801 (an increase of 7.12 percent) in revenues over the current annual operating revenues. Adding the increase of \$2,647,801 to the current adjusted test year revenues of \$37,201,750 produces a new pro forma revenue total of \$39,849,551. A comparison of the pro forma revenues of \$39,849,551 with the total allowable test-year expenses, adjusted to include taxes and uncollectible expense associated with the increased revenues, of \$34,432,976 indicates that the applicant would realize net operating income of \$5,416,575. The application of the net operating income to the rate base of \$70,072,124 results in a rate of return of 7.73.

The Commission finds an increase of \$2,647,801 to be fair, reasonable, and supported by the record and will, therefore, adopt it for purposes of this proceeding.

RATES AND TARIFFS

Tariff Analysis

Ohio American proposed various textual revisions to its tariffs. Staff reported its findings and recommendations in the Staff Report. Unless otherwise noted in the Staff

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Report, Staff recommended approval of the changes sought by Ohio American. The Company, Dragoo, and OCC filed objections to some of Staff's recommendations. Those objections are addressed below.

Section 3(B)

Both OCC and the Company objected to the Staff's initial recommendation regarding the Company's proposal for Section 3(B) of its tariff (Staff Ex. 18 at 3, 5). The Company's proposal would require an applicant for new service to assume the unpaid debt of a previous customer if both the applicant and the previous customer resided in the same premises during all or part of the time during which the previous customer was responsible for the bill (Ohio American Ex. 22; Staff Ex. 18 at 3). In the Staff Report, Staff recommended certain amendments to the Company proposed tariff language in an effort to make it consistent with the Rule 4901:1-15-27(C)(1), O.A.C. Staff recommended that the Company's proposed tariff include the requirement that the former customer continue to reside at the premises (Staff Ex. 3 at 31; Staff Ex. 18 at 4). Upon further review, Staff changed its position and now recommends against the Company's proposed tariff provision (*ld.*).

Ohio American states that this tariff provision is necessary as the Company is seeing a lot of customers attempting to change the customer billing designation among various family members in order to get a clean slate on bills that have accumulated in the prior customer's name (Ohio American Ex. 1 at 11). Under proposed Section 3(B), the Company argues that the new applicant for water service is not being forced to assume the current customer's debt with no corresponding benefit. Rather, the applicant actually benefitted from the utility service as much as the current customer and should not now be permitted to claim that the tariff provision is unfair (Ohio American reply brief at 51).

Staff argues that Rule 4901:1-15-27(C)(1), O.A.C., does not apply to the proposed tariff provision as that rule only applies to situations involving disconnection or refusal of service (Staff Ex. 18 at 4). Ohio American's proposal goes beyond disconnection and refusal of service Staff contends and would require the applicant for new service to assume the debt of the previous customer (Tr. XI at 1850). Staff further explains that the Company's proposal is contrary to general principles of contract law as the applicant for new service is not a party to the contract between the Company and the previous customer. According to Staff, coercing the applicant to assume the debt of the previous customer, as a condition of service, fails the requirement of mutual assent (Staff brief at 54). Additionally, Staff claims, the proposed tariff provision is not supported by any statute or rule of the Commission (Id.).

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Ohio American has failed to sustain its burden of proof on this issue. The Company failed to provide any statistics regarding the magnitude of its concern. Nor has the Company pointed to any other utility segment in Ohio which has a similar provision. Additionally, the Company already has other tools (e.g., deposits) available to it to dissuade family members from changing billing designations in order to obtain a zero balance. Based on the foregoing, we will not adopt the tariff provision as proposed by Ohio American.

Section 3(C)

Ohio American's proposed tariff modification Section 3(C) is similar to the provision discussed immediately above. Section 3(C) would impose upon landlords the ultimate responsibility of paying water and/or sewer service used by a tenant if the tenant failed to pay Ohio American. The recommendation from Staff in the Staff Report was to not approve proposed tariff provision Section 3(C) as this provision is contrary to existing law and long-standing Commission policy (Staff Ex. 3 at 31).

Ohio American maintains that not only is this proposed tariff provision consistent with Ohio law, but this provision also reduces the Company's uncollectible expenses and is thus beneficial to Ohio American's customers (Ohio American brief at 53). Citing to Arlington Natural Gas Co. v. Martens, 173 Ohio App.3d 450, 2007-Ohio-5479, the Company claims that the law of Ohio requires some type of "authority" in order to impose liability on a property owner such as a landlord for the tenants use of utility services. Such "authority" could be in the form of a municipal ordinance, village regulation, state law, or a tariff approved by the Commission (Ohio American reply brief at 54). Finally, Ohio American argues that many of Ohio's municipal water companies have analogous provisions (e.g., Cincinnati Code § 410-71; Columbus City Code §§ 1105.045(D) and (E); Mansfield City Code § 941.04(e)) which have been upheld as constitutional (Pfau v. Cincinnati (1943), 142 Ohio St. 101; Mansfield Apt. Owners Ass'n v. Mansfield, 988 F.2d 1469, 1477 (6th Cir. 1988)).

As noted above, the Company has failed to provide any statistical information in order to identify the magnitude of this issue. Further, we are unaware of any utility segment where such a tariff provision has previously been authorized by this Commission. Ohio American has a means to protect itself by collecting a deposit from customers. For the foregoing reasons, Ohio American's tariff proposal Section 3(C) will not be adopted.

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Section 3(D)

In its application, Ohio American proposed two new tariff provisions as Section 3(D) which impose obligations upon a landlord for the acts of one or more tenants in a multitenant property situation when the property is served by a single service line. The first paragraph of proposed tariff provision Section 3(D) addresses situations where a tenant in a multitenant property served by a single service line is engaging in unauthorized water usage. In that scenario, the new tariff provision proposed by Ohio American would require a landlord, upon 14 days notice, to immediately install a separate service line so that the Company could shut off the water only to the offending customer (Ohio American Ex. 22 at 21). Ohio American notes that there is limited motivation on the part of some landlords to provide access to the meter for processing disconnections (Ohio American brief at 53). The proposed tariff provision would allow the Company to direct the landlord to install a separate service line to the units (Ohio American Ex. 22 at 21). The property owner then bears the expense of installing the separate service lines (Tr. 1 at 91). Ohio American claims that this tariff provision complies with an existing tariff provision in 1st Revised Sheet No. 46, Subsection (F) (Tr. VIII at 1437).

The second proposed tariff provision of new Section 3(D) addresses those situations where one or more tenants in a multiunit property served by one service line are eligible for disconnection of service. Under this proposal, the landlord has three options (Tr. XI at 1854; Tr. VIII at 1435-1436) and the property owner has the discretion to choose the one best suited for the property owners circumstances (Tr. XI at 1856). First, the property owner can immediately install a separate service line to the unit so that only the offending customer is subject to disconnection. Second, the property owner may choose to pay the bill of the tenant subject to disconnection. This option provides a property owner with a quick fix and in no way prohibits the property owner from collecting the unpaid water bill from the offending tenant. Third, the property owner retains the option of providing access to the customer's meter or separate curb stop (Ohio American Ex. 22 at 21). Ohio American claims that the third option is the preferred method by which to resolve these disconnection issues as it involves no cost to the property owner and places the cost of disconnection upon the Company (Ohio American brief at 56).

Staff recommends against approval of either proposed tariff provision in Section 3(D). Regarding the first paragraph of the Company's proposal, Staff states that it would be unreasonable to inflict such a financial hardship on the property owner and the Company has other means of redress available to it, including adequate remedies at law (Staff Ex. 3 at 31). Regarding the second paragraph of proposed tariff provision Section 3(D), Staff avers that this provision is unnecessary. According to Staff, the first option imposes unnecessary financial hardship on property owners while the second option is not supported by Commission rules. Finally, the third option is already provided for in

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Ohio law Staff asserts. Further explaining, Staff submits that Section 5321.04, Revised Code, requires all landlords and property owners to make sure that their tenants have access to water service. Thus, landlords and property owners have adequate incentive to cooperate with the Company to provide access to the meter or the curb stop says Staff (Staff brief at 57).

Regarding the first paragraph of Company proposed tariff provision Section 3(D), the Commission agrees with Staff, and as noted above, that the Company has other avenues to redress this situation. Further, we are concerned that this proposed tariff provision will present a financial hardship on property owners.

As for the second paragraph of Company proposed tariff provision Section 3(D), we find this provision reasonable and will permit Ohio American to institute it. Unlike the previous provisions which unilaterally imposed a solitary obligation on a property owner, this proposed tariff provision affords the property owner a choice of among three options. While the first two options would involve some expense to the property owner, the third option would cost the property owner nothing. Because the choice lies with the property owner and because one of the options would involve little or no expense to the property owner, we find the second paragraph of proposed tariff provision Section 3(D) reasonable. In order to afford landlords an opportunity to prepare for this revised tariff provision, we will require the Company to give those landlords with multitenant facilities served by a single service line notice of this revised tariff provisions and delay the effective date for six months from this order.

Section 12(K)

In its application, the Company had proposed a provision to combine billings where the same customer takes domestic water or sewer service in two or more locations. At hearing, the Company withdrew this tariff provision (Tr. I at 15).

Section 14(A)(1)

The Company proposed to add a new provision to its tariff, as part of its application, which would apply special conditions upon any customer who for a second time, within a 12-month time frame, had paid the Company with a bad check, dishonored credit card, or some other form of dishonored payment. This proposed provision would, according to OCC, permit the Company to delay reconnection of service, in violation of Rule 4901:1-15-28(A), O.A.C., while the payment is processed by the bank or credit card company (OCC Ex. 51 at 8). OCC argues that adoption of this tariff provisions could also result in customers having to wait unnecessarily to have service reconnected (*Id.*). Finally, OCC argues that the Company could protect itself by requiring a deposit in lieu of its

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proposal (*Id.*). OCC acknowledges that the proposed tariff language would also permit the customer to avoid any delay in reconnection by paying the past due charges and any reconnection fees or deposits in cash or by money order (OCC brief at 63 citing Ohio American Ex. 1 at 13).

Staff did not find the proposed tariff provision to be unreasonable and recommended approval provided the Company adds language stating that the customer would be informed of the time frame needed to verify the payment and that the time frame communicated to the customer should be no longer than the time period required to complete the standard verification of payment processed by the bank or credit card company. Ohio American concurs with the Staff's proposed modifications.

The Commission will adopt the Company's proposed tariff provision with the additional modification recommended by Staff. In adopting this tariff provision as modified, we note that the provision will only apply to customers who, within a 12-month time frame, have, for a second time, provided a dishonored payment. Given the fact that this tariff provision, by its terms, will only apply after a second instance where the customer has made a dishonored payment, we believe it is reasonable that the Company have some assurance that the amount tendered for reconnection will be honored by the bank or by the credit card company. We also note that the proposed tariff provision offers the customer the option of ensuring timely reconnection by paying the amount due in cash, money order, or equivalent in lieu of tendering payment through some other method. On balance, we can not find that the proposed tariff provision, as modified by Staff, to be unreasonable and will, accordingly, permit the Company to adopt such tariff language.

Cost of Service Analysis

Cost of service (COS) studies approximate the costs incurred by the utility in providing service and the appropriate level of cost responsibility for each distinct customer class (Staff Ex. 3 at 35). Ohio American provided COS studies for both water and wastewater operations. The water COS was provided for total company costs and not broken out by Water A and Water C (*Id.* at 36). In preparing the COS studies, the Company used the base-extra capacity method to develop costs for demand. This method adheres to the objectives of a COS study, as described in the Staff Report, and properly accounts for costs incurred by the Company in providing service at both average and above-average rates of demand (Staff Ex. 3 at 35-36). Staff found that Company's water and wastewater COS studies to be a reasonable reflection of the system characteristics of Ohio American (*Id.*).

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OCC and Dragoo offered a number of objections with respect to Staff's acceptance of the Company's COS studies. Specifically, OCC objects that water cost of service allocation factors 2, 3, 4, 5, 6, 7, and 20 and wastewater cost of service allocation factors 1, 2, and 3 are based solely on judgment without any substantiation or evidence of any kind (OCC Ex. 23 at 6). OCC also objects to Staff's failure to reject the Company's calculation of Factor 1A which is intended to allocate costs which vary with the amount of water consumed but excluded special contract customers from the calculation of this factor. To remedy the Company's use of uncorroborated subjective judgment in developing the allocation factors set forth above, OCC recommends using allocation factor 1, which is based on the ratio of the average daily consumption for each customer class.

Staff responds that the factors used to estimate the maximum day extra capacity and maximum hour extra capacity have been utilized in prior cases before the Commission (Staff Ex. 16 at 2; Tr. XI at 1825-1826). Contrary to OCC's argument, Staff points out that the Company's maximum day extra capacity and maximum hour extra capacity factors were based on judgment, as well as consideration of field studies of actual customer class demands conducted for other American Water companies, filed observations of the service areas of the Company, filed studies of similar service areas, and generally accepted customer class maximum day and maximum hour demand ratios. Staff maintains that the degree of judgment exercised and the sources considered are not unreasonable (Staff Ex. 16 at 2). Further, Staff does not agree with OCC's recommended remedy because the remedy, applying factor 1, does not take into account maximum day extra capacity and maximum hour extra capacity.

The Commission agrees with Staff that Ohio American has adequately justified the make-up and usage of allocation factors 2, 3, 4, 5, 6, 7, and 20 and wastewater cost of service allocation factors 1, 2, and 3. OCC's objection is, therefore, denied.

Regarding Factor 1A, Staff did recommend a large quantity user rate (Staff Report at 43); however, Staff also acknowledged the difficulty of increasing rates to customers under special contracts unless the terms of the agreements tie the discounted rates to an increase in authorized revenues. Staff's determination on this issue is not unreasonable.

Dragoo submits that Staff erred in not requiring Ohio American to conduct and provide the results of a separate COS study applicable to Dragoo as the Company pledged to do in a letter agreement with Dragoo in regard to settlement of the 2007 Rate Case (Dragoo brief at 2). Dragoo claims to be a unique commercial customer in the Huber Ridge area, more akin to a residential customer providing water and wastewater service to 214 residential units and no commercial units (Dragoo Ex. 1 at 2).

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Staff responds that in the 2007 Rate Case, Ohio American did submit a separate water and wastewater COS study for Dragoo (Staff Ex. 16 at 3). Continuing, Staff avers that the Dragoo COS study performed for the 2007 Rate Case reflected that the revenues recovered from this customer were not adequate when compared to the cost of services received (*Id.*).

The Commission finds that it was not unreasonable for the Staff to have not required Ohio American to submit a COS study specific to Dragoo in this case since the alleged agreement was not approved by the Commission. The letter agreement referred to by Dragoo was not a part of the record in the 2007 Rate Case nor was it an exhibit or attachment entered in that case with the stipulation. Moreover, a water and a wastewater COS study specific to Dragoo was performed in the 2007 Rate Case. According to the Staff Report for the 2007 Rate Case, the COS study showed that the revenues recovered from Dragoo at that time were not adequate when compared to the cost of services. Further, there has been no evidence provided to suggest that a new COS study in this case would result in a different outcome.

Revenue Distribution

OCC next believes that Staff erred by using the Company's proposed revenue distribution based on the Company-proposed rate of return rather than the Staff's proposed revenue distribution based on the Staff's proposed rate of return (OCC Ex. 23 at 15). Accordingly, OCC recommends that the Commission reject Staff's use of the Company's proposed revenue distribution percentages as a means to allocate Staff's proposed revenue requirements to the different customer classes.

Staff responds that it is not uncommon for the Rates and Tariffs Staff to utilize the Company's proposed revenue to illustrate Staff's proposed revenue distribution and rate design, since the revenue requirement and rates and tariff analysis are done simultaneously. Further, at some point in the rate case process, adjustments are made whether the case is litigated or settled to reflect usage of Staff's revenue distribution and rate design.

The Commission finds that Staff's position is not unreasonable given the simultaneous work being done on the Staff Report by different Commission Staff. For purposes of the COS study in this case, the analysis in the Staff Report is illustrative only so one can see the breakdown by customer class.

To eliminate an alleged rate subsidy from residential customers to industrial special contract customers, OCC recommends that the Commission allocate the appropriate amount of the revenue requirement to the industrial special contract customers (OCC brief

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at 49). OCC explains that Ohio American had three industrial special contract customers, Whirpool Corporation (Whirlpool), Marion Ethanol, LLC (POET), and U.S. Yachiyo, and one public authority contract with Ashtabula County during the test year covered by this application (OCC Ex. 5). According to OCC, Ohio American did not allocate any of the revenue requirement to these industrial special contract customers even though the revenue from these customers under current rates is substantially less than the Company's proposed cost of service for this customer class (OCC Ex. 23 at 17). Two of the three industrial special contracts (Whirlpool and U.S. Yachiyo) expired during the test year yet Ohio American did not propose any rate increase for them (Tr. XI at 1838). U.S. Yachiyo is now being provided service under tariff rates (Tr. IX at 744). Ohio American is currently in negotiations with Whirlpool concerning a new contract; however, in the meantime, Whirlpool is still paying Commission approved rates from June 2000 (OCC Ex. 6). Regarding the POET contract, OCC argues that Ohio American's own COS study reveals that, as a class, industrial special contract customers are being subsidized by other classes. OCC does acknowledge, however, that the POET contract authorized annual increases using the Consumer Price Index (OCC Ex. 13 at par. 8). OCC believes the evidence supports OCC's proposal to allocate a portion of the Company's revenue requirements to the industrial special contract customers and to allocate the amounts proposed in the OCC's COS study so that the rate subsidies to the industrial and special contract customers are eliminated (OCC Ex. 23 at 17; OCC Ex. 13 at par. 9). Regarding the contract with Ashtabula County, OCC recommends maintaining the existing rate subsidy for the time being but that the Commission move toward eliminating rate subsidies for this class in future rate cases (OCC Ex. 23 at 17; OCC brief at 53).

Ohio American disputes OCC's allegations of rate subsidies for the four special contract customers. Pointing to the testimony of Company witness Herbert, Ohio American contends that although the industrial contract customer revenues do not cover the fully distributed costs of providing service, the revenues from these customers do cover the incremental costs of service plus contribute to the Company's fixed costs (Tr. II at 284-285, 306). Citing to a number of regulatory utility cases, including a Cincinnati Bell Telephone Company alternative regulation decision (Case Nos. 93-432-TP-ALT and 93-551-TP-CSS, Opinion and Order date May 5, 1994), the Company claims that if a service covers its incremental cost, there is no rate subsidy (Ohio American brief at 45-47; Ohio American reply brief at 41-43).

Regarding OCC's argument that residential customers are subsidizing industrial customers and, for that reason, the Commission should allocate a portion of the revenue increase to the industrial special contract customers, Staff disagrees. Consistent with its discussion of factor 1A above, Staff notes that neither the industrial special contract customers agreements nor the Commission orders approving such agreements provide for rate increases pursuant to a rate case (OCC Ex. 5; OCC Ex. 7; OCC Ex. 13). Accordingly,

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Staff does not recommend that the Commission allocate a portion of the revenue increase to the special contract customers (Staff Ex. 16 at 4; Staff reply brief at 32).

Having fully reviewed the evidence of record on the issue of subsidies, we can not find unequivocally that there is an ongoing unlawful rate subsidy being provided by residential customers to the industrial customer class. OCC's evidence of such subsidies relies, in part, upon its position that Ohio American's COS study is unreliable and that the OCC COS study represents the only appropriate basis for revenue distribution among the Company's customer classes. However, as noted above, we have found the Company's COS study to be reasonable and have adopted it for purposes of revenue distribution in this proceeding. While we have not specifically adopted the OCC's position to redistribute the revenue in this case, we are troubled by OCC's allegation that the Company has renegotiated and extended certain agreements without any increase in rate given the rate increases experienced by tariff customers since 2001. We will review all future contract extensions and any new special arrangements with industrial customers with a critical eye to ensure that the Company is appropriately recovering costs from all its customer classes, both tariff customers and special contract customers.

Customer Charge

In its application, Ohio American has proposed increasing the customer charge from \$9.51 to \$11.39. Except for including hydrants, management fees, and miscellaneous general expenses, the Company used Staff's methodology in calculating its proposed customer charge. Staff recommends no change to the Company's customer charge as a result of this case (Staff Ex. 3 at 47-48).

While OCC generally agrees with the methodology used by Staff in calculating the customer charge for 5/8" metered service, OCC objects to Staff's recommendation to maintain the rate at the current level rather than reducing the rate to the customer charge calculated by the methodology which is \$9.13 for 5/8" service (Staff Ex. 3 at 50; OCC brief at 56-58). OCC finds Staff's rationale for maintaining the customer charge at the current level, to reduce revenue volatility, contradictory as Staff recommended a \$0.02 per month increase in the customer charge associated with a ¾" meter (Id.).

Staff responds that it is not unreasonable to recommend maintaining the current fixed recovery achieved through the current rate structure since there is not a material change in rates. By maintaining the current customer charge for these customers, the Company would reduce revenue volatility by maintaining the current customer charge (Staff Ex. 16 at 4-5).

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The Commission concurs in the Staff recommendation and will maintain the 5/8" meter rate of \$9.51 per month. In making this determination, we note that the 5/8" meter customers, who are primarily if not exclusively residential customers, are the only customers not seeing an increase in their monthly customer charge. All other meter size customers will be seeing an increase as a result of this case. The smallest increase will be \$0.02 per month for a ¾" meter to a high of \$39.63 per month for a 6-inch meter customer. Under the circumstances represented by this case and in light of the increases to be imposed on the remaining meter customers, we can not find that Staff's recommendation to maintain the current customer charge is unreasonable.

Ohio American challenges two aspects of Staff's recommendations concerning the customer charge. Ohio American's challenges to the recommendations in the Staff Report are the Staff's omission of costs associated with public fire protection and the customer-related portion of management fees (Ohio American brief at 47-48). The Company's position is that public fire costs are fixed costs not recovered through the public hydrant rates and therefore should be recovered in the customer service charge (Ohio American Ex. 3 at 12). Regarding the portion of management fees that should be included in the customer charge, the Company suggests that it is appropriate to include those costs related to the call center and customer billing and collections (Ohio American brief at 48).

Staff disagrees with the Company's objections to the customer charge calculation. Staff believes that the costs associated with public fire protection are not customer-related costs and thus were properly excluded from the calculation (Staff Ex. 16 at 6). Staff's proposed customer charge is minimally compensatory and includes only those costs that are directly and solely attributable to customers being connected to the system (*Id.*; Tr. XI at 1817, 1821). Staff explains that this methodology has been used in the past and is consistent with the American Water Works Association M1 manual (Staff Ex. 3 at 47; Tr. XI at 1818-1820). Regarding the inclusion of certain management fees in the calculation of customer charges, Staff continues to believe that such fees are not necessarily connected directly to customer-related activities and, thus, should not be included (Staff Ex. 3 at 47-48; Tr. XI at 1823-1824). Staff did however acknowledge that there was a possibility that such costs could be included in the customer charge calculation but that the Company had thus far failed to provide the necessary documentation to support the inclusion of such costs (Staff Ex. 16 at 5).

The Commission concurs with Staff's recommendations concerning management fees and public fire protection costs. The Company has failed to satisfy its burden of proof regarding both issues. Accordingly, Staff's position is adopted.

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Rate Design

Citing the benefits of uniform tariff pricing to both the Company and the Company's customers, the Staff Report recommended uniform tariff rates for all Ohio American districts.

OCC and Dragoo objected to Staff's recommendations for uniform tariff pricing. OCC objects to the Staff's recommendation to move immediately to a uniform rate design for all Ohio American water districts as such movement will result in rate shock to customers. Thus, OCC recommends a gradual progression to uniform tariff pricing.

According to Staff witness Goins, some of the benefits of uniform tariff pricing are: (1) less rate applications with a corresponding decrease in rate case expense, (2) shared rate increases reduces the amount of increase per customer per filing, (3) less cost to maintain one accounting system, (4) less cost in preparing annual report and tax reporting forms, (5) less cost of bill printing, (6) less information gathering required by the Company's Customer Service Department, and (7) less cumbersome information to be understood by customers (Staff Ex. 17 at 2). During the hearing, Staff witness Goins testified that, although the Staff continues to support a uniform rate design, Staff now recommends that the Company continue to move toward a uniform rate design as opposed to immediately implementing a uniform rate design (Tr. XI at 1844-1845).

Seeing as there now is no disagreement between the positions expressed by OCC and Staff, the OCC's objection is now moot.

Dragoo objected to the Staff's recommendation to move toward a uniform rate design and, specifically, the Staff's failure to object to the Company's significant change in the rate block in Water C to 2000/Ccf without any supporting justification (Dragoo Ex. 1 at 3). Dragoo recommends adoption of the rate block for Water C as agreed to by all parties in the 2007 Rate Case (*Id.*).

Ohio American responded that, for a number of years at the behest of the Staff, the Company has been moving towards uniform rates aligning its Franklin County (Water C) customers with the volumetric rate blocks that Water A customers have been paying. The change to make the second block of Water C consistent with the second block of Water A (which has had this rate block for four decades) is another step in that direction (Ohio American brief at 50). The COS study conducted by Ohio American witness Herbert reflects that the change is justified according to the Company. Ohio American asserts that although a COS study was not done for this proceeding, the Company did do a COS study specific to Dragoo for the 2007 Rate Case and there is no reason to believe that the results would be different this time (Id.). Further, the Company points out that, as a master meter

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customer, Dragoo only pays one customer charge rather than one per residential unit (Tr. VII at 1141-1142) and that Dragoo's volumetric usage falls mainly in the second and third rate blocks (*Id.*) which are lower than the first rate block which is where the majority of customer usage would fall if the residential units were individually metered. Finally, Ohio American asserts that Dragoo is treated the same as any customer with similar volume usage.

Staff responds to Dragoo's objections by stating that Staff has, for some time, been recommending and moving Ohio American towards uniform tariff rates (Staff Ex. 17 at 5). Moreover, Staff has been moving the Company to the volumetric rate blocks associated with Water A as a comprehensive study of class consumption patterns was done in 1980 which established the Water A rate blocks. The Water A rate block approach was confirmed twelve years later by an extensive follow-up study (*Id.*). Staff continues to believe that it is appropriate to uniformly align the rates for Water A and Water C customers (*Id.*).

The Commission determines that the benefits for Ohio American's customers warrant the continued move toward uniform tariff rates and rate blocks. Those benefits include holding down costs by consolidating operations, fewer rate cases and correspondingly less rate case expense, and the ability to further spread costs leading to a lower overall increase per customer per rate case filing. Dragoo is admittedly unique in the Huber Ridge area but will be treated the same as any similar customer with similar usage characteristics. Dragoo's objection to the Staff's recommendation is denied.

SERVICE MONITORING AND ENFORCEMENT

Water Service Quality

As reported in the Staff Report, Staff investigated all Ohio American water system physical facilities and administrative operations to assess the Company's compliance with Chapter 4901:1-15, O.A.C. According to Staff, this investigation also included a review of plant operating records, water quality tests, maintenance and operational concerns, and various inputs requested by customers (Staff Ex. 3 at 52).

OCC objected to Staff's reliance on the customer survey data from the 2007 Rate Case rather than conducting a more recent survey (OCC Ex. 50 at 16). OCC also questioned Staff's failure to recommend that the Company work with all customers, and not just Lake Darby customers, to resolve individual water quality and service complaints (*Id.* at 18). Finally, OCC objected that the Staff Report does not include any specific recommendations for evaluating and addressing water quality issues that were identified in the last customer survey (*Id.*). OCC recommended that the Commission should (1)

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conduct an investigation into the water quality for each district and provide a report detailing any improvements needed within 180 days of the opinion and order in this case, (2) order a new, company-wide customer survey to measure customer perceptions about the quality of the service and water Ohio American provides, and (3) order the Company to conduct a fair and complete investigation of each customer complaint that it receives regarding water service and quality (*Id.*). Lastly, OCC recommends that the Company should be required to promptly and properly respond to customers' concerns as required by Rule 4901:1-15-33, O.A.C., and provide satisfactory water quality as required by Rule 4901:1-15-20, O.A.C., or face liability for forfeiture under Rule 4901:1-15-03, O.A.C. (OCC brief at 76).

Ohio American disputes OCC's allegations regarding the water quality provided by the Company. It is undisputed even by OCC, the Company maintains, that Ohio American satisfies all water quality requirements under both state and federal law as reflected in the Company Consumer Confidence Reports required by the Ohio Environmental Protection Agency (EPA) (Tr. IV at 616-617). Therefore, the Company submits, it is in compliance with the requirements of Rule 4901:1-15-20(C)(1), O.A.C., that the Company "furnish potable water that is of a safe and satisfactory quality for all domestic use and that is in compliance with federal and state requirements for drinking water" (Ohio American reply brief at 58). According to Ohio American, the issue then becomes one of customer preference that Ohio American can not control. And the majority of water quality issues relate to water hardness which is neither regulated nor harmful to the human body claims the Company (Tr. IV at 604). In fact, the Company asserts that some of the water quality issues mentioned at the local public hearings (e.g., rusting and discoloration) can be attributed to water that is very corrosive due to customer softening of water (Id. at 601). Ohio American witness Schwing explained that customers often do not follow the recommended hardness levels and set their personal water softeners at "zero or 10 milligrams" thereby resulting in "very corrosive water that is going to cause problems" (Id. at 656). Further, the Company notes that it is only responsible for the quality of water up to the property line or curb stop of the customer and that the Company can not control the materials used in the customer's home or the level of maintenance of the customer's appliances (Tr. XII at 2116-2117; Tr. IV at 567, 576, 653-654, 655-656). Finally, Ohio American explained that every customer testifying about perceived water quality issues would be contacted to address the customers' concerns (Tr. XII at 2076).

Staff asserts that OCC fails to paint a complete picture. Staff submits that the number one complaint from the local public hearings was the Company's rates, which is a matter being addressed in this case. And OCC fails to mention the \$1.5 million plant improvement project in the Blacklick system which is scheduled for completion this summer (Staff Ex. 19 at 5). As for the letters and the public testimony, the Company

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submits, according to Staff, that the Company is investigating each complaint and will respond to the complaining customers. Such responses may take some time but the Company asserted that it is following up on each one (Ohio American Ex. 9-C; Tr. XII at 2075-2076, 2098). As for investigating water quality in each district, Staff constantly evaluates customer contacts and meets with the Company as needed to ensure a safe, dependable, and satisfactory water supply to Ohio American's customers (Staff reply brief at 38). However, OCC's recommendations go beyond the statutory authority afforded the Commission and even beyond established measurable treatment standards adopted by the Ohio EPA (*Id.*). In light of the above, Staff suggests that no further Commission-ordered, system-wide action is necessary in this case (*Id.*).

Staff also believes that Ohio American has taken appropriate steps to address the recommendations raised in the previous cases and Staff will continue to work with the Company as necessary (Staff Ex. 19 at 5). Additionally, Staff notes that the Company is in the process of undertaking certain improvements, such as the Blacklick plant improvements, which should further improve the quality of the water product leaving the Company's plant and moving through the Company's distribution lines. complaints regarding the vintage of the most recently completed customer survey, Staff notes that it only conducts customer perception surveys ever four to five years and that the next one is due in 2011 (Id. at 4). It is Staff's observation that more frequent surveying of customers is unlikely to produce any more significant data to evaluate customer perceptions concerning water quality and service and are especially unnecessary in light of planned improvements being implemented at this time (ld.). As for the recommendation to work with all customers and not just Lake Darby customers, Staff believes that Ohio American has an ongoing responsibility to identify and address all water quality and service issues that may significantly affect the quality of the water and services provided to the Company's customers and to do so in a timely and economical manner (ld.). Additionally, Staff has in the past and will continue in the future to review information contained in quarterly operating reports, customer contact complaints made to the Commission, and the Company's own complaint resolution records to identify potential problems and to apprise the Company of where action may be needed (Id). Regarding OCC's recommendation for evaluating and addressing water quality issues identified in the last customer survey, Staff responds that, as noted above, Ohio American has made, or is in the process of making, a number of plant improvements (Id. at 5). Staff notes that the Company has also modified a number of its operational and maintenance practices in order to improve its water quality (ld.). Thus, Staff believes that the Company has taken appropriate steps to address the recommendations raised in the previous cases and will continue to work with Ohio American as necessary (*Id.*).

Whether perception or not, numerous Ohio American customers testified to a lack of quality in the water product being provided by the Company. OCC, the Company, and

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Staff have spent a considerable amount of effort in the past few rate case stipulations on improving the quality of water being provided and in fact the record reflects that Ohio American is meeting the commitments for water at the water treatment facilities and in the distribution mains. We also recognize however, that the Company is only responsible for the quality of water to the customer's property line or curb stop and that given past water quality issues, some of the water quality concerns now being experienced by customers could be lessened or eliminated by customer education. Therefore, we direct the Company to continue to respond in a timely fashion to customer complaints and concerns throughout its service territory. To ensure that all possible sources contributing to water quality concerns are being addressed, we direct the Company, working in conjunction with our Staff, to increase customer awareness of issues within customers' homes that could contribute to water quality concerns so that the customers can take every action within the customer's ability to improve water quality. Further, we direct our Staff to continue to monitor the Company's customer complaints and ensure that Ohio American is responding timely to those complaints. Should Staff see a trend evolving, Staff should take the necessary steps with the Company to rectify any concerns. In short, we direct the Company and our Staff to work tirelessly to address and improve, where possible, the water quality provided to the Company's customers.

Unaccounted-for Water

In its application, Ohio American recommended a new system of measuring unaccounted-for-water (UFW) as a replacement for the 15 percent or less UFW percentage set forth in Rule 4901:1-15-20(C)(5), O.A.C. Ohio American asserts that the 15 percent UFW ratio does not include any provisions for the size of the water system, number of customers, or the age of the infrastructure like the Infrastructure Leak Index (ILI) set forth in the American Water Works Association Manual 36. Staff found that the ILI, as modified by the Staff Report, could be an acceptable method by which to determine that the Company was in compliance with Rule 4901:1-15-20(C)(5), O.A.C.

OCC objected that the Staff should have recommended that Ohio American continue to report its UFW data based upon the 15 percent criterion set forth in Rule 4901:1-15-20(C)(5), O.A.C. (OCC brief at 77-78). OCC also objected to the Staff's failure to recommend that these UFW annual reports be docketed at the Commission (*Id.* at 81). Lastly, OCC believes that it was error for Staff not to have determined whether the Company's method of determining UFW gives Ohio American less of an incentive to repair leaks, other than main breaks, thus, negatively impacting the rates that the Company's customers ultimately pay (OCC Ex. 48 at 18).

Staff responded that the Company must continue to comply with Rule 4901:1-15-20(C)(5), O.A.C., until such time as the ILI targets replace the 15 percent criterion in the

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Commission's rules (Staff Ex. 19 at 6). However, Staff submits that downward adjustments to fuel, purchased power, and chemical expenses are not required by Rule 4901:1-15-20(C)(5), O.A.C. Such adjustments have been made in the past only through stipulations negotiated by the Company, Staff, and other concerned parties (Staff reply brief at 39). Staff envisions that such adjustments, if made in the future, should be based on the ILI methodology because it provides a more representative measure of a water company's performance in minimizing the cost of real water losses on its customers (Tr. XI at 1882-1883). As for OCC's recommendation that the proposed ILI reports be docketed at the Commission, Staff points out that there is no requirement in either the rules or in any prior Ohio American stipulation requiring today's UFW results to be docketed and Staff sees no reason to begin docketing such reports calculated using the ILI methodology going forward (Staff Ex. 19 at 6). Finally, regarding the argument that the ILI methodology will give the Company less incentive to repair leaks, Staff disagrees. Staff explains that OCC's concerns are adequately addressed when the ILI targets are determined (Id. at 7).

OCC's arguments concerning UFW are unavailing. Until such time as the Ohio Administrative Code is changed, Ohio American will still be required to submit reports concerning UFW in accordance with Rule 4901:1-15-20(C)(5), O.A.C. However, in addition to the UFW reports required by rule, the Company will also be tracking water loss through using the ILI targets. These ILI targets, which appear to be more representative of a water company's performance in minimizing the cost of real water losses on customers, will serve as the basis for adjustments to fuel, purchased power, and chemical expenses in future rate cases. As to whether such reports should be docketed, we agree with Staff's position that nothing in current law or rules of the Commission require such reports to be docketed. Consideration of this issue would be better addressed in a rulemaking proceeding that would have general, industry-wide applicability. Finally, regarding the incentive to repair leaks, the Commission notes that Staff believes this issue is adequately addressed in the determination of the ILI targets. We see no reason at this time to undertake any further action on this issue.

Stipulation Commitment Review

Staff undertook a review the Company's compliance with the stipulation commitments approved by the Commission in Case No. 07-1112-WS-AIR. For each of those commitments, Staff offered certain recommendations in the Staff Report. For example, Staff recommended that the Company be ordered to continue repairing leaks as per the commitment and continue submitting quarterly leak logs. In the Lake Darby area, the Company committed to installing an on-line unit to measure water hardness levels, committed to maintain water hardness within certain parameters for finished water leaving the plant, and committed to monthly reporting requirements. Staff recommended that the Company continue to use the on-line monitor and to report hardness data on a

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monthly basis. Ohio American had committed in the 2007 Rate Case to communicate and meet with the Marion City Engineer to coordinate projects impacting city streets. Staff recommends the continuation of these monthly meetings. In all, there were stipulation commitments covering many of the Company's districts as well as a meter reading change-out program and a hydrant flushing, painting, valve operation, and maintenance commitment. The Commission determines that Staff's recommendations concerning past stipulation commitments set forth in the Staff Report are appropriate and should, therefore, be adopted.

OCC objected to certain of the Staff's recommendations regarding prior stipulation commitments arguing that Staff did not go far enough with its recommendations. For example, OCC cites as error Staff failing to recommend specific consequences should Ohio American fail to meet the leak repair commitments made in prior stipulations. Staff disagreed noting that the Company has achieved significant progress towards meeting or exceeding the expectations from the prior two stipulated cases. OCC next objected that the Staff did not address continuing commitments regarding maintaining iron and manganese concentrations at the level established in the 2007 Rate Case stipulation. Staff noted that the Company has consistently complied with the Ohio EPA iron and manganese levels, thus, Staff found it unnecessary to recommend a continuing commitment in this case. OCC disagreed with the Staff for failing to recommend monthly credits to customers for any month Ohio American fails to maintain its water quality commitments. Staff explains that Ohio American has consistently met all water quality issues addressed in the 2007 Rate Case. OCC also objected to Staff not recommending that the Company provide periodic updates to Staff, OCC, and the local community on the status of the new Ashtabula water treatment plant. Staff disagreed noting that such a requirement is unnecessary as Staff conducts approximately four regular inspections of the plant during the year and the Company already has a history of providing such updates upon request. OCC next found fault with Staff's failure to recommend that OCC be included in the distribution of Ohio American's annual meter reading report and should have recommended consequences should the Company fail to read meters for more than 12 months. Staff has no objection to the inclusion of OCC in the distribution of the annual meter reading report, however, Staff believes that the Company has met the saturation level of encoder type meter installations. Staff, therefore, finds it unnecessary to recommend consequences as long as the Company can adequately document the reason for each failure to read a meter for more than 12 months (OCC Ex. 50; Staff Ex. 3 at 55-55-63; Staff Ex. 19 at 7-10).

We find that Staff has adequately explained the rationale for not adopting OCC's additional recommendations as commitments in this matter. There has been no showing that the Company is out of compliance in any of these areas at the present time and thus we are hesitant to order unnecessary commitments that will result in increased

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expenditures by the Company. We are also reminded that many of OCC's additional commitments were the product of the give and take that routinely occurs in arriving at a stipulated settlement and go beyond any requirements placed on other water utilities today. Accordingly, OCC's additional commitments will not be ordered.

Customer Service Audit

As part of its investigation, Staff conducted a field audit of Ohio American's customer service practices (Staff Ex. 3 at 66). Staff determined that the overall customer service practices and policies of the Company comply with the applicable rules of the Commission (*Id.*).

OCC raised a number of objections to the customer service audit conducted by Staff as the audit did not result in additional and more specific consumer protection recommendations (OCC brief at 85-92). The topics covered by OCC's objections include disconnection payments, credit and collection policies, security deposits, dishonored payments, budget billing, and disconnection date reporting. OCC also recommended that Ohio American be required to credit customer payments to authorized payment agents the same day the agents receive the payment and that Ohio American be required to refund late payment charge improperly assessed due to delayed crediting of payments made to authorized agents.

Staff disagreed with all of OCC's recommendations. Staff notes that OCC's recommendations would (1) force the Company to institute credit and collection policies that are not otherwise required by the Ohio Administrative Code, (2) deny the Company the rights of disconnection permitted under Rule 4901:1-15-27, O.A.C., (3) require the Company to implement specific payment plan arrangements that are not otherwise required under Rule 4901:1-15-28(A)(3), O.A.C., (4) no longer permit the Company to require security deposits under Rule 4901:1-17-04, O.A.C., (5) require the Company to provide information on its bills that is not otherwise required under Rule 4901:1-15-23, O.A.C., and (6) require the Company to restrict the amount that Ohio American is otherwise allowed to require for a security deposit under Rule 4901:1-17-05, O.A.C. Regarding payments made to authorized payment agents, Staff noted that Ohio American provides a grace period to its customers before applying late payment charges and that, because of the grace period, no customer is harmed by the delay in crediting of payments made to an authorized agent. Staff explained that, because none of Ohio American's policies violate the Commission's rules regarding water service or credit procedures, OCC's recommendations are unnecessary.

The Commission concurs in Staff's assessment that requirements and restrictions beyond the scope of the Commission's rules and beyond those requirements placed on

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other water utilities are not warranted especially in light of the fact that the Company has not been found to be engaging in any activities that violate the Commission's rules regarding customer service and consumer protections. Moreover, we note that requiring Ohio American to incur additional expense at a time when the Company should be striving to control costs is otherwise contradictory to the position recommended by OCC in this proceeding. Accordingly, OCC's additional requirements and restrictions are denied.

MANAGEMENT AND OPERATIONS REVIEW

Section 4909.154, Revised Code, requires the Commission to consider the management policies, practices, and organization of public utilities in fixing the just, reasonable, and compensatory rates to be charged by the public utility. The Commission has adopted Standard Filing Requirements which require medium and large utilities to include in rate filings a discussion of policy and goal setting, strategic and long range planning, organization structure, decision-making, and communications for the utilities executive management process. Staff routinely reviews the schedules submitted by an applicant and selects certain management topics for rate case investigation. In the present case, Staff investigated and reported on Ohio American's labor and budgeting and administrative cost control functions. In short, Staff is concerned that the rapid growth in labor resources at Ohio American has caused Administrative and General (A&G) expenses to rise significantly. Staff recommends that the Company alter its business model so that A&G expenses track more closely to the rate of inflation and take into account the customers' ability to pay.

Ohio American's objects to the Staff's analysis of the Company's management operations (Ohio American brief at 4-21). Ohio American takes issue with both the Staff's commentary on the Company's staffing levels as well as budgeting and cost controls. Regarding the growth in staffing levels, the Company asserts that the Staff's concern is unsupported and contradictory. Ohio American claims that the Staff's position is unsupported because, although the Staff was not particularly critical of Ohio American's staffing levels and did not seek to review the number of Ohio American employees, the Staff concluded, without salient facts, that the current increased staffing levels appear to be growing beyond the level necessary to effectively perform functions and tasks needed for regulatory compliance (Staff Ex. 3 at 69, 71; Staff Ex. 15; Tr. X at 1705, 1706). The Company views Staff's concern as contradictory because Ohio American has modestly increased staffing levels in the supervisory, field, and support areas in compliance with Staff's recommendations in the 2006 and 2007 Rate Cases. In fact, the Company asserts that only nine positions have been added. Nevertheless, Staff takes the position in the current case that staffing levels are growing past the levels necessary to effectively perform functions and tasks needed for regulatory compliance (Staff Ex. 3 at 71). Staff reaches this 09-391-WS-AIR -56-

unreasonable conclusion, the Company claims, based upon a simple percentage calculation without a great deal of additional data or reasoned analysis whatsoever.

Next, Ohio American asserts that Staff presented no rational basis for the allegation that Service Company charges were unreasonable (Ohio American brief at 6-10). Regarding Service Company costs, Ohio American claims that Staff did not investigate the services provided by the Service Company to Ohio American (Tr. X at 1692, 1694). Additionally, Staff incorrectly assumed, according to the Company, that the services provided to Ohio American did not directly affect Ohio American's customers or the quality of water (Tr. X at 1709, 1711), did not take into account the necessity for the Service Company activities (Tr. X at 1752), did not determine whether the Service Company fees for those services had value (Tr. X at 1753), did not take issue with the types of services being provided to Ohio American by the Service Company (Tr. X at 1688, 1751), and agreed that the Service Company had expertise in water regulation (Tr. X at 1704). Ohio American also criticizes Staff's recommendations because, according to the Company, Staff did not review the information in the application (other than the S-1 and S-2 schedules), the testimony filed with the application (Tr. X at 1692), the descriptions of Service Company services provided in data request responses (Tr. X at 1783), or Ohio American's most recent rate case (Tr. X at 1690).

Ohio American faults Staff's investigation as merely consisting of reviewing notes from telephone interviews with company personnel from 2006 (Tr. X at 1684, 1794), one telephone call to Company witness VerDouw, employed by American Water Works Service Company as Manager of Rates and Regulation for Ohio American, in 2009 (Tr. X at 1681), and a compilation of costs found in the annual reports of Ohio American and Aqua Ohio (Tr. X at 1754). The Company also disputes benchmarking Service Company fees against the approximate increase in the Consumer Price Index (CPI) (Tr. X at 1751, 1774, 1783) as no such measurement of reasonableness for any utility expense has ever been used according to Ohio American. Neither has the Commission used a standard of affordability in examining costs of a utility. Nevertheless, according to Ohio American, the Staff in this case unreasonably used affordability based on median household income of Ohioans as a measure by which to judge the reasonableness of the Company's rates (Staff Ex. 3 at 77).

Ohio American next criticizes the use of Aqua Ohio as a benchmark by which to judge the Company's A&G expenses stating there was no attempt made by the Staff to lay a foundation establishing the comparability of the two companies. For example, Ohio American claims that there was no attempt made to analyze similarities or differences in service area characteristics, customer service levels, capital investment programs, quality of maintenance programs, differences in water sources, and compliance with regulatory requirements or any other aspect of operations of performance that could account for

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differences in costs. Rather, Staff chose to compare Ohio American with Aqua Ohio merely on the basis that both are large water companies with service companies, both are part of a holding company structure, and both are subject to the jurisdiction of the Commission (Tr. X at 1771-1772). Specifically, Ohio American asserts that while the Company booked all of its Service Company expenses in an Outside Service account, account 923, includable as an A&G expense (Ohio American Ex. 39 at 17), Aqua Ohio appears to have booked expenses of a national call center and lab expenses to accounts 903 and 642, respectively, which are non-A&G expense accounts (Ohio American Ex. 36 at 40). Thus, a true "apples to apples" comparison of Ohio American and Aqua Ohio A&G expense accounts are not reflected in the Staff's analysis

As a final matter concerning A&G expenses, Ohio American submits that there has been no credible evidence offered to show that the Company's A&G expenses are unreasonable. If reasonable A&G expenses are meant to approximate the CPI, the Company submits there was no evidence presented that the Commission has ever used the CPI as such measure of A&G expenses in the past (Tr. X at 1725, 1751, 1774, 1783).

Under management and operations review, Staff takes issue with the Company's position that Staff's investigation and recommendations concerning management fees is not based on the statutory requirements of reasonableness (Staff Ex. 15 at 4). Although Staff did not examine or report on each specific cost to provide each specific service, Staff examined categories of costs, including administrative and general costs, as a whole. As a result of this analysis, Staff found that Ohio American's administrative and general costs overall have unreasonably escalated and exceeded by far both inflation and the rate of growth in Ohio household income (Id.). Staff also disputes the Company's position that Staff has ignored Commission precedent from the past three rate cases that found the Company's management fees to be reasonable (Id.). Staff points out that the level of management fees requested in the present case, not past cases, is the matter currently pending before the Commission. There is no rule or precedent, Staff contends, that automatically requires that the level of management fees must increase from a prior authorized level (Id. at 4-5). Further, Staff posits that the review in this case addresses issues not addressed in previous Ohio American rate proceedings (Id. at 5).

Staff disagrees with Company's position that Staff used benchmarks that do not meet benchmark criteria (*Id.*). Benchmarks, Staff maintains, are not limited to service levels, customer benefits, or other specific criteria (*Id.*). Rather, as Staff explained, a longitudinal analysis of Ohio American's costs by specific functions or by those functions as a whole is a very useful tool and benchmarking these values against economic trends and similar companies can provide valuable insight into the performance of a company (*Id.*). This analysis, supported by reviewing costs over a period of years, reflects poor

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performance by Ohio American in controlling administrative and general costs, Staff claims (*Id.*).

Concerning the Company's objection to Staff comparing Ohio American to Aqua Ohio, Staff submits that Aqua Ohio is the most similar comparable company (ld. at 6). Both companies operate under a holding company umbrella, utilize services provided by a service company, and operate in Ohio under similar regulatory requirements (Id.). In fact, Aqua Ohio is often used in comparison with Ohio American for benchmark analysis, service quality reviews, and rate of return studies (Staff Ex. 3 at 74). In its review in this case, Staff used annual report data filed with the Commission from 2003-2008 to compare total waterworks expense, total administrative and general expense, and total outside services expense for the two companies. Ohio American faults Staff's analysis for not drilling down into each account in order to obtain a true "apples to apples" comparison, however, such an approach was not within the scope of the review undertaken by the Staff's management and operations review. Rather, it was the Commission's Accounting and Electricity Division staff's role to review and evaluate the Company's expenses in the course of determining operating income in this case. For purposes of the management and operations review portion of the Staff Report, the Capital Recovery and Financial Analysis's Division's responsibility was to evaluate Ohio American's management policies, practices, and organization consistent with Staff's statutory duty, not to examine the intricacies of the Company's accounting methods.

Regarding Ohio American's position that Staff has been inconsistent in its treatment of the Company's staffing levels, Staff disagrees. Staff notes that, in 2006, the Company's KPI report, which is used by Ohio American's management to align resource needs with workload, indicated a staffing level that was enabling Ohio American to reach near one hundred compliance with regulatory standards (Staff Ex. 15 at 6). Continuing, Staff explains that, in the present case, the KPI report reflects that the Company's staffing level enables Ohio American to perform in excess of the required compliance level (Id.). Thus, Staff asserts that the results of the KPI report presents an opportunity for Ohio American to identify cost savings, while still maintaining compliance with regulatory benchmarks (Id. at 6-7). On brief, Staff disagrees with the Company's position that Staff focused on the percentage growth of staffing (Staff Reply brief at 50). Rather, Staff points out that the focus has been on balancing the need to meet regulatory compliance benchmarks while operating efficiently in order to minimize costs to the ratepayer (Staff Ex. 3 at 71). To accomplish this balance, Staff recommends that the Company continue to utilize the KPI report for optimizing labor resource levels (Id.).

Next, Staff disputes the Company's contention that certain statistics, such as the CPI, were inappropriately used to support Staff's analysis (Staff Ex. 15 at 7; Tr. X at 1751, 1774, 1783). Staff's analysis was undertaken using more than one single approach to assess

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the reasonableness of the Company's administrative and general costs and used available date in an appropriate manner Staff explains. Staff's analysis was broken down into three parts. First, Staff evaluated the Company's administrative and general costs over a period of time to determine whether Ohio American was reasonably managing such costs (Staff Ex. 15 at 7). To gauge reasonableness, Staff used the rate of inflation and found that Ohio American's administrative and general costs were rising far in excess of inflation (ld.). Next, Staff analyzed the A&G costs of a comparative water company, Aqua Ohio, to determine whether Ohio American's growth rate is a product of the water industry in general. Staff's analysis revealed that Aqua Ohio's rate of growth in A&G costs were near the rate of inflation as measured by the CPI (ld.). Using the annualized figures calculated by Company witness Verdouw, Aqua Ohio's average annualized rate growth in A&G costs for 2003-2008 is 0.11 percent, whereas Ohio American's average annualized rate of growth in A&G costs for the same period were 12.09 percent (Tr. XIII at 2252-2253). Staff also finds irrelevant Ohio American's argument that the Staff erred by not comparing the Company's A&G cost growth to the electric and gas industries (Ohio American brief at 14-15 citing to Company Ex. 31). As explained by Staff witness Rack (Tr. X at 1745-1746), the information provided by the Company was not suitable for use in this case but even if it were used, the data would support Staff's position. According to Staff, the relevant data in Ohio American Exhibit 31 reflects that the growth rate in total A&G expense was 2.73 percent and 2.1 percent for the electric and gas industries from 2003-2008 (Ohio American Ex. 31). Finally, Staff compared the relative weight of Ohio American's A&G costs with its overall costs (Staff Ex. 15 at 7). Staff found that more than half of Ohio American's costs were A&G costs while only 30 to 35 percent of Aqua Ohio's costs were A&G costs (Id.).

The Commission will adopt most of the Staff's recommendations in the Management and Operations Review section of the Staff Report. We generally agree that it would appear as if Ohio American must find ways to better control costs. Ideally, the Company's cost trend will track closer to the rate of inflation and Ohio market conditions. Recognizing that the companies may not be a perfect match, Ohio American can still use Aqua Ohio as a rough benchmark to use for comparison purposes. Regarding organizational process, the Commission concurs with Staff that the Company must have greater cost-related decision-making at the operating company level. In light of these concerns, and as addressed further below, we are recommending an investigation and audit of the Company's management policies and administrative practices for purposes of the Company's next rate proceeding. However, we are making no further reductions to A&G expenses beyond those adjustments set forth in the Operating Income section of the Staff Report.

OCC had two objections to the Staff's analysis under the Management and Operations review section of the Staff report. OCC first notes that the Commission should order an independent management audit of Ohio American given the imprudent and

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inefficient management policies and administrative practices of the Company (OCC brief at 93). OCC claims that an independent audit is warranted in order to determine: (1) whether the affiliate transactions between the Company and the Service Company are prudent and to determine if the allocation of the Service Company costs to Ohio American is proper; (2) what measures should be put in place to control costs by auditing the Company's A&G expenses; and (3) if Ohio American has engaged in over-spending on its capital additions and neglected to consider the least-cost options available and whether the Company engaged in construction and purchasing activities when it was absolutely necessary (OCC Ex. 48 at 13). Pointing to a 16.29 percent average increase in the management fee expenses since 2003, as calculated by the Staff, OCC opines that an audit of affiliated transactions with the Service Company is warranted. Additionally, OCC points out that there has been a company-wide organizational structure change whereby Ohio American has been shifted from the Western to the Eastern Division effective January 1, 2009. Regarding A&G expenses, OCC notes that the Staff found that Ohio American spent 42 percent more on A&G services than Aqua Ohio (Staff Ex. 3 at 74). Regarding the Company's capital-spending habits, OCC claims that approximately \$44.1 million or 33 percent of a gross plant balance of \$134,784,289 occurred from 2001 to 2008. In addition, the Company's three-year projection calls for an additional \$51.4 million of new construction between 2009 and 2011. If the Company's construction projection holds true, the value of Ohio American's gross plant will have increased approximately \$95.5 million over an 11-year time frame claims OCC. Such a high level of capital spending encourages the Company to file rate cases more frequently in order to obtain a return on investment as soon as possible (OCC Ex. 48 at 14-15). OCC explains that a sister subsidiary of Ohio American's parent company is undergoing a similar audit in Tennessee (Id.) and that this Commission has previously ordered similar management audits of Columbia Gas (Case No. 91-195-GA-AIR, Opinion and Order, November 27, 1991, at 8-9) and Centerior Energy Companies (Case Nos. 88-171-EL-AIR and 88-170-EL-AIR, Opinion and Order, January 31, 1989). OCC asserts that the cost of the audit should be borne by Ohio American and the Company should be prohibited from seeking recovery of this cost through a future rate proceeding (Id. at 17).

According to Staff witness Rack, Staff did not specifically investigate affiliate transactions or analyze capital projects for purposes of this rate case (Staff Ex. 15 at 2-3). Staff submits that, based upon the adjustments recommended in the Staff Report, an independent audit to investigate affiliate transactions, to identify measures to control costs, and to determine whether the Company engaged in overspending on capital additions is unnecessary at this time (*Id.* at 3). Nevertheless, should the Commission decide that a further review of Ohio American's expenses for services provided by the Service Company is in fact necessary, Staff recommends that such an investigation be conducted by Staff outside of this rate case for consideration in the Company's next rate case (*Id.*).

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Given the level of average management fee expense increases since 2003 in relation to other regulated utilities' management fee levels and recognizing that Staff did not undertake an investigation of affiliate transactions or analyze in-depth capital project spending for purposes of this rate case, we determine that an audit, conducted by Commission Staff, outside the scope of this pending proceeding and concluded within 12 months should be undertaken with the results of that audit considered in a future rate case proceeding. In making this determination, we find that our Staff has the necessary expertise to investigate and make recommendations to us regarding areas the Company can focus on to control expenditures without engaging the resources of an outside auditor. Ohio American is instructed to cooperate with and provide required information to our Staff in furtherance of this audit.

In its second objection to the Management and Operations review section of the Staff Report, OCC claims that Staff should have provided specific guidance regarding local economic conditions that Ohio American should consider during the budgeting and planning processes. OCC claims that although Staff stopped short of making specific management and budgeting recommendations, the Staff Report is unflinching in its criticism of Ohio American's inability to manage its costs and consider the current economic conditions. Further, highlighting the testimony of David Little, President of Ohio American, OCC asserts that no one at the Company, including the Budget Planning Assumptions Group, is specifically assigned the responsibility of attempting to match the costs of providing water service to the rate of inflation (Tr. I at 28-29, 30, 35). OCC recommends that the Commission must mandate specific and fundamental changes in the management and budgeting processes of the Company if the Staff Report's conclusions and recommendations are to be taken seriously by Ohio American (OCC brief at 99).

Staff responds to OCC's objection by noting that, although Staff found that Ohio American's budgeting process was flawed and in need of an overhaul, it is not the Staff's responsibility to manage the Company.

The Commission supports Staff's position on this issue in this proceeding. While it is the prerogative of the Commission, pursuant to Section 4909.154, Revised Code, to consider and recommend specific management policies, practices, or an organizational structure, the Commission determines that such an undertaking is not warranted based on this record at this time. However, in making this determination, we take note of the substantial public testimony presented in this proceeding whereby the Company's customers testified that their water bill represents a significant drain on their household finances and is quickly becoming unaffordable. Thus, although we are not recommending specific modifications to Ohio American's management policies and practices at this time, we do expect the Company to factor in customer counts, system growth, wage and benefit

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inflationary factors, the consumer price index and commodity inflation factors in the building the Company's budget plan. Ohio American will face substantial scrutiny in its next rate case proceeding should the Company's budget growth far exceed the rate of inflation and/or the growth in Ohio household income.

EFFECTIVE DATE AND REQUIRED FILINGS

Ohio American is hereby ordered to file revised tariff schedules in accordance with the terms of this opinion and order and a proposed customer notice for approval. The effective date of the increase in rates shall be for bills rendered beginning on a date not earlier than the date of this opinion and order and the date upon which four complete copies of final tariffs are filed following approval of the tariffs. As with the Company's prior rate case, Ohio American is directed to file all compliance reports and documentation in a separate compliance docket to facilitate the review of the Company's progress in meeting its obligations under the terms of this opinion and order.

FINDINGS OF FACT:

- (1) On May 7, 2009, Ohio American filed a notice of intent to file an application for an increase in rates. In that application, the Company requested a test year of October 1, 2008, to September 30, 2009, and a date certain of December 31, 2008. By Commission entry issued June 3, 2009, the test year and date certain were approved and certain waivers from the standard filing requirements were granted. Ohio American's application was filed on June 8, 2009.
- (2) On July 29, 2009, the Commission issued an entry that accepted the application for filing as of June 8, 2009.
- (3) On November 27, 2009, Staff filed its written report of investigation with the Commission.
- (4) By entry issued December 9, 2009, persons wishing to file objections to the Staff Report were directed to file appropriate pleadings by December 28, 2009. This entry also scheduled a prehearing conference for January 13, 2010.
- (5) Intervention was granted to the Office of the Ohio Consumers' Counsel, Dragoo & Associates, Inc. aka Dragoo Management, Inc., and the city of Marion.

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(6) On December 28, 2009, objections to the Staff Report were filed by OCC, Dragoo, and Marion.

- (7) Local public hearings were held on January 20, 2010, in both Mansfield and Marion, Ohio; on January 21, 2010, in Galloway, Ohio; on January 25, 2010, in Groveport, Ohio; and on January 28, 2010, in Westerville, Ohio. By entry issued January 29, 2010, additional local public hearings were scheduled for February 22, 2010, in Ashtabula, Ohio and on February 23, 2010, in Tiffin, Ohio. Evidentiary hearings were held at the Commission from January 27, 2010, to February 12, 2010. The applicant submitted proofs of publication of the local hearings on January 26, 2010, and March 5, 2010.
- (8) The value of all of the Company's property used and useful for the rendition of water and wastewater services to customers affected by these applications, determined in accordance with Section 4909.15, Revised Code, is not less than \$70,072,124.
- (9) The current net annual compensation of \$3,771,695 represents a rate of return of 5.38 percent on the jurisdictional rate base of \$70,072,124.
- (10) A rate of return of 5.38 percent is insufficient to provide the Company with reasonable compensation for the water and wastewater services rendered to its customers.
- (11) A rate of return of 7.73 percent is fair and reasonable under the circumstances presented by this case and is sufficient to provide Ohio American just compensation and return on the value of the Company's property used and useful in furnishing water and wastewater services to its customers.
- (12) An authorized revenue increase of \$2,647,801 will result in a return of \$5,416,575 which, when applied to the rate base of \$70,072,124, yields a rate of return of approximately 7.73 percent.
- (13) The allowable gross annual revenue to which the Company is entitled for purposes of these proceedings is \$39,849,551.

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CONCLUSIONS OF LAW:

(1) The Company's application was filed pursuant to, and this Commission has jurisdiction of the application under, the provisions of Sections 4909.17, 4909.18, and 4909.19, Revised Code, and the application complies with the requirements of these statutes.

- (2) A staff investigation was conducted and a report duly filed and mailed, and public hearings held herein, the written notice of which complied with the requirements of Section 4909.19 and 4903.083, Revised Code.
- (3) Objections to the Staff Report not addressed in a parties' initial brief are deemed withdrawn.
- (4) The existing rates and charges for water service are insufficient to provide Ohio American with adequate net annual compensation and return on its property used and useful in the provision of water and wastewater services.
- (5) A rate of return of not more than 7.73 percent is fair and reasonable under the circumstances of this case and is sufficient to provide Ohio American just compensation and return on its property used and useful in the provision of water and wastewater services to its customers.
- (6) The Company is authorized to withdraw its current tariffs and to file proposed revised tariffs for Commission approval.

It is, therefore,

ORDERED, That the application of Ohio American for authority to increase its rates and charges for water and wastewater services be granted to the extent provided in this opinion and order. It is, further,

ORDERED, That Ohio American is authorized to file proposed tariffs consistent with this opinion and order and a proposed customer notice. It is, further,

ORDERED, That Commission Staff undertake an investigation and audit as discussed herein. It is, further,

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ORDERED, That protective treatment be granted pursuant to Rule 4901-1-24, O.A.C., as discussed herein. It is, further,

ORDERED, That a copy of this opinion and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman

Paul A. Centolella

Valerie A. Lemmie

Steven D. Lesser

Cheryl L. Roberto

JRJ/vrm

Entered in the Journal

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Reneé J. Jenkins

Secretary

Responsible Witness: Gary M. VerDouw

Other Participating Employees: Ed Rex

Question:

37. Identify all states in which a TAWC Parent or Affiliate or any other investor-owned utility has requested or recommended approval of a "pension tracker" or similar tariff rider, providing in each case the regulatory agency, authority, or commission involved, the date of the request, and the docket number or reference.

Response:

Please refer to the response to Item 36 of this same data request.

Responsible Witness: Gary M. VerDouw

Other Participating Employees: Ed Rex

Question:

38. *Identify* any statutory provision authorizing the approval or adoption of a "pension tracker" or similar tariff rider in any state in which such a charge has been approved or has been sought by a *TAWC Parent or Affiliate* or by any other investor-owned utility.

Response:

Please refer to the response to City of Chattanooga question 36.

Responsible Witness: Kevin Rogers

Other Participating Employees: Lew Keathley, Brian Markham

Question:

39. What does *TAWC* contend is the percentage rate of "non-revenue water" loss during the twelve months ended December 31, 2011?

Response:

TAWC had a total non-revenue water loss, as defined in response to Item 40 of this same data request, of 24.7%.

Responsible Witness: Kevin Rogers
Other Participating Employees: None

Question:

40. **Explain** in detail the data and calculation upon which the percentage rate of "non-revenue water" loss reported in response to the previous Request was calculated.

Response:

"Non-revenue water" loss was calculated by dividing gallons of water sales into gallons of system delivery and subtracting it from 1.

Water sales are defined as the gallons of finished (potable) water billed to our customers through meter readings.

System delivery is defined as gallons of finished (potable) water pumped by our high service pumps at the treatment plant into our distribution system, read from the meters at the plant.

Responsible Witness: Kevin Rogers

Other Participating Employees: None

Question:

41. *Explain* in detail how the calculation described in response to the previous Request differs from the calculation of the percentage "unaccounted-for water" referenced in the TRA's April 27, 2012 Order in Docket No. 10-00189, at note 377.

Response:

The two are identical calculations. As discussed in my testimony, TAW refers to non-revenue water as all water that is not metered in sales. This is a shift in terminology, and is frequently referred to as unaccounted-for water.

Responsible Witness: Kevin Rogers

Other Participating Employees: Lew Keathley

Question:

42. What does **TAWC** contend is the present rate during the twelve months ended December 31, 2011 of "unaccounted-for water" loss as opposed to "non-revenue water" loss?

Response:

Our 2011 estimate for "Unaccounted-for water" loss is 22.8%.

Responsible Witness: Kevin Rogers

Other Participating Employees: Sonal Modi, Brian Markham

Question:

43. What was the total cost of *TAWC*'s "non-revenue water (NRW) program," referenced in Mr. Rogers' direct testimony, during each calendar year from January 1, 2008 through December 31, 2011?

Response:

Cost of NRW Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Wages	149,345	152,049	149,700	118,182
Benefits %	90,428	89,752	85,220	62,188
Vehicle Fuel & Maintenance	11,366	11,366	11,366	9,575
Total Cost of NRW Program	251,139	253,167	246,287	189,945

Responsible Witness: Kevin Rogers

Other Participating Employees: Lance Williams

Question:

44. *Identify* all *Plant Additions or Improvements* that were undertaken as a result of or as part of the "non-revenue water (NRW) program".

Response:

TAWC currently has a project underway to install electromagnetic flow meters on the nine transmission mains that leave the water treatment plant which range in size from 16-inch to 36-inch. This will increase the accuracy of the metered water that is being delivered into the system because the meters will be installed on straight runs of pipe away from valves, bends and fittings. This reduces turbulence in the pipe, which can reduce the accuracy of the readings. Currently the meters are located in the pipe gallery of the existing plant which makes them difficult to calibrate and they are subject to higher turbulence which can potentially reduce the accuracy of the readings.