COMMUNITY WATER COMPANY, LLC

General Rate Case Increase

Index

Exhibit 2.1

Docket No. 15-098-01

December 18, 2015

Exhibit No.	Tab Label	Page Title	Page Description
2.1	INDEX	Index	Index Key for Exhibits
2.2	Rates	Rate Schedule	Shows the rate calculations and corresponding rate schedules.
2.2.a	Notes	Rate Schedule (Notes)	Notes and comments regarding Exhibit 1.2
2.3	Allocation of Expenses	Allocation of Annual Expenses and Annual Rates	Categorizes expenses as either Fixed or Variable expenses.
2.3.a	Notes	Expense Allocation (Notes)	Notes and comments regarding Exhibit 1.3
2.4	Adj. Expense	Adjustments to Expenses	Shows any adjustments to the expense amounts submitted by the water company.
2.4.a	Notes	Adjustments to Expenses (Notes)	Notes and comments regarding Exhibit 1.4
2.5	Rev & Exp	Summary of Revenues and Expenses (Revenue Requirement)	Summarizes the necessary expenses and shows the revenues required to fund these expenses.
2.6	Reserve	Capital Reserves	Sets the minimum Capital Reserves funding requirements.
2.7	Deprec	Depreciation Expense & Accumulated Depreciation Reconciliation	Lists the Company's assets and calculates the Depreciation Expense and Accumulated Depreciation
2.7.a	Notes	Depreciation Expense & Accumulated Depreciation Reconciliation (Notes)	Notes and comments regarding Exhibit 1.7
2.8	CIAC	Contribution in Aid of Construction (CIAC) & Amortization of CIAC Reconciliation	Lists the Company's assets contributed (donated) to the water company, usually by the developer.
2.9	Rate Base	Rate Base	Rate base is the value of property, or infrastructure, on which a public utility is permitted to earn a specified rate of return.
2.10	Ret on Inv	Return on Investment	Lists the company's return on its investment is has an opportunity to earn.
2.11	Taxes	Projected Federal & State Income Taxes	Estimates the amount of Federal and State Income Tax the Company's liable for

back **COMMUNITY WATER COMPANY, LLC**
General Rate Case Increase
Rate Schedule

Exhibit 2.2
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	Fixed Expenses	Reference	Annual Rate	Monthly Rate
1	Operation & Maintenance Expenses (System)	*[From Exhibit 2.3 - line 52]*		
2	Capital Reserve Account Funding	*[From Exhibit 2.3 - line 56]*		
3	Return on Investment (Profit)	*[From Exhibit 2.3 - line 61]*		
4	Monthly Fixed System Rate: *(Paid by all qualified lots in Service Area)* ***before taxes****			
5				
6	**Taxes ***	*[From Exhibit 2.3 - line 70]*		
7	**Monthly Fixed System Rate:** *(Paid by all qualified lots in Service Area)* ***after taxes****			
8				
9	Operation & Maintenance Expenses (System Usage)	*[From Exhibit 2.3 - line 52]*		
10	Return on Investment (Profit)	*[From Exhibit 2.3 - line 61]*		
11				
12	**Monthly Fixed System Usage Rate:** *(Paid in addition to Fixed System Rate by each CONNECTED Lot)* *			
13				
14	**Variable Expenses**			
15	Variable Water Consumption Expenses	*[From Exhibit 2.3 - line 52]*		
16	Total Gallons Used	*[From Exhibit 2.3 - line 3]*		
17	**Variable Water Consumption Rate** *(Paid for each 1,000 gallons water used)* **			
18		*(Line 15 ÷ (Line 16 X 1,000 Gallons))*		

19 * Rounded up to the nearest $0.05
20 ** Rounded up to the nearest $0.10
21
22
23

Recommended Rate Schedule

	Monthly Rates		Monthly Water Usage Amounts		Billing Range
25			*Full-Time Aver Use*	*12,000 gals*	
27	***Standby Rate***	*(From Line 7)*			
28	***Base Rate for Connected Customers***	*(Lines 7 + 12)*	0 gals	0 gals	
29	Tier 1 (Per 1,000 Gallons)	*(From Line 17)*	0 gals	12,000 gals	
30	Tier 2 (Per 1,000 Gallons)	*(Line 29 X 1.5)*	12,001 gals	24,000 gals	
31	Tier 3 (Per 1,000 Gallons)	*(Line 30 X 1.5)*	24,001 gals	36,000 gals	
32	Tier 4 (Per 1,000 Gallons)	*(Line 31 X 1.5)*	36,001 gals	*OVER*	

33
34

Proposed by Company

	Monthly Rates		Monthly Water Usage Amounts		Billing Range
38	***Standby Rate***				
39	***Base Rate for Connected Customers***		0 gals	0 gals	
40	Tier 1 (Per 1,000 Gallons)		0 gals	5,000 gals	
41	Tier 2 (Per 1,000 Gallons)	*(Line 40 x 2.5714)*	5,001 gals	20,000 gals	
42	Tier 3 (Per 1,000 Gallons)	*(Line 41 x 1.1111)*	20,001 gals	30,000 gals	
43	Tier 4 (Per 1,000 Gallons)	*(Line 42 x 1.6000)*	30,001 gals	40,000 gals	
44	Tier 5 (Per 1,000 Gallons)	*(Line 43 x 1.5000)*	40,001 gals	60,000 gals	
45	Tier 6 (Per 1,000 Gallons)	*(Line 44 x 1.2500)*	60,001 gals	80,000 gals	
46	Tier 7 (Per 1,000 Gallons)	*(Line 45 x 1.200)*	80,001 gals	100,000 gals	
47	Tier 8 (Per 1,000 Gallons)	*(Line 46 x 1.1667)*	100,001 gals	*OVER*	

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Rate Schedule (Notes)

Exhibit 2.2.a

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Comments:

The purpose of this schedule is to calculate just, reasonable and adequate rates to generate sufficient revenues to fully fund the fixed expenses to promote the safe, healthy, economic, efficient, and reliable operational expenses at adequate levels of service at the lowest costs and to meet the reserve requirements of the Company.

The recommended rates are presented at the bottom of this schedule. Additionally, a billing range for each rate tier is calculated.

DOMESTIC WATER USE: (inside use only): Water diversion for a **Full-time** (*permanent residence*) use is evaluated at 0.45 acre-foot per family

(.45 acre-feet of water is equal to 146,632.95 gallons / per year use, 12,219.41 gallons / per month.)

The Division has rounded the numbers down to Full-time 12,000 gallons to help with the conservation of water.

In the Division's Rate Schedule, the Division uses a factor of 50 percent for a price per 1,000 gallon increase. This is used as a conservation measure and has been approved by the Commission in other dockets.

Additional Comments:

Line 5.
Monthly Fixed System Rate This is the rate portion that primarily pays for the fixed Infrastructure. This rate is paid by all lots of the water system. This rate is the Standby Rate or System Fee and is a portion of the rate for ALL customers, including stand-by customers of the Company.

Line 11.
Monthly Fixed System Usage Rate This portion of the rate that covers the fixed usage expenses. This rate is paid by connected customers and is paid in addition to the Fixed System Expenses by the connected customers.

Line 17.
Variable Water Consumption Rate This amount is the incremental cost per gallon to cover variable expenses.

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General Rate Case Increase
Allocation of Annual Expenses and Annual Rates

Exhibit 2.3
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	Expense Category	Adjusted Total Expenses [From Exh. 1.4]	Fixed Expenses: 30% System Expenses (Paid by ALL Customers) Total Customers: [redacted] Amount	Fixed Expenses: 30% System Expenses (Paid by ALL Customers) Annual Rate	Fixed Expenses: 70% System Usage Expenses (Paid by CONNECTED Only) Total CONNECTED Customers: [redacted] Amount	Fixed Expenses: 70% System Usage Expenses (Paid by CONNECTED Only) Annual Rate	Variable Expenses: 100% Water Consumption Expenses Projected Usage: [redacted]
5	**Operation & Maintenance Expenses**						
6	Salaries & Wages - Employees & Officers	[redacted]	[redacted]		[redacted]		[redacted]
7	Payroll Taxes (SS Taxes 7.5%)(FUTA & SUTA .20%)						
8	Purchased Water						
9	Purchased Power (Electrical for Treatment Plant)						
10	Fuel for Power Production						
11	Chemicals						
12	Materials and Supplies						
13	Contractual Services - Engineering						
14	Contractual Services - Accounting						
15	Contractual Services - Legal						
16	Contractual Services - Management Fees						
17	Contractual Services - Testing & Lab Fees						
18	Contractual Services - Water Sampling						
19	Contractual Services - Water System Maintenance						
20	Contractual Services - Water System Repairs:						
21	0						
22	0						
23	0						
24	0						
25	0						
26	0						
27	0						
28	0						
29	Contractual Services - Connection Expenses						
30	Contractual Services - Billing						
31	Contractual Services - Meter Reading						
32	Contractual Services - Other						
33	Rental						
34	Rental of Equipment						
35	Transportation Expense						
36	Insurance - Vehicle						
37	Insurance - General Liability						
38	Insurance - Worker's Compensation						
39	Insurance - Other						
40	Regulatory Expense - Rate Case Expense						
41	Regulatory Commission Expense - Other						
42	Water Resource Conservation Expense						
43	Bad Debt Expense						
44	Miscellaneous Expenses:						
45	Office Supplies						
46	Miscellaneous Expenses (Repairs) :						
47	Telephone						
48	Other Misc Expenses NOT Classified						
49	Association / Membership Dues - Fees						
50	Administrative Expenses						
51							
52	**Total Operation & Maintenance Expenses:**						
53							
54	**Capital Reserve Account Funding**		100%		0%		
55	Annual Capital Reserve Funding *[From Exhibit 2.6]*						
56	**Total Cap Reserve Account Funding:**						
57							
58							
59	**Return on Investment (Profit)**		30%		70%		
60	Return on Investment *[From Exhibit 2.10]*						
61	**Total Return on Investment (Profit):**						
62							
63							
64	**Total Expenses Before Taxes:**						
65							
66	**Taxes** *[From Exhibit 2.11]*		100%		0%		
67	Property Tax						
68	Projected Federal and State Income Tax						
69	**Total Taxes:**						
70							
71							
72	**Total Revenue Requirement:**						

COMMUNITY WATER COMPANY, LLC Exhibit 2.3.a

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Expense Allocation (Notes) December 18, 2015

Comments:

Comment:
The purpose of this schedule is to allocate expenses of the water company into fixed expenses and variable expenses. Fixed expenses are further broken down to the fixed system expenses and fixed usage expenses. Part of the rate-making process is to ensure that all fixed costs are covered by the base rates regardless of how much water is sold.

Additionally, this schedule also uses the allocated expenses to determine the annual rates paid by each water company customer for each type of expense. This is obtained by dividing the total expense for each category by the number of customers for each type of expanse. These annual rate amounts are converted into monthly rates in Exhibit 2.2.

Note: *The total* ***number of water customers*** *and* ***gallons*** *used in this analysis is an comes from the Company's 2014 Annual Report.*

Connections by category:
Residential:
Commercial:
Industrial:
Institutional:

TOTAL:

Stand-by Customers

These Numbers are from the Company's current tariff.

Park West Village: 52 connections for single family homes, a 30-unit condominium and 40-unit Condominiums
Hidden Creek Condominiums: 127 Units
Red Pine Condominiums and Townhomes: 260 Units
Red Pine Road: 2 connections (single family homes)
The Canyons Resort: including the original buildings and the Sun Lodge at Snow Canyon, Lookout, Sun Lodge, Canyons entry water feature, Ski Maintenance Building, and Canyons Base Camp
Lutheran Church
7-11

Fixed Expenses
Fixed expenses are costs that are incurred regardless of the quantity of water delivered and must be recovered through the minimum monthly bill. Whether the service is used or not, it is the system's obligation to have the service available to its customers 365 days per year, 24 hours a day and there are costs associated with this.

Fixed System Expenses are paid equally by all customers, including both standby and connected customers. Fixed System Expense Fees pay for a portion (30% of fixed expenses plus 100% of the reserve account) of the water utility's fixed expenses.

Fixed System Usage Expenses are the remainder of the unpaid fixed expenses not paid through the Fixed System Expense Fees are paid equally by only those customers connected to the water system. Fixed Usage Expenses are costs that are more directly related to the pumping, treating and storage of the water provided to each connected customer on a monthly basis.

Variable Expenses
Break-Even Variable Water Consumption Rate (Price per 1,000 gallons) represent the break-even variable rate per 1,000 gallons charged to connected customers. This is the minimum variable cost for delivering water and the customer pays for what water they consume.

back ***COMMUNITY WATER COMPANY, LLC*** Exhibit 2.4

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Adjustments to Expenses December 18, 2015

	Expense Category	NARUC #	Requested Expenses [From Company Exhibit D.5]	Division Adjustments	Adjusted Total Expense *[To Exhibit 1.3]*
	Operation & Maintenance Expenses				
1	Salaries & Wages - Employees & Officers	601 & 603			
2	Payroll Taxes (SS Taxes 7.5%)(FUTA & SUTA .20%)	601 & 603			
3	Purchased Water	610			
4	Purchased Power (Electrical for Treatment Plant)	615			
5	Fuel for Power Production	616			
6	Chemicals	618			
7	Materials and Supplies	620			
8	Contractual Services - Engineering	631			
9	Contractual Services - Accounting	632			
10	Contractual Services - Legal	633			
11	Contractual Services - Management Fees	634			
12	Contractual Services - Testing & Lab Fees	635a			
13	Contractual Services - Water Sampling	635b			
14	Contractual Services - Water System Maintenance	636			
15	***Contractual Services - Water System Repairs:***	637			
16		637			
17		637			
18		637			
19		637			
20		637			
21		637			
22		637			
23		637			
24	Contractual Services - Connection Expenses	638			
25	Contractual Services - Billing	639			
26	Contractual Services - Meter Reading	639			
27	Contractual Services - Other	640			
28	Rental	641			
29	Rental of Equipment	642			
30	Transportation Expense	650			
31	Insurance - Vehicle	656			
32	Insurance - General Liability	657			
33	Insurance - Worker's Compensation	658			
34	Insurance - Other	659			
35	Regulatory Expense - Rate Case Expense	666			
36	Regulatory Commission Expense - Other	667			
37	Water Resource Conservation Expense	668			
38	Bad Debt Expense	670			
39	***Miscellaneous Expenses:***	675			
40	Office Supplies	675			
41	Miscellaneous Expenses (Repairs) :	675			
42	Telephone	675			
43	Other Misc Expenses NOT Classified	675			
44	Association / Membership Dues - Fees	675			
45	Administrative Expenses	675			
46					
47					
48					
49					
50					
51	**Total Operation & Maintenance Expenses:**				
52					
53	**Annual Capital Reserve Account Funding** *[From Exhibit 2.6]*				
54	Annual Capital Reserve Account Funding	403			
55	**Total Annual Capital Reserve Account Funding:**				
56					
57	**Return on Investment (Profit)** *[From Exhibit 2.10]*				
58	Return on Investment				
59	**Total Return on Investment (Profit):**				
60					
61	**Taxes** *[From Exhibit 2.11]*				
62	Property Tax	408			
63	Projected Federal and State Income Tax	409			
64	**Total Taxes:**				
65					
66	**TOTALS:**				

COMMUNITY WATER COMPANY, LLC
General Rate Case Increase
Adjustments to Expenses (Notes)

Exhibit 2.4.a
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Line No.	Comment
1.	Salaries & Wages - Employees & Officers.
2.	Payroll Taxes (SS taxes at 7.5%) (FUTA and SUTA at .20%)
3.	Purchased Water.
4.	Purchased Power (Electrical for Treatment Plant.
6.	Chemicals.
7.	Materials and Supplies.
9.	Contractual Services - Accounting.
11.	Contractual Services – Management Fees.
12.	Contractual Services - Testing & Lab Fees.
13.	Contractual Services – Water Sampling.
14.	Contractual Services - Water System Maintenance.
31 and 32.	Insurance – Vehicle and General Liability.
33.	Insurance – Workers Compensation.
35.	Regulatory Expense - Rate Case Expense.
36.	Regulatory Commission Expense – Other.
41.	Miscellaneous Expenses.
42.	Telephone.
43.	Other Misc. Expenses NOT Classified.
54.	Annual Capital Reserve Account Funding

COMMUNITY WATER COMPANY, LLC

Exhibit 2.5

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Summary of Revenues and Expenses (Revenue Requirement)

December 18, 2015

		Number of Customers *[From Exh 2.3]*	Monthly Rate *[From Exh 2.2]*		Amount
	Revenues				
1	Connected Customers	0	[redacted]	12	[redacted]
2	Standby Customers	0		12	
3				**Total Revenue:**	
4					
5	**After Taxes**				
6	Connected Customers	0	[redacted]	12	[redacted]
7	Standby Customers	0		12	
8				**Total Revenue After Taxes:**	
9					
10	**Expenses**				
11			**References**		
12	Total Operation & Maintenance Expenses:		*[From Exhibit 2.4]*		[redacted]
13	Projected Federal and State Income Tax		*[From Exhibit 2.4]*		
14	Total Cap Reserve Account Funding:		*[From Exhibit 2.6]*		
15	Total Return on Investment (Profit):		*[From Exhibit 2.10]*		
16	**Total Expenses REVENUE REQUIREMENT**				
17					
18	Variable Expenses		*[From Exhibit 2.3]*		[redacted]
19					
20	Total Expenses Less Variable Expenses				[redacted]
21					
22	**Projected Annual Amount Over/(Under) Earned** *(line 8 - line 20)*				[redacted]
23					

Comments:
This worksheet is a summary of revenues generated by the rates as calculated in ***Exhibit 2.2*** and the offsetting expenses as referenced in the above calculations. As this worksheet demonstrates, the revenues are sufficient to meet the fair and reasonable fixed expenses.

Additional Comments:
Line 16. This is commonly referred to as the revenue requirement. The revenue requirement is the amount of money the utility requires to cover its reasonable expenses, taxes, reserve requirements and an opportunity to earn a reasonable return on its prudent and useful investments in infrastructure.

Line 18. The variable expenses are deducted from the total revenue requirement in order to calculate the over or under earning amount. The variable expenses are fully funded by the tier rates and therefore must be deleted to calculate the over or under earning amount.

Line 22. This is the amount of the projected revenues over or under earned as compared to the fixed expenses. This difference is due primarily to the rounding of the rate amounts on ***Exhibit 2.2.***

COMMUNITY WATER COMPANY, LLC Exhibit 2.6

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Capital Reserves December 18, 2015

	Description	Amount	References
	Annual Capital Reserve Account Funding		
1	Annual Depreciation Expense *	[redacted]	*[From Exhibit 2.7]*
2			
3	**Total Annual Capital Reserve Account Funding:**	[redacted]	*[To Exhibit 2.4]*

Comments:
The Capital Reserve Account is funded through rates, maintained in an escrow or other protected bank account and is to be used for qualifying expenses (capital replacements and improvements) only, as the need arises. Capital Reserves are funded through rates paid equally by all connected and standby customers.

Setting aside reserves is critical to developing and maintaining financial stability and can mean the difference between a system that is self-sustaining and one that may fall victim to disrepair or become financially unstable during even a relatively small emergency. Having a reserve account is critical to developing and maintaining financial stability.

In this case, Community Water Company has an aging water system with no capital reserves set aside which makes it critical to start setting aside reserves as soon as possible.

Additional Comments:

The Division recognized that using values established in 2015 for equipment purchased as far back as the early 1970 would produce a depreciation expense that is not in line with equipment purchased from that era. With that in mind, the Division used a Consumer Price Index ("CPI") calculator to produce dollars values approximately equal to the time period the equipment was purchased in.

Line 1. The Divisions recommends funding the Capital Reserve Account annually at an amount equal to the Company's annual depreciation expense, which is based on the original costs of the infrastructure. In this case the study completed by Bowen Collin Engineering was used to determine an approximation of the original purchase price in order to help set a reasonable amount to fund the Capital Reserve Account. Ideally, the Capital Reserve Account funding would be based on the projected replacement value of the infrastructure, which would be more reflective of the actual costs of replacing the infrastructure. Due to costs consideration resulting in higher rates, the Division has set the reserve funding at original costs rather than replacement costs.

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General Rate Case Increase

Depreciation Expense & Accumulated Depreciation Reconciliation

: Adjusted Depreciation Expense is based on the Assets list provided by Bowen Collin Engineering. Modified to show recapitolization of certain assets and adjustments to equipment vaules according to CPI adjustments.

Exhibit 2.7

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December 18, 2015

	Depreciation Rates for Water Utilities Per R746-332					2015 Plant Accounts						
	NARUC Acct #	Account Name	Estimated Year Installed	PSC Approved Depreciation Rate Applied	Average Service Life (Years)	Esitmated Beginning Balance from Bowin Collins	DPU Adjustment Using CPI	Estimated Balance at Installation Date	Accumulated Depreciation	Annual Depreciation as Calculated by Community Water	Correct Annual Depreciation Expense for Year	Accum Depreciation through the end of Year
		Depreciable										
1	**304**	***Structures and Improvements***										
2		*Water Treatment Building (Willow Creek)*	1970									
3		*New Lighting*	2015									
4		*Roof Repairs*	2015									
5	**305**	**Collecting and Impounding Reservoirs**										
6	**306**	***Lakes, Rivers, and Other Intakes***										
7		*Point of Diversion Structure #1 - (Un-named stream)*	1970									
8		*Point of Diversion Structure #2 - (Willow Creek)*	1970									
9	**307**	***Wells and Springs***										
10		*Ambush #1 Well Head*	1980									
11		*Ambush #1 Well Equipment*	1980									
12		*Ambush #2 Well Head - Unkown age*	1980									
13		*Ambush #2 Well Equipment - Unkown age*	1980									
14		*Wagon Trail #1 Well Head - Unkown age*	1980									
15		*Wagon Trail #1 Well Equipment - Unkown age*	1980									
16		*Wagon Trail #2 Well Head*	1980									
17		*Wagon Trail #2 Well Equipment*	1980									
18		*Gulch Well Head*	1986									
19		*Gulch Well Equipment*	1986									
20		*Bushwacker Well Head*	1968									
21		*Bushwacker Well Equipment*	1968									
22	**308**	**Infiltration Galleries and Tunnels**										
23	**309**	**Supply Mains**										
24	**310**	**Power Generation Equipment**										
25	**311**	**Pumping Equipment**										
26		*Lookout Lodge Pump Station*	2000									
27	**320**	**Water Treatment Equipment**										
28	**330**	***Distribution Reservoirs & Standpipes***										
29		*Storage Tank #1 - 1970-1980*	1980									
30		*Storage Tank #2 - 1970-1980*	1980									
31		*Lookout Lodge Storage Tank*	2000									
32		*Lookout Lodge Day Tank*	2000									

33	**331**	***Transmission and Distribution Mains***					
34		*8-inch Waterline - 1980 or older*	1980				
35		*6-inch Waterline - 1980 or older*	1980				
36		*3-inch Waterline - 1980 or older*	1980				
37		*2-inch Waterline - 1980 or older*	1980				
38	**333**	**Services**	1985				
39	**334**	***Meters and Meter Installations***					
40		*Interconnect – CWC to SWDC*	1996				
41		*Interconnect – SWDC to CWC*	2004				
42		*Master Water Meter (Upper) - 1980 - 1990*	1980				
43		*Master Water Meter #1 - 1980 - 1990*	1980				
44		*Master Water Meter #2 - 1980 - 1990*	1980				
45		*Service Connection Meters - 1980 or older*	1980				
46	**335**	**Hydrants**					
47	**336**	***Backflow Prevention Devices***					
48		*Pressure Reducing Valves (3) - 1980 - 1990*	1980				
49		*Air/Vacuum Release Valve*	2000				
50	**339**	**Other Plant & Misc. Equipment**	2011				
51	**340**	**Office Furniture and Equipment**	1995				
52	**341**	**Transportation Equipment**	2008				
53	**342**	**Stores Equipment**					
54	**343**	**Tools, Shop and Garage Equipment**					
55	**344**	**Laboratory Equipment**					
56	**345**	**Power Operated Equipment**					
57	**346**	**Communication Equipment**					
58	**347**	**Miscellaneous Equipment**					
59	**348**	**Other Tangible Plant (Plug for Depreciation Exp.)**					
59	**Other Depreciation Expense as Shown on Company's Exhibit D.5**						
60				**Total:**			
				[To Exh 2.9]			*[To Exh 2.9]*

COMMUNITY WATER COMPANY, LLC

Exhibit 2.7.a

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Depreciation Expense & Accumulated Depreciation Reconciliation (Notes)

General Comments:

Community Water's depreciation schedules provided in its rate case application matched the depreciation information contained in its 2014 Water Annual Report but, the Division used a combination of this information and the asset list that was used to produce the replacement values report supplied by Bowen Collin Engineering.

The combination of the two (2) reports gives a more accurate view of the company's assets. Along with the adjustment to the assets, the Division found that some items listed as fully depreciated still had balances, the depreciation schedule now reflects these changes.

In computing the depreciation of assets under this model, the Division used the detailed assets list provided by the engineering company of Bowens Collin. It gives an estimated replacement value based on the values for the year 2015. The report also provides an estimated installation date (year) of the equipment.

The Division recognized that using values established in 2015 for equipment purchased as far back as the early 1970 would produce a depreciation expense that is not in line with equipment purchased from that era. With that in mind, the Division used a Consumer Price Index ("CPI") calculator to produce dollars values approximately equal to the time period the equipment was purchased in.

Other Comments:

Line No.	Comment:

back ***COMMUNITY WATER COMPANY, LLC***

Exhibit 2.8

General Rate Case Increase

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Contribution in Aid of Construction (CIAC) & Amortization of CIAC Reconciliation

: Adjusted Amortization of CIAC based on the Adjusted assets which is based on the Assets list provided by Bowen Collin Engineering. Modified to show recapitolization of certain assets and adjustments to equipment vaules according to CPI adjustments.

December 18, 2015

	Depreciation Rates for Water Utilities Per R746-332					2015 Plant Accounts					
	NARUC Acct #	Account Name	Year Installed	PSC Approved Depreciation Rate Applied	Average Service Life (Years)	Esitmated Beginning Balance from Bowin Collins	DPU Adjustment Using CPI	Estimated Balance at Installation Date	Accum Amortization of CIAC	Annual CIAC for Year	Accum Amortization of CIAC through the end of Year
		Depreciable									
1	**304**	***Structures and Improvements***									
2		*Water Treatment Building (Willow Creek)*	1970								
3		*New Lighting*	2015								
4		*Roof Repairs*	2015								
5	**305**	**Collecting and Impounding Reservoirs**									
6	**306**	***Lakes, Rivers, and Other Intakes***									
7		*Point of Diversion Structure #1 - (Un-named stream)*	1970								
8		*Point of Diversion Structure #2 - (Willow Creek)*	1970								
9	**307**	***Wells and Springs***									
10		*Ambush #1 Well Head*	1980								
11		*Ambush #1 Well Equipment*	1980								
12		*Ambush #2 Well Head - Unkown age*	1980								
13		*Ambush #2 Well Equipment - Unkown age*	1980								
14		*Wagon Trail #1 Well Head - Unkown age*	1980								
15		*Wagon Trail #1 Well Equipment - Unkown age*	1980								
16		*Wagon Trail #2 Well Head*	1980								
17		*Wagon Trail #2 Well Equipment*	1980								
18		*Gulch Well Head*	1986								
19		*Gulch Well Equipment*	1986								
20		*Bushwacker Well Head*	1968								
21		*Bushwacker Well Equipment*	1968								
22	**308**	**Infiltration Galleries and Tunnels**									
23	**309**	**Supply Mains**									
24	**310**	**Power Generation Equipment**									
25	**311**	**Pumping Equipment**									
26		*Lookout Lodge Pump Station*	2000								
27	**320**	**Water Treatment Equipment**									
28	**330**	***Distribution Reservoirs & Standpipes***									
29		*Storage Tank #1 - 1970-1980*	1980								
30		*Storage Tank #2 - 1970-1980*	1980								
31		*Lookout Lodge Storage Tank*	2000								
32		*Lookout Lodge Day Tank*	2000								

33	**331**	***Transmission and Distribution Mains***		[redacted]
34		*8-inch Waterline - 1980 or older*	1980	
35		*6-inch Waterline - 1980 or older*	1980	
36		*3-inch Waterline - 1980 or older*	1980	
37		*2-inch Waterline - 1980 or older*	1980	
38	**333**	**Services**	1985	
39	**334**	***Meters and Meter Installations***		
40		*Interconnect – CWC to SWDC*	1996	
41		*Interconnect – SWDC to CWC*	2004	
42		*Master Water Meter (Upper) - 1980 - 1990*	1980	
43		*Master Water Meter #1 - 1980 - 1990*	1980	
44		*Master Water Meter #2 - 1980 - 1990*	1980	
45		*Service Connection Meters - 1980 or older*	1980	
46	**335**	**Hydrants**		
47	**336**	***Backflow Prevention Devices***		
48		*Pressure Reducing Valves (3) - 1980 - 1990*	1980	
49		*Air/Vacuum Release Valve*	2000	
50	**339**	**Other Plant & Misc. Equipment**	2011	
51	**340**	**Office Furniture and Equipment**	1995	
52	**341**	**Transportation Equipment**	2008	
53	**342**	**Stores Equipment**		
54	**343**	**Tools, Shop and Garage Equipment**		
55	**344**	**Laboratory Equipment**		
56	**345**	**Power Operated Equipment**		
57	**346**	**Communication Equipment**		
58	**347**	**Miscellaneous Equipment**		
59	**348**	**Other Tangible Plant (Plug for Depreciation Exp.)**		
60			**Total:**	

[To Exh 2.9] *[To Exh 2.9]*

Comments:
Assets (infrastructure) contributed (donated) to the water company are referred to as 'Contribution in Aid of Construction' (CIAC). Most water companies have all, or a majority, of their assets contributed by the developer. Even though these assets are contributed to the Company at no cost or obligation to repay on the part of the Company, they must be maintained and replaced by the Company at the Company's expense.

Since CIAC is not an investment by the Company it is subtracted from rate base.

In this case, with the absence of documentation regarding the property, plant and equipment accounts, the Division takes the position that the original water company infrastructure was purchased and contributed to the water company by the original developer(s), as is typical for developer owned and operated water companies. The Division included all property, plant and equipment with NARUC numbers from 304 through 336 with an estimated install date of 2004 or earlier to be contributed and not included in rate base.

back ***COMMUNITY WATER COMPANY, LLC***

General Rate Case Increase

Rate Base

Exhibit 2.9

Docket No. 15-098-01

December 18, 2015

	Description	Requested in Rate Case	Adjustments	Division Proposed Rate base	Reference
1	**Rate base Summary**				
2	Utility Plant in Service				(From Line 15)
3	Net Working Capital				(From Line 28)
4	**Total Rate base** *[Line 2 + Line 3]:*				*[To Exhibit 2.10]*
5					
6					
7	**Utility Plant in Service (Investment Included in Rate base)**				
8	Utility Plant In Service				*[From Exhibit 2.7]*
9	Accumulated Depreciation				*[From Exhibit 2.7]*
10	Net Utility Plant In Service				
11					
12	Contributions In Aid of Construction				*[From Exhibit 2.8]*
13	Accum. Amor. CIAC				*[From Exhibit 2.8]*
14	Net Contributions In Aid of Construction				
15	**Net Utility Plant in Service (Investment Included in Rate Base):**				*[Lines 11 +14]*
16					
17					
18	**Working Capital**				
19	Customer Deposits	$ -	$ -	$ -	
20					
21	**Cash Working Capital (To allow for 45 days of cash on hand)**				
22	Cash on Hand *[From Exh D-3 of Application]*				
23	Total Operations & Maintenance Expense				*[From Exhibit 2.4]*
24	Less: Purchased Water				*[From Exhibit 2.4]*
25	Adjusted Total Operations & Maintenance Exp.				
26	**Cash Working Capitol** (line 25 X (45/365))				
27					
28	**Net Working Capital**				*[Lines19 + 26]*

Comments:

Rate base is the value of the property, or infrastructure, on which a public utility is permitted to earn a specified rate of return on. The rate base is essentially the utility's original investment at the time the assets were placed in service less the accumulated depreciation.and assets contribited (CIAC) to the company. It also includes a working capital allowance with reasonable prepayments for operating expenses and an allowance up to 1/8 of operational and maintenance expenses.

back ***COMMUNITY WATER COMPANY, LLC*** Exhibit 2.10

General Rate Case Increase Docket No. 15-098-01

Return on Investment December 18, 2015

	Description	Amount	Reference
1	Rate Base	[redacted]	*[From Exhibit 2.9]*
2	Rate of Return on Investment	10.00%	
3	**Return On Investment *[line 1 X line 2]***	[redacted]	

Comments:

A utility is entitled to an opportunity to earn a reasonable return on its investment in plant and equipment over and above the allowable deductions from gross income. This return amount is considered profit. The return is not guaranteed. The return earned or allowed to be earned by a utility enterprise is calculated as a percentage of its rate base.

back ***COMMUNITY WATER COMPANY, LLC*** Exhibit 2.11

General Rate Case Increase Docket No. 15-098-01

Projected Federal & State Income Taxes December 18, 2015

	Description	Amount	Reference
	Tax Calculation		
1	Federal Income Tax Rate Used in Calculation	15.00%	
2	State Income Tax Rate Used in Calculation	5.00%	
3	Total Tax Rate Used *[Line 1 + Line 2]*	20.00%	
4			
5	Tax gross-up factor *[line 3 ÷ (1 - line 3)]*	**25.00%**	
6			
7	Projected Total Revenue Before Taxes	[redacted]	*[From Exhibit 2.5]*
8	Projected Operation & Maintenance Expenses		*[From Exhibit 2.5]*
9	Projected Net Taxable Income		
10			
11	Estimated Federal and State Income Tax Obligation *[line 5 * line 9]*		*[To Exhibit 2.3]*

Comments:
Estimated income taxes are determined by applying a tax gross-up factor to the Projected Net Taxable Income.