

Bridgerland Water Company

General Rate Case Increase

Index

Exhibit 2.1

Docket No.21-001-01

12/8/2021

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2.3.a	Notes	Expense Allocation (Notes)	Notes and comments regarding Exhibit 2.3
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2.5	Rev & Exp	Summary of Revenues and Expenses (Revenue Requirement)	Summarizes the adjusted expenses and shows the revenues required to fund these expenses.
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2.7	Deprec	Depreciation Expense & Accumulated Depreciation Reconciliation	Lists the Company's assets and calculates the Depreciation Expense and Accumulated Depreciation
2.8	CIAC	Contribution in Aid of Construction (CIAC) & Amortization of CIAC	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	Calculates the company's return on its investment it has an opportunity to earn.
2.11	Taxes	Projected Federal & State Income Taxes	Estimates the Company's Federal and State Income Tax liability.

	Fixed Expenses	Reference	Annual Rate	Monthly Rate
1	Operation & Maintenance Expenses (System) *	[From Exhibit 2.3]	\$ 192.97	\$ 16.10
2	Capital Reserve Account Funding *	[From Exhibit 2.3]	134.27	11.20
3	Return on Investment (Profit) *	[From Exhibit 2.3]	3.73	0.35
4	Monthly Fixed System Rate: (Paid by all qualified lots in Service Area) before taxes **			28.00
5	Taxes **	[From Exhibit 2.3]	9.16	1.00
6	Monthly Fixed System Rate (Stand-by) : (Paid by all qualified lots in Service Area) after taxes			\$ 29.00

Monthly Stand-by Rate

8	Operation & Maintenance Expenses (System Usage) *	[From Exhibit 2.3]	\$ 660.94	\$ 55.10
9	Capital Reserve Account Funding *	[From Exhibit 2.3]	80.93	6.75
10	Return on Investment (Profit) *	[From Exhibit 2.3]	35.97	3.00
11	Monthly Fixed System Usage Rate ***			\$ 65.00
12	Monthly Fixed System Rate	(From Line 6, above)		\$ 29.00
13	Monthly Base Rate for all Connected Customers			\$ 94.00

Monthly Base Rate for Connected Customers

Variable Expenses		
16	Variable Water Consumption Expenses [From Exhibit 2.3]	\$ 40,800.00
17	Total Gallons Used	7,900,000 gals
18	Variable Water Consumption Rate (Paid for each 1,000 gallons water used) **	\$ 5.50

Cost per 1,000 gals

(Line 16 ÷ Line 17) X 1,000 Gallons

Recommended Rate Schedule		
Monthly Rates		
24	Standby Rate	\$ 29.00 (From Line 6)
25	Base Rate for Connected Customers	94.00 (From Line 13)
26	Tier 1 (Per 1,000 Gallons)	0.00 (First 6,000 gals Inc in Base Rates)
27	Tier 2 (Per 1,000 Gallons)	5.50 (From Line 18)
28	Tier 3 (Per 1,000 Gallons) **	11.00 (Line 27 X 2)
29	Tier 4 (Per 1,000 Gallons) **	16.50 (Line 28 X 1.5)
30	Tier 5 (Per 1,000 Gallons) **	25.00 (Line 29 X 1.5)

Recommended Usage Amounts	
Monthly Water Usage Amounts	
0 gals	0 gals
1 gals	6,000 gals
6,001 gals	12,000 gals
12,001 gals	18,000 gals
18,001 gals	24,000 gals
24,001 gals	> 24,001 gals

Billing Range					
Monthly Rates		Monthly Water Usage Amounts		Minimum Billing in Tier	Maximum Billing in Tier
Tier 1 (Per 1,000 Gallons)	\$ -	> 0 gals	6,000 gals	\$ 94.00	\$ 94.00
Tier 2 (Per 1,000 Gallons)	5.50	6,001 gals	12,000 gals	94.01	126.99
Tier 3 (Per 1,000 Gallons)	11.00	12,001 gals	18,000 gals	127.00	192.98
Tier 4 (Per 1,000 Gallons)	16.50	18,001 gals	24,000 gals	193.00	291.96
Tier 5 (Per 1,000 Gallons)	25.00	24,001 gals	Plus	291.99	Plus

* Monthly amount rounded up to the nearest \$.05
 ** Monthly amount rounded up to the nearest \$.50
 *** Monthly amount rounded up to the nearest \$1.00

Comments:

The purpose of this schedule is to calculate just, reasonable and adequate rates to generate sufficient revenues to fully fund the fixed expenses and reserve requirements to promote the safe, healthy, economical, efficient, and reliable operation of the company. Just, reasonable and adequate rates will protect the long-range interests of consumers in obtaining continued quality and proper levels of service at the lowest cost to customers.

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

Additional Comments:

Line 6.

Monthly Fixed System Rate This is the rate portion that primarily pays for the fixed Infrastructure. *All customers of the water system pay this rate.*

In this model, a system fee is defined as the amount billed to the connected customers, in addition to the Monthly Fixed System Usage Rate, using the water company's services.

On the other hand, the amount billed for those lot owners within the water service area that are not connected to the water system or using its services is commonly referred to as a Stand-by Fee or Charge. Stand-by charges are essentially an assessment that is charged to unimproved properties to ensure that adequate water service will be available for that parcel when needed.

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 only and is paid in addition to the Fixed System Expenses by the connected customers.*

Line 13.

Monthly Base Rate for all Connected Customers This is the sum of the Monthly Fixed System Rate and the Monthly Fixed System Usage Rate. This is the total monthly amount paid by all customers connected to the water system.

Line 18.

Variable Water Consumption Rate This is the break-even variable rate per 1,000 gallons charged to connected customers. This amount is the minimum variable cost for delivering water, and the customer pays for what water they consume. Any excess collections, especially in tiers with higher rates, the company is required to deposit the extra collections into its restricted capital reserve account.

Recommended Rate Schedule and Usage Amounts In this model, the first tier includes only the base rate. Customers receive the first 6,000 gallons with no additional fees over the base rate.

Starting with the second tier, the variable costs are factored in the cost per 1,000 gallons. Each subsequent tier increases by another 6,000 gallons and, the rate per 1,000 gallons increases by factors of 1.5, 1.5, and 1.5, respectively. Increasing tiered rates is used as a conservation measure and has been approved by the Commission in other dockets.

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 General Rate Case Increase
 Allocation of Annual Expenses and Annual Rates

Exhibit 2.3
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Expense Category		Fixed Expenses		Variable Expenses			
		20%		80%		100%	
		System Expenses (Paid by ALL Customers)		System Usage Expenses (Paid by CONNECTED Only)		Water Consumption Expenses	
Adjusted Total Expenses [From Exh. 2.4]		Total Customers:	434	Total CONNECTED Customers:	180	2020 Usage:	7,900,000 gals
Operation & Maintenance Expenses		Amount	Annual Rate	Amount	.		
1	Salaries & Wages - Office Employees	\$ 6,000.00		\$ 4,800.00			
2	Salaries & Wages - Officers & Directors (50/50 Split)	50,000.00		25,000.00			
3	Purchased Water	30,000.00		12,000.00		\$ 15,000.00	
4	Purchased Power	25,000.00		-		25,000.00	
5	Chemicals	-		-			
6	Materials and Supplies	5,000.00		4,000.00			
7	Contractual Services - Engineering	5,000.00		4,000.00			
8	Contractual Services - Accounting (50/50 Split)	500.00		250.00			
9	Contractual Services - Legal	3,000.00		2,400.00			
10	Contractual Services - Management Fees (50/50 Split)	18,000.00		9,000.00			
11	Contractual Services - Testing & Lab Fees	800.00		-		800.00	
12	Contractual Services - Water Sampling	500.00		400.00			
13	Contractual Services - Water System Maintenance	5,000.00		4,000.00			
14	Contractual Services - Water System Repairs	-		-			
15	1 General Repairs (50/50 Split)	25,000.00		12,500.00			
16	2 Garden City Hook Up (50/50 Split)	50,520.00		25,260.00			
17	3 Radio Meters	7,000.00		5,600.00			
18	4 Well Repair	-		-			
19	5 Telemetry System	-		-			
20	6 Tank Resurface	500.00		400.00			
21	7 Certified Operator School	200.00		160.00			
22		-		-			
23	Contractual Services - Billing	-		-			
24	Contractual Services - Meter Reading	-		-			
25	Contractual Services - Certified Operator	-		-			

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 Allocation of Annual Expenses and Annual Rates

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Expense Category		Fixed Expenses		Variable Expenses			
		20%		80%		100%	
		System Expenses <i>(Paid by ALL Customers)</i>		System Usage Expenses <i>(Paid by CONNECTED Only)</i>		Water Consumption Expenses	
Adjusted Total Expenses [From Exh. 2.4]		Total Customers:	434	Total CONNECTED Customers:	180	2020 Usage:	7,900,000 gals
Operation & Maintenance Expenses		Amount	Annual Rate	Amount	.		
26	Contractual Services - Connection Expense	-		-			
27	Contractual Services - Other	-		-			
28	Rental	-		-			
29	Rental of Equipment	1,200.00		960.00			
30	Transportation Expense	2,000.00		1,600.00			
31	Insurance - Vehicle	2,000.00		1,600.00			
32	Insurance - General Liability	1,600.00		1,280.00			
33	Insurance - Worker's Compensation	-		-			
34	Regulatory Expense - Rate Case Expense	-		-			
35	Regulatory Commission Expense - Other	300.00		240.00			
36	Water Resource Conservation Expense	-					
37	Bad Debt Expense	-					
38	Finance Charges	500.00		400.00			
39	Miscellaneous Expenses:						
40	Office Supplies and postage	800.00		640.00			
41	Association / Membership Dues - Fees	400.00		320.00			
42	Phone	2,000.00		1,600.00			
43	Office Utilities	700.00		560.00			
44	Payment of Loan from Ted and Dixie (50/50 Split)	-		-			
45	Total Operation & Maintenance Expenses:	\$ 243,520.00	\$ 192.97	\$ 118,970.00	\$ 660.94	\$	40,800.00

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 Allocation of Annual Expenses and Annual Rates

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Expense Category		Fixed Expenses		Variable Expenses			
		20%	80%	100%			
		System Expenses <i>(Paid by ALL Customers)</i>		System Usage Expenses <i>(Paid by CONNECTED Only)</i>		Water Consumption Expenses	
Adjusted Total Expenses [From Exh. 2.4]		Total Customers:	434	Total CONNECTED Customers:	180	2020 Usage:	7,900,000 gals
		Amount	Annual Rate	Amount			
Operation & Maintenance Expenses							
Capital Reserve Account Funding		80%		20%			
Annual Capital Reserve Funding [From Exhibit 2.6]	\$ 72,841.00	\$ 58,272.80		\$ 14,568.20			
Total Capital Reserve Account Funding:	\$ 72,841.00	\$ 58,272.80	\$ 134.27	\$ 14,568.20	\$ 80.93		
Return on Investment (Profit)		20%		80%			
Return on Investment [From Exhibit 2.10]	\$ 8,093.66	\$ 1,618.73		\$ 6,474.93			
Total Return on Investment (Profit):	\$ 8,093.66	\$ 1,618.73	\$ 3.73	\$ 6,474.93	\$ 35.97		
Total Expenses Before Taxes:		\$ 324,454.66	\$ 143,641.53	\$ 140,013.13		\$ 40,800.00	
Taxes [From Exhibit 2.11]		100%		0%			
Property Tax	\$ 355.00	\$ 355.00					
Projected Federal and State Income Tax	3,622.00	3,622.00					
Total Taxes:	\$ 3,977.00	\$ 3,977.00	\$ 9.16				
Total:		\$ 328,431.66					

Comments:

The purpose of this schedule is to allocate all expenses of the water company into either fixed, variable or a combination. 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 expense. These annual rate amounts are converted into monthly rates in Exhibit 2.2.

Note: The Company provided the total number of water customers and gallons used for 2020.

Connections by category:

Connected Customers:	180
Stand-by Customers:	254
TOTAL:	434

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 stand-by and connected customers. Fixed system expenses fees pay for a portion (20% of fixed expenses plus 80% of the reserve account, unless otherwise specified) of the water utility's fixed costs. Those customers with a stand-by status pay only these fees.

Fixed System Usage Expenses are the remainder of the unpaid fixed expenses not paid through the fixed system expenses. 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 every month. Fixed System Usage Fees plus Fixed System Fees constitute the base rate paid by all connected customers.

Variable Expenses

Variable expenses are costs that are incurred based on the quantity of water delivered. Variable expenses are only paid by connected customers.

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General Rate Case Increase
Adjustments to Expenses

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		2019 and 2020 Average Expenses per Company's Records	2021/2022 Company Projected Expenses	Division Adjustments	Adjusted Total Expense <i>[To Exhibit 2.3]</i>
Operation & Maintenance Expenses					
1	Salaries & Wages - Office Employees	601	\$ 9,800.00	\$ 6,000.00	\$ 6,000.00
2	Salaries & Wages - Officers & Directors	603	13,000.00	50,000.00	50,000.00
3	Purchased Water	610	1,336.00	30,000.00	30,000.00
4	Purchased Power	615	10,770.50	25,000.00	25,000.00
5	Chemicals	618			-
6	Materials and Supplies	620	2,443.00	5,000.00	5,000.00
7	Contractual Services - Engineering	631	0.00	1,000.00	4,000.00
8	Contractual Services - Accounting	632	358.50	500.00	500.00
9	Contractual Services - Legal	633		1,000.00	2,000.00
10	Contractual Services - Management Fees	634	600.00	18,000.00	18,000.00
11	Contractual Services - Testing & Lab Fees	635a	1,210.00	600.00	200.00
12	Contractual Services - Water Sampling	635b	465.00	500.00	500.00
13	Contractual Services - Water System Maintenance	636	2,072.00	3,000.00	2,000.00
14	Contractual Services - Water System Repairs	637			-
15	1 General Repairs	637	20,083.00	25,000.00	25,000.00
16	2 Garden City Hook Up	637		50,520.00	50,520.00
17	3 Radio Meters	637		7,000.00	7,000.00
18	4 Well Repair	637		3,200.00	(3,200.00)
19	5 Telemetry System	637		5,000.00	(5,000.00)
20	6 Tank Resurface	637		500.00	500.00
21	7 Certified Operator School	637		200.00	200.00
22					-
23	Contractual Services - Billing	639			-
24	Contractual Services - Meter Reading	639	2,100.00	0.00	-
25	Contractual Services - Certified Operator	640			-
26	Contractual Services - Connection Expense	638	9,250.50	15,000.00	(15,000.00)

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 Adjustments to Expenses

Exhibit 2.4
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Expense Category	NARUC #	2019 and 2020 Average Expenses per Company's Records	2021/2022 Company Projected Expenses	Division Adjustments	Adjusted Total Expense <i>[To Exhibit 2.3]</i>
Operation & Maintenance Expenses					
27 Contractual Services - Other	639	877.00	0.00		-
28 Rental	639	1,100.00	0.00		-
29 Rental of Equipment	639	3,277.00	1,200.00		1,200.00
30 Transportation Expense	650	3,388.50	2,000.00		2,000.00
31 Insurance - Vehicle	656	3,850.00	2,000.00		2,000.00
32 Insurance - General Liability	657	0.00	1,600.00		1,600.00
33 Insurance - Worker's Compensation	658				-
34 Regulatory Expense - Rate Case Expense	666				-
35 Regulatory Commission Expense - Other	667	262.00	300.00		300.00
36 Water Resource Conservation Expense	668				-
37 Bad Debt Expense	670				-
38 Finance Charges	427		500.00		500.00
39 Miscellaneous Expenses:	675				
40 Office Supplies and postage	675	657.00	700.00	100.00	800.00
41 Association / Membership Dues - Fees	675	314.00	314.00	86.00	400.00
42 Phone	675	1,560.00	2,000.00		2,000.00
43 Office Utilities	675	657.00	700.00		700.00
44 Payment of Loan from Ted and Dixie	675	0.00	2,800.00	(2,800.00)	-
45 Total Operation & Maintenance Expenses:		\$ 89,431.00	\$ 261,134.00	\$ (17,614.00)	\$ 243,520.00

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 Adjustments to Expenses

Exhibit 2.4
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Expense Category	NARUC #	2019 and 2020 Average Expenses per Company's Records	2021/2022 Company Projected Expenses	Division Adjustments	Adjusted Total Expense [To Exhibit 2.3]
Operation & Maintenance Expenses					
Annual Capital Reserve Account Funding [From Exhibit 2.6]					
Annual Capital Reserve Account Funding	403	\$ 25,587.00	\$ 25,587.00	\$ 47,254.00	\$ 72,841.00
Total Annual Capital Reserve Account Funding:		\$ 25,587.00	\$ 25,587.00	\$ 47,254.00	\$ 72,841.00
Return on Investment (Profit) [From Exhibit 2.10]					
Return on Investment		\$ 0.00	\$ 0.00	\$ 8,093.66	\$ 8,093.66
Total Return on Investment (Profit):		\$ 0.00	\$ 0.00	\$ 8,093.66	\$ 8,093.66
Taxes					
Property Tax	408	\$ 355.00	\$ 355.00	\$ 0.00	\$ 355.00
Projected Federal and State Income Tax [From Exhibit 2.11]	409	0.00	0.00	3,622.00	3,622.00
Total Taxes:		\$ 355.00	\$ 355.00	\$ 3,622.00	\$ 3,977.00
TOTALS:		\$ 115,373.00	\$ 287,076.00	\$ 41,355.66	\$ 328,431.66

Comments:

This exhibit is the starting point in determining the expenses that the Division will recommend in this rate case. The Division first listed the average expenses of the 2019 and 2020 expenses claimed by Bridgerland on its 2019 and 2020 Annual Reports to get a historical baseline. Next, the Division listed the 2021/2022 projected costs as requested by Bridgerland. The Division then reviewed and analyzed each line item for materiality and reasonableness. The Division made phone calls and sent emails to Bridgerland as needed, requesting the invoices or other documentary evidence of many of the amounts claimed by the Company.

The Division considers all of this information and then makes its recommended adjustments to the amounts used to establish rates in the future.

Notes for adjustments on TAB 2.4, Adj. Expenses

Line 1, Salaries & Wages – Office Employees

This is to pay for billing expenses

Line 2, Salaries and Wages – Officers and Directors

Officers have never taken a salary and have subsidized the company for many years. The Division proposes that the officers share a total annual amount of \$50,000. Each officer has several duties and responsibilities related to running the water company.

Line 3, Purchased Water

Bridgerland asserts that once it is connected to Garden City, it will have to pay for the water used.

Line 4, Purchased Power

To use the water from Garden City, Bridgerland will need to use more power at the new lift stations.

Line 10, Contractual Services - Management Fees

Bridgerland is hiring a part-time “Public Works Supervisor” who will read meters, take samples, maintain the system, oversee repairs, etc.

Line 16, Garden City Hook Up

As per contract with Garden City, Bridgerland will be hooking up to their water system with the cost primarily driven by the location that Garden City allows the hookup to take place. This line item amount is based on a 30-year loan at 2% interest for \$1.138 million. See Exhibit, Mark Long's Testimony, for additional details.

Notes for adjustments on TAB 2.4, Adj. Expenses

Line 17, Contractual Services – Water System Repairs – Radio Meters

Since the current top tap meters are going to be discontinued, Bridgerland needs to upgrade to a radio system which is estimated to cost \$35,000 which will be spread over the next five year's budget.

Line 18, Contractual Services – Water System Repairs – Well Repair

The existing well needs new repair with a new pump at the cost of \$16,000 to be spread over five years. This is on hold for now.

Line 19, Contractual Services – Telemetry System

Bridgerland is installing a telemetry system to monitor and maintain water levels in its storage tanks. The estimated cost is \$5,000. This is removed in this line item and included in the Garden City Hook Up cost.

Line 20, Contractual Services – Water System Repairs – Tank Resurface

The water storage tank needs to be resurfaced at the cost of \$2,500 spread over five years.

Line 21, Contractual Services – Water System Repairs – Certified Operator School

Public Works Supervisor will need to be water certified, and this is the cost to pay for that schooling.

Line 26, Contractual Services – Connection Expense

Bridgerland initially estimated \$15,000 per year for connections expenses. The Division disallowed this amount because the customer, not Bridgerland, pays for the connection expenses at the amount allowed in Bridgerland's tariff.

Line 32, Insurance - General Liability

Bridgerland has not carried liability insurance in the past. Bridgerland will carry liability insurance from this point on.

Line 44, Payment of Loan from Ted and Dixie

Debt owed to Ted and Dixie Wilson is no longer sought by the water company.

	Number of Customers <i>[From Exh 2.3]</i>	Monthly Rate <i>[From Exh 2.2]</i>	No. Of Months	Annual Amount	
Revenues					
1	Connected Customers	180	\$ 93.00	12	\$ 200,880.00
2	Standby Customers	254	\$ 28.00	12	85,344.00
3	Total Revenue:				\$ 286,224.00
Revenues After Taxes					
6	Connected Customers	180	\$ 94.00	12	\$ 203,040.00
7	Standby Customers	254	\$ 29.00	12	88,392.00
8	Total Revenue After Taxes:				\$ 291,432.00
Expenses					
		References			
12	Total Operation and Maintenance Expense		<i>[From Exhibit 2.4]</i>		\$ 243,520.00
13	Less: Variable Expenses		<i>[From Exhibit 2.3]</i>		(40,800.00)
14	Total Fixed Operation & Maintenance Expenses				\$ 202,720.00
15	Projected Federal, State and County Taxes		<i>[From Exhibit 2.4]</i>		\$ 3,977.00
16	Total Capital Reserve Account Funding		<i>[From Exhibit 2.6]</i>		72,841.00
17	Total Return on Investment (Profit)		<i>[From Exhibit 2.10]</i>		8,093.66
18	Total Expenses (Less: Variable Expenses)				\$ 287,631.66
20	Projected Annual Amount Over/(Under) Earned (Line 8 - Line 18)				\$ 3,800.34

Comments:

This worksheet is a summary of revenues generated by the base and standby rates, and the offsetting expenses, as referenced in the above calculations. As this worksheet demonstrates, the revenues are sufficient to meet Bridgerland's fair and reasonable fixed costs.

Additional Comments:

Line 18.

This amount is commonly referred to as the revenue requirement. The revenue requirement is the amount of money the utility must collect from customers to cover its reasonable expenses, taxes, reserve requirements, and, with an opportunity to earn a reasonable return on its prudent and useful investments in infrastructure.

Line 20.

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**.

	<i>A</i>	<i>B</i>	<i>C</i>
Annual Capital Reserve Account Funding	Amount <i>[From Annual Report]</i>	Adjustment (Col C minus Col A)	Adjusted Amount <i>[From Exh 2.7]</i>
1 Annual Depreciation Expense	\$ 25,587.00	\$ 47,254.00	\$ 72,841.00
2 Total Annual Capital Reserve Account Funding:			\$ 72,841.00

Comments:

The Capital Reserve Account is funded through rates and is to be used primarily for qualifying expenses (capital replacements and improvements) as the need arises. Capital Reserves are funded through rates paid equally by all connected and standby customers.

Additionally, all excess earnings generated from the variable Consumption Rate (amount per 1,000 gallons) must also be deposited in the Capital Reserve Account.

Depreciation Rates for Water Utilities Per R746-332				2020 Plant Accounts									
NARUC Acct #	Account Name	Depreciation Rate Applied	Average Service Life (Years)	Beginning Balance	Division Adjustments	Additions	Balance at end of Year	Prior Year's Accumulated Depreciation per 2020 Annual Report	Annual Depreciation Expense for Year	Accum Depreciation through the end of Year	Additional Depreciation Expense for 2022	Annual Dep Expense PLUS Additional 2022 Dep Expense	
	Depreciable												
1	304	Structures and Improvements	2.9%	35	\$ 59,695.00		\$ 59,695.00	\$ 21,885.00	\$ (1,731.00)	23,616.00		(1,731.00)	
2	305	Collecting and Impounding Reservoirs	2.0%	50	234,359.00		234,359.00	73,260.00	(4,687.00)	77,947.00		(4,687.00)	
3	306	Lakes, Rivers, and Other Intakes	2.9%	35	-		-	-	-	-		-	
4	307	Wells and Springs	4.0%	25	7,846.00		7,846.00	7,846.00	-	7,846.00		-	
5	308	Infiltration Galleries and Tunnels	4.0%	25	-		-	-	-	-		-	
6	309	Supply Mains	2.0%	50	77,290.00		77,290.00	55,044.00	(1,546.00)	56,590.00		(1,546.00)	
7	309	New 4" PVC Pipe	2.0%	50		24,000.00					(480.00)	(480.00)	
8	310	Power Generation Equipment	9.0%	10									
9	311	Pumping Equipment	5.0%	20	9,743.00		9,743.00	9,743.00		9,743.00			
10	311	New: Lower Pump Station	5.0%	20		280,000.00					(14,000.00)	(14,000.00)	
11	311	New: Upper Pump Station	5.0%	20		280,000.00					(14,000.00)	(14,000.00)	
12	311	New: Incedentials to Construct Pump Stations	5.0%	20		148,500.00					(7,425.00)	(7,425.00)	
13	320	Water Treatment Equipment	5.0%	20									
14	330	Distribution Reservoirs and Standpipes	3.3%	30	14,797.00		14,797.00	14,797.00		14,797.00			
15	331	Transmission and Distribution Mains	2.0%	50	463,841.00		463,841.00	217,968.00	(9,277.00)	227,245.00		(9,277.00)	
16	333	Services	3.3%	30									
17	334	Meters and Meter Installations	2.6%	35	25,256.00		25,256.00	7,133.00	(657.00)	7,790.00		(657.00)	
18	335	Hydrants	2.4%	40	85,800.00		85,800.00	24,708.00	(2,059.00)	26,767.00		(2,059.00)	
19	336	Backflow Prevention Devices	2.9%	35									
20	339	Other Plant and Miscellaneous Equipment	9.0%	10									
21	340	Office Furniture and Equipment	4.8%	20									
22	341	Transportation Equipment	12.9%	7	5,500.00	\$ 11,000.00	16,500.00	5,500.00	(2,129.00)	7,629.00		(2,129.00)	
23	342	Stores Equipment	5.0%	20									
24	343	Tools, Shop and Garage Equipment	6.3%	15									
25	344	Laboratory Equipment	6.7%	15									
26	345	Power Operated Equipment	9.0%	10	10,000.00	20,000.00	30,000.00	2,700.00	(2,700.00)	5,400.00		(2,700.00)	
27	346	Communication Equipment	9.0%	10									
28	346	New: SCADA System	9.0%	10			135,000.00				(12,150.00)	(12,150.00)	
29	347	Miscellaneous Equipment	9.0%	10									
30	348	Other Tangible Plant	9.0%	10									
31		Total			\$ 994,127.00	\$ 31,000.00	\$ 867,500.00	\$ 1,025,127.00	\$ 440,584.00	\$ (24,786.00)	\$ 465,370.00	\$ (48,055.00)	\$ (72,841.00)

[To Exh 2.9] [To Exh 2.9]

[To Exh 2.9]

[To Exh 2.6]

back **Bridgerland Water Company**
 General Rate Case Increase
 Contribution in Aid of Construction (CIAC) & Amortization of CIAC

Exhibit 2.8
 Docket No.21-001-01
 12/8/2021

Depreciation Rates for Water Utilities Per R746-332				2020 Plant Accounts									
NARUC Acct #	Account Name	Depreciation Rate Applied	Average Service Life (Years)	Beginning Balance	Division Adjustments (Investments by Company)	Additions	Balance at end of Year	Prior Year's Accumulated Amortization	Annual Amortization Expense for Year	Accumulated Amortization through the end of Year	Additional Amortization Expense for 2022	Annual Amort Expense PLUS Additional 2022 Amort Expense	
	Depreciable												
1	304	Structures and Improvements	2.9%	35	\$ 59,695.00		\$ 59,695.00	\$ 21,885.00	\$ (1,731.00)	\$ 23,616.00		(1,731.00)	
2	305	Collecting and Impounding Reservoirs	2.0%	50	234,359.00		234,359.00	73,260.00	(4,687.00)	77,947.00		(4,687.00)	
3	306	Lakes, Rivers, and Other Intakes	2.9%	35	-		-	-	-	-		-	
4	307	Wells and Springs	4.0%	25	7,846.00		7,846.00	7,846.00	-	7,846.00		-	
5	308	Infiltration Galleries and Tunnels	4.0%	25	-		-	-	-	-		-	
6	309	Supply Mains	2.0%	50	77,290.00		77,290.00	55,044.00	(1,546.00)	56,590.00		(1,546.00)	
7	309	New 4" PVC Pipe	2.0%	50	-	24,000.00	-	-	-	-	(480.00)	(480.00)	
8	310	Power Generation Equipment	9.0%	10	-		-	-	-	-		-	
9	311	Pumping Equipment	5.0%	20	9,743.00		9,743.00	9,743.00	-	9,743.00		-	
10	311	New: Lower Pump Station	5.0%	20	-	280,000.00	-	-	-	-	(14,000.00)	(14,000.00)	
11	311	New: Upper Pump Station	5.0%	20	-	280,000.00	-	-	-	-	(14,000.00)	(14,000.00)	
12	311	New: Incendentials to Construct Pump Stations	5.0%	20	-	148,500.00	-	-	-	-	(7,425.00)	(7,425.00)	
13	320	Water Treatment Equipment	5.0%	20	-		-	-	-	-		-	
14	330	Distribution Reservoirs and Standpipes	3.3%	30	14,797.00		14,797.00	14,797.00	-	14,797.00		-	
15	331	Transmission and Distribution Mains	2.0%	50	463,841.00		463,841.00	217,968.00	(9,277.00)	227,245.00		(9,277.00)	
16	333	Services	3.3%	30	-		-	-	-	-		-	
17	334	Meters and Meter Installations	2.6%	35	-		-	-	-	-		-	
18	335	Hydrants	2.4%	40	85,800.00		85,800.00	24,708.00	(2,059.00)	26,767.00		(2,059.00)	
19	336	Backflow Prevention Devices	2.9%	35	-		-	-	-	-		-	
20	339	Other Plant and Miscellaneous Equipment	9.0%	10	-		-	-	-	-		-	
21	340	Office Furniture and Equipment	4.8%	20	-		-	-	-	-		-	
22	341	Transportation Equipment	12.9%	7	-		-	-	-	-		-	
23	342	Stores Equipment	5.0%	20	-		-	-	-	-		-	
24	343	Tools, Shop and Garage Equipment	6.3%	15	-		-	-	-	-		-	
25	344	Laboratory Equipment	6.7%	15	-		-	-	-	-		-	
26	345	Power Operated Equipment	9.0%	10	-		-	-	-	-		-	
27	346	Communication Equipment	9.0%	10	-		-	-	-	-		-	
28	346	New: SCADA System	9.0%	10	-	135,000.00	-	-	-	-	(12,150.00)	(12,150.00)	
29	347	Miscellaneous Equipment	9.0%	10	-		-	-	-	-		-	
30	348	Other Tangible Plant	9.0%	10	-		-	-	-	-		-	
31		Total			\$ 953,371.00	\$ 0.00	\$ 867,500.00	\$ 953,371.00	\$ 425,251.00	\$ (19,300.00)	\$ 444,551.00	\$ (48,055.00)	\$ (67,355.00)

[To Exh 2.9] [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.

	Description	2020 Annual Report	Adjustments	Division Proposed Rate base	Reference
1	Rate base Summary				
2	Utility Plant in Service			\$ 50,937.00	(From Line 15)
3	Net Working Capital			\$ 29,999.59	(From Line 29)
4		Total Rate base (Line 2 + Line 3):		\$ 80,936.59	[To Exhibit 2.10]
5					
6					
7	Utility Plant in Service (Investment Included in Rate base)				
8	Utility Plant In Service	\$ 1,027,127.00	\$ 865,500.00	\$ 1,892,627.00	[From Exhibit 2.7]
9	Accumulated Depreciation	(449,383.00)	(15,987.00)	(465,370.00)	[From Exhibit 2.7]
10	Net Utility Plant In Service	\$ 577,744.00	\$ 849,513.00	\$ 1,427,257.00	
11					
12	Contributions In Aid of Construction	\$ (953,371.00)	\$ (867,500.00)	\$ (1,820,871.00)	[From Exhibit 2.8]
13	Accum. Amor. CIAC	465,397.00	\$ (20,846.00)	444,551.00	[From Exhibit 2.8]
14	Net Contributions In Aid of Construction	\$ (487,974.00)	\$ (888,346.00)	\$ (1,376,320.00)	
15	Net Utility Plant in Service (Investment Included in Rate Base):			\$ 50,937.00	(Lines 10 +14)
16					
17					
18					
19	Working Capital				
20	Customer Deposits		\$ -	\$ -	
21					
22	Cash Working Capital (To allow for 45 days of cash on hand)				
23	Cash on Hand (Per 2020 Annual Report)	\$ 29,810.00		\$ 29,810.00	
24	Total Operations & Maintenance Expense	89,431.00	\$ 154,089.00	243,520.00	[From Exhibit 2.4]
25	Less: Purchased Water	(1,336.00)	(28,664.00)	(30,000.00)	[From Exhibit 2.4]
26	Adjusted Total Operations & Maintenance Exp.	117,905.00	125,425.00	243,330.00	
27	Cash Working Capital (Line 26 X (45/365))	\$ 14,536.23	\$ 15,463.36	\$ 29,999.59	
28					
29	Net Working Capital	\$ 14,536.23	\$ 15,463.36	\$ 29,999.59	(Lines 20 + 27)

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. Additionally, assets amounts contributed originally by the developer or from later additions (CIAC) to the company are also subtracted from the asset amounts. Rate base also includes a working capital allowance with reasonable prepayments for operating expenses and an allowance of 45 days of operational and maintenance expenses.

	Description	Amount	Reference
1	Rate Base	\$ 80,936.59	<i>[From Exhibit 2.9]</i>
2	Rate of Return on Investment	10.0%	
3	Return On Investment (Line 1 X Line 2)	\$ 8,093.66	<i>[To Exhibits 2.4 & 2.5]</i>

Comments:

A utility is entitled to an opportunity to earn a reasonable return on its investment in plant and equipment. 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](#) **Bridgerland Water Company**
 General Rate Case Increase
 Projected Federal & State Income Taxes

Exhibit 2.11
 Docket No.21-001-01
 12/8/2021

	Description	Amount	Reference
	Tax Calculation		
1	Federal Income Tax Rate Used in Calculation	21.0%	
2	State Income Tax Rate Used in Calculation	5.0%	
3	Total Tax Rate Used (Line 1 + Line 2)	26.0%	
4			
5	Tax gross-up factor (Line 3 ÷ (1 - Line 3))	35.1%	
6			
7	Projected Total Revenue Before Taxes	\$ 286,224.00	[From Exhibit 2.5]
8	Less: Projected Operation & Maintenance Expenses	(202,720.00)	[From Exhibit 2.5]
9	Less: Depreciation Expense	(72,841.00)	[From Exhibit 2.7]
10	Less: Property Taxes	(355.00)	[From Exhibit 2.4]
11	Projected Net Taxable Income	\$ 10,308.00	
12			
13	Estimated Federal and State Income Tax Obligation (Line 5 times line 11)	\$ 3,622.00	[To Exhibit 2.3]

Comments:

Estimated income taxes are determined by applying a tax gross-up factor to the Projected Net Taxable Income. NARUC's "Rate Case and Audit Manual" recommends using a tax gross-up factor because it recognizes that a utility would need to collect from the customers more than one dollar in gross revenue for each dollar of net operating income it keeps for itself, due to the imposition of taxes on those earnings.