

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO
DOCKET NO. 05A-376W

RE: IN THE MATTER OF THE APPLICATION OF COLORADO WATER UTILITY,
INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO
PROVIDE WATER SERVICE IN DESIGNATED AREAS WITHIN ELBERT COUNTY,
COLORADO.

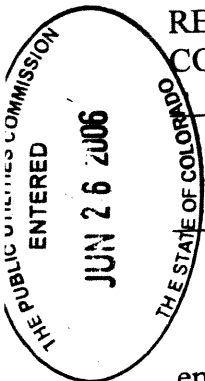
DOCKET NO. 05S-491W

RE: THE INVESTIGATION AND SUSPENSION OF TARIFF SHEETS FILED BY
COLORADO WATER UTILITY, INC., WITH ADVICE LETTER NO. 1.

STIPULATION AND AGREEMENT IN RESOLUTION OF PROCEEDINGS

This Stipulation and Agreement in Resolution of Proceedings ("Stipulation") is entered into by and among Colorado Water Utility, Inc. ("CWU" or "Company"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff"), Mr. Bruce McQuaid, an individual, ("Intervenor McQuaid") and Mr. Richard Bare, also an individual ("Intervenor Bare"). CWU, Staff, Intervenor McQuaid and Intervenor Bare are referred to herein collectively as the Parties and individually as a Party. This Stipulation sets forth the terms and conditions by which the Parties have agreed to resolve all outstanding issues that have or could have been contested by the Parties relative to the Company's Application for a Certificate of Public Convenience and Necessity ("CPCN") in Docket No. 05A-376W and the Company's Advice Letter No. 1 filing made on October 19, 2005 in Docket No. 05S-491W.

The Parties state that the results of the compromises reflected herein are a just and reasonable resolution of these consolidated proceedings, that reaching agreement as set forth



herein and implementation of the compromises and settlements reflected in this Stipulation will result in substantial savings to all concerned by establishing certainty and avoiding litigation. Each Party hereto pledges its support of this Stipulation and states that each will defend the settlement reached. The Parties respectfully request that the Public Utilities Commission of the State of Colorado ("Commission") approve this Stipulation, without modification.

I. BACKGROUND

A. Docket No. 05A-376W

On September 1, 2005, CWU filed an application for issuance of a CPCN to provide water service in designated areas within Elbert County, Colorado. That filing was assigned Docket No. 05A-376W ("CPCN Docket"). On September 6, 2005 the Commission gave notice of the filing and established an intervention period and other procedural dates.

On October 5, 2005, the Commission adopted Decision No. C05-1219, wherein the Commission extended the intervention period in the CPCN Docket and imposed additional notification requirements on CWU.

On October 11, 2005, Intervenor McQuaid filed a request to intervene. On November 11, 2005, Staff filed its Intervention of Right and Request for Hearing.

On November 22, 2005, the Commission adopted Decision No. C05-1391, in which the Commission referred Docket No. 05A-376W to an Administrative Law Judge ("ALJ") with instructions to address two issues: consolidation with Docket No. 05S-491W; and Intervenor McQuaid's request to intervene.

On November 30, 2005, ALJ Jennings-Fader issued Decision No. R05-1408-I, in which, among other things, a prehearing conference was set, and issues were identified for discussion at such prehearing conference.

On December 29, 2005, consistent with an earlier commitment, CWU notified the Commission's Director in writing of CWU's waiver of the 210 day statutory time period within which the Commission would otherwise be required to issue a decision in the CPCN Docket.

B. Docket No. 05S-491W

On October 19, 2005, CWU filed Advice Letter No. 1 and accompanying tariff sheets with a request that the tariff sheets become effective on November 19, 2005.

On November 16, 2005, by Decision No. C05-1361, the Commission suspended the effective date of the tariffs for 120 days, or through March 17, 2006 and referred the matter to an ALJ for hearing. This order commenced Docket No. 05S-491W ("Advice Letter Docket"). The Commission also established an intervention period, along with certain other procedural dates.

On November 23, 2005, Intervenor McQuaid filed a Petition for Leave to Intervene in the Advice Letter Docket. Intervenor Bare filed a similar Petition on December 5, 2005. On December 16, 2005, Staff filed its Intervention of Right and Request for Hearing in the docket.

On December 20, 2005, ALJ Jennings-Fader issued Decision No. R05-1485-I, in which, among other things, the ALJ set a prehearing conference and identified issues for discussion at such prehearing conference.

On March 1, 2006, the Commission adopted Decision No. C06-0197, in which the Commission further suspended the effective date of the tariffs for an additional 90 days, or through June 16, 2006.

C. Consolidated Dockets

ALJ Jennings-Fader convened a prehearing conference in the CPCN and Advice Letter dockets on December 28, 2005. By Decision No. R05-1514-I, mailed on December 29, 2005, ALJ Jennings-Fader consolidated the CPCN and Advice Letter dockets. In addition, the ALJ established a comprehensive procedural schedule to govern the consolidated proceedings.

On January 24, 2006, CWU filed an Unopposed Motion to Modify Procedural Schedule and Request for Waiver of Response time, wherein CWU sought, among other things, additional time within which to file its direct testimony and exhibits. CWU's motion was granted by ALJ Jennings-Fader on January 25, 2006, by Decision No. R06-0063-I.

On February 1, 2006, CWU filed its direct testimony and exhibits in the consolidated dockets.

On March 1, 2006, Staff and Intervenor McQuaid filed answer testimony and exhibits in the consolidated dockets.¹ Intervenor Bare did not file testimony in these proceeding, but has been actively involved in settlement discussions.

On March 10, 2006, CWU filed its Unopposed Motion to Modify Procedural Schedule and Request for Waiver of Response Time, seeking, among other things, an

¹ Intervenor McQuaid's filed his answer testimony as "Rebuttal" testimony.

extension of time within which to file its rebuttal testimony and exhibits. ALJ Jennings-Fader granted CWU's motion on March 13, 2006, by Decision No. R06-0238-I.

On March 24, 2006, CWU filed Amended Advice Letter No. 1 which changed the effective dates of the proposed tariffs filed in the Advice Letter Docket to a date that would provide sufficient time for the Commission to issue a decision in the Advice Letter Docket within the time frames required by § 40-6-111, C.R.S.²

On April 6, 2006, CWU filed a Motion to Vacate Procedural Schedule and Request for Waiver of Response time, wherein CWU advised the Commission of the Parties' desire to explore settlement in the consolidated dockets and requested that the existing procedural schedule be vacated (with certain dates being reestablished) in order to accommodate the Parties' settlement discussions. On April 7, 2006 by Decision No. R06-0339-I, ALJ Jennings-Fader granted CWU's motion.

On May 3, 2006, CWU filed its Motion to Further Modify Procedural Schedule and Request for Waiver of Response Time, wherein CWU advised the Commission of the Parties' productive settlement discussions and requested a further modification of the procedural schedule in order to accommodate further settlement discussions. On May 5, 2006, ALJ Jennings-Fader granted CWU's motion by Decision No. R06-0517-I.

On May 12, 2006, CWU filed its Report Regarding the Status of Settlement Discussions, wherein, among other things, CWU advised the Commission that the Parties had reached an agreement in principle regarding the terms and conditions of a comprehensive

² As a result of the filing of Amended Advice Letter No. 1, the 210 day statutory time period will expire on July 31, 2006.

settlement in the consolidated dockets. On May 17, 2006, ALJ Jennings-Fader issued Decision No. R06-0566-I scheduling a hearing to consider any written settlement agreement that the Parties might file.

On May 25, 2006, and again on June 16, 2006, CWU filed an additional Motion to Further Modify Procedural Schedule and Request for Waiver of Response Time, wherein CWU advised the Commission of the Parties' progress in finalizing the terms and conditions of their agreements and requested additional time to complete and executed settlement agreement. On May 30, 2006 and June 19, 2006, ALJ Jennings-Fader granted CWU's motions by Decision Nos. R06-0630-I and R06-0718-I, respectively.

The Parties did reach a comprehensive settlement in the consolidated dockets, and the terms and conditions of such settlement are embodied in this Stipulation which represents the Parties' resolution of all issues which were or could have been raised in these consolidated proceedings. This Stipulation incorporates by reference S&A Attachments A through C, appended hereto, which are identified as follows:

S&A Attachment A - Settled Operating Ratio Calculation and Resulting Rates

S&A Attachment B - Settled Revisions to Colorado PUC No. 1 Water Tariff

S&A Attachment C - Rate Comparisons/Bill Impact – Present and Settled

II. TERMS OF SETTLEMENT

A. Operating Ratio and Resulting Rates

Background. In the Advice Letter Docket, CWU's proposed rates were developed using the traditional rate base/rate of return methodology. Staff challenged the validity of this approach, given the absence of original cost information relative to the facilities used to

provide water service. Instead, Staff argued that CWU's rates should be developed by using the Operating Ratio methodology. Staff supported the concept of an excess usage charge applicable for water usage over a certain usage threshold. Intervenor McQuaid did not express an opinion regarding which methodology was the more appropriate methodology to use, but did challenge the reasonableness of CWU's proposed rates. Intervenor McQuaid also opposed institution of an excess usage charge.

Resolution. For purposes of settlement, the Parties agree that CWU's rates resulting from these consolidated proceedings shall be calculated based on the Operating Ratio methodology and that, pursuant to such methodology, the settlement rates shall include a fixed rate of \$39.45 per month and a variable rate of \$2.95/1,000 gallons. The Parties agree that there shall be no excess usage charge relative to volumes over a certain threshold as initially proposed by the Company and supported by Staff. S&A Attachment A hereto sets forth the CWU operating expense categories and associated expense amounts agreed to by the Parties, as well as the development of the resulting rates. Nothing herein prevents any Party from proposing an excess usage charge in a future rate proceeding.

B. Agreement to File Rate Case

Background. Prior to CWU's acquisition of the subject water system from the former water service provider, Deer Creek Water, Inc., the Commission had no knowledge of its operation by the former water service provider. CWU was formed for the purpose of acquiring the Deer Creek Water, Inc. system, and these consolidated proceedings represent the initial regulatory filings by CWU to bring the facilities and service offerings under the Commission's jurisdiction. Given the lack of comprehensive historic usage, expense and

plant investment information from the former water service provider, CWU, Staff and Intervenor McQuaid and Bare were each concerned regarding the length of time that any rates resulting from these consolidated proceedings might be in effect before they would be subject to review.

Resolution. For the purposes of settlement, the Parties agree that CWU shall file a rate case using a twelve-month test period ending March 31, 2008. CWU shall file this rate case no later than July 1, 2008. Absent extraordinary circumstances, it is the intent of the Parties that none of them will seek to change the rates established in this matter prior to the commencement of the rate case agreed to in this paragraph.

C. CPCN Service Territory Boundaries

Background. CWU's Application in the CPCN Docket requested the issuance of a CPCN to serve existing and future customers located generally in a four square mile tract of land north of the Town of Elizabeth, Colorado, more particularly described as Sections 6 and 7 of Township 7 South, Range 64 West and Sections 1 and 12 of Township 7 South, Range 65 West. The requested service territory included the Deer Creek Farm and Deer Creek Ranch Estates subdivisions. Staff raised concerns as to the appropriateness of the issuance of a single CPCN covering this area and, instead, argued that CWU's CPCN should be more limited in scope. Intervenor McQuaid took no position on the scope of the CPCN requested by CWU.

Resolution. For purposes of settlement, the Parties agree to the issuance of a CPCN to CWU that will authorize CWU to be the exclusive water service provider only to up to 284 residential lots located within the Deer Creek Farm and Deer Creek Ranch Estates

subdivisions in Elbert County, Colorado as well as a single 6-acre commercial lot located in the Deer Creek Farm subdivision. The Deer Creek Farm and Deer Creek Ranch Estates subdivisions comprise 37.5% of the total service territory requested in CWU's CPCN Docket.

The Parties agree that, in the event CWU should desire to expand its service territory beyond the area encompassed by the Deer Creek Farm and Deer Creek Ranch Estates subdivisions as described herein, CWU shall, if necessary, obtain water rights and/or a supply of water in excess of the dedicated water supply agreed to in Section II D below. Further, any expansion beyond the service territory described herein shall impact the rates of CWU's customers located in the Deer Creek Farm and Deer Creek Ranch Estates subdivisions only as provided for in Sections II D and II F 5 below.

D. Dedication of Water Supplies to Service Area

Background. The CPCN and Advice Letter dockets referenced the acquisition of a variety of water rights and other assets from the former water service provider, Deer Creek Water, Inc. These water rights substantially exceed the water rights necessary to serve the customers and future customers within the service area agreed to in Section II C above. CWU's Advice Letter filing proposed that the entirety of the purchase price of such assets be included in CWU's rate base. This structure would have necessitated the transfer of such assets from their current owner, Deer Creek Water Company, LLC (which is an affiliate of CWU) to CWU. As stated above, Staff generally opposed the use of a rate base methodology for establishing rates on the CWU system, and by extension, the inclusion of the purchase price of those assets in rate base for the purpose of establishing rates. Intervenor McQuaid

did not take a position on the treatment of the assets per se, however, as stated above, he did generally challenge the reasonableness of CWU's proposed rates.

Resolution. For purposes of settlement, the Parties agree that CWU's affiliate Deer Creek Water Company, LLC shall continue to own the water rights acquired from the former water service provider, Deer Creek Water, Inc. CWU shall enter into a long-term (i.e. coincident with the remaining term of the applicable Water Court Decree), fixed price agreement with its affiliate, Deer Creek Water Company, LLC, so as to dedicate sufficient water supplies as are necessary to serve the needs of up to the 284 residential lots as well as to the single commercial lot located within the service area agreed to by the Parties and as set forth in Section II C above for which a CPCN will be issued to CWU. A copy of such agreement shall be provided to Staff and Intervenors McQuaid and Bare, subject to their agreement to maintain as confidential any terms and conditions so designated so that Staff and Intervenors McQuaid and Bare may review same to ensure that such agreement comports with the terms of this Stipulation, including whether such agreement supports CWU's fixed expense for raw water costs set forth on S&A Attachment A. CWU commits to use its best efforts to provide such executed agreement to Staff and Intervenors McQuaid and Bare no later than August 31, 2006. S&A Attachment A includes as an expense item the cost associated with such water supplies at the line identified as Raw Water Cost, as well as the assumptions underlying the calculation of that expense item.

Except as provided in the next sentence, should Deer Creek Water, LLC, seek to assign or otherwise transfer its obligations under the aforementioned water supply agreement or to modify the Deer Creek Water, LLC-CWU agreement, such assignment, transfer or

modification shall be transparent as to CWU's customers contemplated to be covered by the water supply agreement described in this Section II D. The Parties further agree that, as to the customers contemplated to be covered by the water supply agreement described in this paragraph, and which are described in Section II C above, should CWU desire to modify the terms of the referenced water supply agreement such that the effect would not be transparent to the customers contemplated to be covered by the water supply agreement described in this paragraph, and which are described in Section II C above, CWU may make such modification only following prior approval of the Commission.

E. Revised Tariff Provisions

Background. CWU's CPCN and Advice Letter dockets included proposed tariff sheets setting forth the rates and terms and conditions of water service to be offered by CWU. Staff and Intervenor McQuaid raised certain concerns regarding the specifics of those tariffs.

Resolution. For purposes of settlement, the Parties have agreed to a variety of revisions to CWU's initial proposed tariffs and agree that the revised tariff sheets included as S&A Attachment B hereto should govern service on the CWU system rather than those originally proposed by CWU.

F. Miscellaneous Matters

Background. The Parties' discussions and review of various materials during the course of these consolidated proceedings resulted in a better understanding of a variety of additional matters, including such areas as CWU's capitalization policy, CWU's policy for tracking permissible and/or recoverable employee expenses and maintenance of documentation supporting the charges made with corporate credit cards, development of a

cost allocation manual, the need for access to the books and records of the non-regulated affiliate that owns the water rights associated with the supply of water dedicated to the service territory agreed to herein (presently, Deer Creek Water Company, LLC), the effect on CWU's Deer Creek Farm and Deer Creek Ranch Estates customers of a possible expansion of CWU's service area, requirements of CWU, or its affiliate, in the event an acquisition of an existing water service provider is contemplated, treatment of revenues associated with sales of water supplies to other than the customers located with the service area agreed to herein, and development of a community reporting process.

Resolution. For purposes of settlement, the Parties agree as follows:

1) With regard to the capitalization policy, CWU shall develop a comprehensive written accounting plan, which plan details the type and level of investments and expenses, including account codes that will be used to establish rates. This plan will include a mechanism to track customer-supplied capital and the actual investment and expenses associated with the construction of facilities for those specific customers who supplied funds for such purposes. The Parties expect CWU to collaborate with Staff in the development of this plan and that CWU shall use best efforts to get the plan in place no later than April 1, 2007. Further, CWU understands that its failure to develop a satisfactory comprehensive written accounting plan prior to April 1, 2007 may result in a Staff recommendation to disallow various expenses in future rate cases.

2) With regard to CWU's recoverable employee expenses, CWU shall develop comprehensive written policies and procedures including but not limited to the following:

- a. type of expenses allowed by employees, including policies to ensure that CWU's books do not reflect personal expenses;
- b. proper use of corporate credit cards;
- c. the detailed billing information necessary to support the inclusion of a credit card expense within rates;
- d. in-town and out-of-town meal policy;
- e. development of expense reports including purpose, receipts, expense descriptions, dates, locations, account codes and designation of cost allocation assignment (e.g., regulated vs. non-regulated, operating company vs. holding company); and
- f. level and the amount of corporate signing approval authority for such expenses.

The Parties expect CWU to collaborate with Staff in the development of this plan and that CWU shall use best efforts to get the plan in place no later than April 1, 2007. Further, CWU understands that its failure to develop a satisfactory comprehensive written policy and procedure regarding recoverable employee expenses prior to April 1, 2007 may result in a Staff recommendation to disallow various expenses in future rate cases.

3) CWU, through its affiliation with its parent company, CNG Holdings, Inc., and for the purpose of ratemaking in Colorado, shall follow the cost assignment principles presently applicable to Colorado Natural Gas, Inc. regarding the treatment of direct expenses and the allocation of those expenses that do not lend themselves to direct assignment and, upon approval by the Commission of a cost allocation manual for Colorado Natural Gas, Inc.,

shall follow the approved methodologies. Notwithstanding the foregoing, nothing in this paragraph II F 3 shall limit or restrict CWU's ability to comply with any rules promulgated by the Commission that are generally applicable to other jurisdictional water utilities.

4) CWU will ensure reasonable access by Staff to the books and records of the entity that holds the water rights from which CWU's dedicated water supply comes (presently, CWU's affiliate, Deer Creek Water Company, LLC), as necessary to allow Staff to determine CWU's compliance with the terms of this agreement and the Commission's Rules Regulating Water Utilities. Staff's right to inspect these books and records shall extend for the duration of CWU's water supply agreement as described in Section II D, above.

5) If CWU desires to provide service to customers in territory beyond that certificated to it in conjunction with these proceedings, CWU agrees that customers located within Deer Creek Farm and Deer Creek Ranch Estates that are contemplated to be included within the CPCN service territory described in Section II C above shall not bear any increased rate associated with service to customers not contemplated to be included within the service territory described in Section II C above, absent a finding by the Commission that the customers located within the service territory described in Section II C above (i.e., the Deer Creek Farm and Deer Creek Ranch Estates subdivisions) will benefit thereby. In addition, in the first rate proceeding wherein CWU seeks to implement Commission-approved rates for customers in such an expanded service territory, CWU agrees that it will undertake an analysis to determine whether the rates to customers in Deer Creek Farm and Deer Creek Ranch Estates could be reduced under a structure that combines the two service

areas into a single rate area. Except as may be otherwise authorized by the Commission, expansions by CWU should be treated as new rate service areas.

6) In the event CWU seeks to modify its water utility service territory either through merger or purchase of an existing water service operation, or in the event a subsidiary of CNG Holdings, Inc. seeks to merge with or purchase an existing water service operation, CWU agrees that it will meet with the Chief of Fixed Utilities prior to consummating the merger or purchase transaction in order to help identify information that may assist Staff in evaluating the proposed transaction and its potential impact on the customers of the water service operation being acquired. To the extent CWU has received such information, and subject to preserving any confidential information that CWU may be obligated to preserve pursuant to the terms of any agreement with the existing water service operation, CWU shall provide such information to the Chief of Fixed Utilities at the aforementioned meeting. Such information should include the following:

- a. Historic customer usage data;
- b. Historic operating expenses;
- c. Original cost of facilities, including property records, depreciation schedules;
- d. List of assets to be acquired;
- e. Water supply documentation, including source and volume (acre-feet) of the water right;
- f. Water quality reports from the Environmental Protection Agency and Colorado Department of Public Health and Environment;

- g. Details of the contributions to capital and or water rights made by existing customers;
- h. Details of all commitments to serve made by the water service provider at the time CWU expresses interest in acquiring the water service provider; and
- i. A financial feasibility study describing the operation to be acquired and the cost impact to CWU or, if applicable, a financial feasibility study performed on a standalone basis. To the extent practical, the feasibility study should identify the need for plant and/or distribution system improvements and the sources proposed to be available for the funding of such improvements.

7) So long as CWU continues to be authorized to recover 100% of the costs of the dedicated water supplies needed to serve the customers described in Section II C and II D above, and excluding consideration associated with the water supply agreement described at Section II D, should Deer Creek Water, LLC or CWU obtain consideration associated with Deer Creek Water, LLC's possession of the portion of the decreed water rights dedicated to the customers located in the Deer Creek Farm and Deer Creek Ranch Estates subdivisions, as more fully described in Sections II C and II D above, all (100%) of such consideration shall be imputed to CWU.

8) Should the supplier of water to CWU (presently Deer Creek Water, LLC) seek or receive additional rulings from the District Court, Water Division, or the Colorado Department of Natural Resources, Division of Water Resources, with respect to the water

rights decreed in Case No. 99CW115 or enter into any water sales agreements of a term one year or longer, including transfers of water rights, CWU shall inform the Chief of Fixed Utilities in writing within 30 days of such event.

9) Commencing six months after the effective date of this Agreement, and continuing every six months thereafter until the filing of CWU's next rate case, CWU agrees to institute a community reporting process whereby CWU will provide a written report to its customers located within the Deer Creek Farm and Deer Creek Ranch Estates subdivisions who are included within the CPCN service territory described in Section II C above. Such report shall include separately for each customer class: (a) the average numbers of water users within the Deer Creek Farm and Deer Creek Ranch Estates subdivisions during the preceding six month period, (b) the total gallons of water used and (c) the total revenues received during the applicable six-month period. In addition, the report shall set forth: (a) the total expenses incurred by CWU for each of the expenses categories identified in S&A Attachment A; (b) any revenues to Deer Creek Water, LLC or CWU from the activities governed by Section II F(7); and (c) a statement whether Deer Creek Water, LLC continues to own water rights that equal or exceed 150% of the water supply dedicated to serve the needs of the CWU customers contemplated to be covered by the water supply agreement described in Section II D, which water rights (or the water supply associated therewith) are not also obligated to persons other than the CWU customers contemplated to be covered by the water supply agreement described in Section II D. A copy of such report shall be filed in this consolidated docket contemporaneously with the providing of same to the customers.

G. No Settled Practice

The Parties agree that this Stipulation and the settlement rates, terms and conditions of service and the cost allocation, rate design and other methods contained in the S&A Attachments have been agreed to by the Parties solely for purposes of settlement and do not constitute a settled practice or otherwise have precedent-setting value in any future proceedings. Neither CWU, Intervenor McQuaid, Intervenor Bare, the Commission, nor its Staff shall be deemed to have approved, accepted, agreed to or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for in this Settlement. Notwithstanding the resolution of the issues set forth in this Stipulation, none of the methods or ratemaking principles herein contained shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding. Nothing in this Stipulation shall preclude the Company from seeking prospective changes in its water service rates by an appropriate filing with the Commission, except as prohibited by Section II D regarding the fixing of the water supply costs through a long-term contract. Nothing in this Stipulation shall preclude any other Party from filing a complaint to obtain prospective changes in the Company's water service rates and/or provisions in the Company's tariff.

III. TERM OF THIS STIPULATION AND AGREEMENT

This Stipulation shall take effect upon its approval by the Commission. Nothing in this Stipulation shall be construed as precluding the Company from filing a general rate case to change the rates for its water services at any time. Nothing in this Stipulation shall be construed to limit the Company from applying to the Commission for adjustment clauses or for any other change to the Company's water rates. Nothing in this Stipulation shall be

construed to prevent the Staff of the Commission or any other party from seeking review by the Commission of the justness and reasonableness of the Company's water service rates. However, any such filing by a party to this agreement prior to the agreed upon rate case described in Section II B above shall need to account for the statement of intention contained in Section II B above.

The provisions of this Stipulation shall terminate and have no continuing effect upon the effective date of the revised rates for water services resulting from CWU's next rate case. Where reference is made in the Stipulation to provisions that apply for a period of time, all such time period provisions of this Stipulation may be modified by a subsequent filing with the Commission or subsequent stipulation approved by the Commission.

IV. EFFECTIVE DATE OF SETTLEMENT RATES AND TERMS AND CONDITIONS OF SERVICE

Subject to implementation of the Stipulation in accordance with Article III hereof, the rates and terms and conditions of service set forth herein shall go into effect upon the date as directed by order of the Commission.

V. IMPLEMENTATION

This Stipulation shall not become effective until the issuance of a final Commission Order approving the Stipulation that does not modify the Stipulation in a manner that is unacceptable to any of the Parties. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party, that Party shall have the right to withdraw from this Stipulation and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the Parties to

this Stipulation by e-mail within three business days of the Commission modification that the Party is withdrawing from the Stipulation and that the Party is ready to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice").

The withdrawal of a Party shall not automatically terminate this Stipulation as to the withdrawing Party or any other Party. However, within three business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Stipulation. Within five business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and those issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Stipulation.

Hearing shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable. In the event that this Stipulation is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Stipulation shall not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Stipulation.

The Parties agree that, upon final Commission approval of this Stipulation, the Company will file an Advice Letter with the Commission, on not less than five business

day's notice prior to effective date ordered by the Commission, that will include a citation to the order approving the Stipulation, and the settlement rates, terms and conditions and tariff sheets set forth herein in S&A Attachment B. The Parties agree that the Commission's order should direct CWU to place into effect tariff sheets reflecting the tariff changes that are in all respects identical to the *pro forma* tariff sheets contained in S&A Attachment B hereto, with the exception that the effective date of the Commission's order shall be inserted in the tariff sheets where such reference is indicated. The settlement rates, terms and conditions shall then become final rates, terms and conditions to be effective as provided in Article III hereof and shall not be subject to refund, nor shall they be subject to modification except in accordance with the Public Utilities Law and the Commission's Rules and Regulations promulgated thereunder.

VI. GENERAL TERMS AND CONDITIONS

The Parties hereby agree that all pre-filed testimony and exhibits shall be admitted into evidence in this docket without cross-examination. This Stipulation reflects compromise and settlement of all issues raised or that could have been raised in this docket. This Stipulation shall be filed as soon as possible with the Commission for Commission approval.

Approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of issues that were or could have been contested among the parties in this proceeding. The Parties state that reaching agreement as set forth herein by means of a negotiated settlement rather than through a formal adversarial process is in the public interest and that the results of the compromises and settlements reflected in this Stipulation are in the public interest.

This Stipulation may be executed in counterparts, each of which when taken together shall constitute the entire Stipulation with respect to the issues addressed by this Stipulation.

The Parties agree to a waiver of compliance with any requirements of the Commission's Rules and Regulations to the extent necessary to permit all provisions of this Stipulation to be carried out and effectuated.


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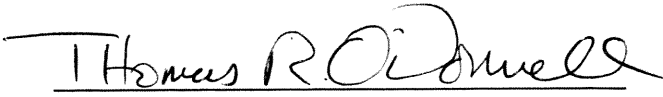
DATED this 23rd day of June, 2006.

Respectfully submitted,

COLORADO WATER UTILITY, INC.

Approved as to form:


By: 
Timothy Johnston
President,
Colorado Water Utility, Inc.
7810 Shaffer Parkway, Suite 120
Littleton, Colorado 80127-0868
Telephone: 720.981.2112

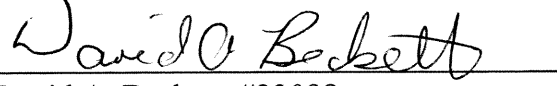

Thomas R. O'Donnell, #15185
Holland & Hart, LLP
555 17th Street, Suite 3200
Denver, CO 80202
Telephone: 303.295.8291

Attorney for Colorado Water Utility, Inc.

**STAFF OF THE COLORADO
PUBLIC UTILITIES COMMISSION**

Approved as to form:

By: 
Patricia A. Parker
Rate/Financial Analyst
Colorado Public Utilities Commission
1580 Logan Street, OL2
Denver, CO 80203


David A. Beckett, #23098
Assistant Attorney General
Business and Licensing Section
1525 Sherman Street, 5th Floor
Denver, CO 80203
Telephone: 303.866.5135

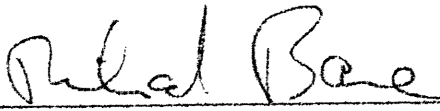
Attorney for Staff of the
Colorado Public Utilities Commission

Bruce L. McQuaid

Richard Bare

By: _____

Bruce L. McQuaid
41408 Deer Creek Circle
Parker, CO 80138
Telephone: 303.646.9850

By:  _____

Richard Bare
41396 Deer Creek Circle
Parker, CO 80138
Telephone: 303.646.9470

Bruce L. McQuaid

Richard Bare

By: Bruce L. McQuaid

Bruce L. McQuaid
41408 Deer Creek Circle
Parker, CO 80138
Telephone: 303.646.9850

By: _____

Richard Bare
41396 Deer Creek Circle
Parker, CO 80138
Telephone: 303.646.9470

S&A ATTACHMENT A

Colorado Water Utility Rate Development

	CWU Operating Ratio
Fixed Expenses	
Answering	\$ 625
Customer Record - Labor	\$ 1,520
Customer Record - Materials	\$ 255
Office Supplies	\$ 2,434
Office Supplies - Telephone	\$ 2,884
OnCall	\$ 150
Out Services	\$ 615
Property Insurance	\$ 4,109
Tools	\$ -
Vehicle Maintenance	\$ 10,134
Additional Corporate Expenses	\$ 6,984
Purchase Start Up Expenses	\$ 3,574
Raw Water Costs	\$ 36,337
Taxes other than Income Tax	\$ 8,794
Income Tax	\$ 8,824
5 year amortization of Rate Case Expenses	\$ 8,965
Total	\$ 96,203
Revenues	\$ 110,791
Number of Customers	234
Monthly Charge	\$ 39.45
Variable	
Equipment - Maintenance - Labor	\$ -
Labor	\$ 46,280
Employee Benefits	\$ 20,963
Maintenance	\$ 14,656
Meter Reading - Labor	\$ 82
Meter Reading - Subcontractor	\$ -
Spare Part - Subcontractor	\$ 360
Meters - Utilities	\$ 14,708
Raw Water Cost	\$ -
	\$ 97,049
Revenues	\$ 111,765
Estimated Annual Usage, 1000s of Gallons	37,938 Note 1
Rate per 1000 Gallons	\$ 2.95

Note 1: The estimated annual usage was calculated by averaging the usage per customer from November 2000 through October 2004 and multiplying the projected number of customers for October 2006.

Colorado Water Utility, Inc.
Cost of Service Study

Line No.	Notes	Filed Amounts	CWU Operating Ratio	Notes
1	Operation & Maintenance	\$ 111,648	\$ 176,007	
2	Depreciation & Amortization	\$ 39,973	\$ 8,794	
3	Taxes other than Income	\$ 19,263	\$ 8,824	The tax factor used was 1.2337
4	Income Taxes	\$ 16,639	\$ -	Return of 9.25%
5	Return on Rate Base/Water Rights	\$ 86,597	\$ -	
6	Revenue Credit	\$ -	\$ -	
7	Total Utility Cost-of-Service	\$ 274,120	\$ 193,624	
8	Total Sales in kg	\$ 198,900	\$ 111,765	
9	Total Annual Base Charges	\$ 75,000	\$ 110,791	
10	Late Charges	\$ -	\$ -	
	Total Annual Revenues	\$ 273,900	\$ 222,557	
11	Cost of Service per KG	\$ 4.42	\$ 2.95	
	Total Monthly Charges per Customer	\$ 25.00	\$ 39.45	
12	Operations and Maintenance Detail			
13	Salaries, fully loaded	\$ 49,840	\$ 67,243	
14	Corporate Overheads	\$ 13,958	\$ 12,582	Advertising was disallowed for ratemaking purposes.
15	Raw Water Cost	\$ -	\$ 36,337	See Calculation below
16	Utilities	\$ 19,200	\$ 14,708	
17	Vehicle Maintenance	\$ 8,840	\$ 10,134	
18	Maintenance materials and supplies	\$ 8,000	\$ 15,110	
19	Outside contractors	\$ 12,000	\$ 380	
20	Total Operations & Maintenance	\$ 111,648	\$ 156,484	This was lowered because the amounts were recovered in other categories.
21	Purchase Start Costs	\$ -	\$ 3,574	The start up costs were booked at \$17,147.15
22	Rate Case Expenses, 5 yr amortization	\$ -	\$ 8,965	
23	Corporate Overheads	\$ 111,648	\$ 176,007	
24	Total Expenses	\$ -	\$ -	
25	Operating Ratio		87%	
26	Operating Ratio Revenues		\$ 222,557	
27	Raw Water Cost based on a return on the Water Rights necessary for operation of the system (284 residential customers, built-out of the commercial lot):			
28	Aquifer	Acre-feet	HRS Water Consultants Estimate	
29	Upper Dawson	146.10	Cost/Acre-foot	
30	Denver	149.10	Cost	
31	Laramie-Fox Hills	\$ 180	\$ 1,500	\$ 219,150
32	Value of the water rights needed for Built-out Customer Count (284)	\$ 180	\$ 1,200	\$ 178,920
33			\$ 500	\$ 89,800
34				\$ 487,870
35	Aquifer	Acre-feet	Cost/Acre-foot	Cost
36	Upper Dawson	146.10	\$ 1,500	\$ 219,150
37	Denver	69.90	\$ 1,200	\$ 83,880
38	Laramie-Fox Hills	\$ 180	\$ 500	\$ 89,800
39	Value of the water rights needed for Current Customer Count (234)			\$ 392,830
40	Water rights are owned by Deer Creek Water, LLC, and raw water is sold to CWU			
41	Return based on 50/50 Debt/Equity, Debt of 6.5%, Equity ROR 12%			\$ 36,337
42	The debt incurred for the purchase of Deer Creek Water Co., Inc. was at an interest rate of 6.5%			
43	The Commission approved a 12% return on equity for Colorado Natural Gas, Inc. in Decision R06-0184.			

	May	June	July	August	September	October	November	December	January	February	Total	Average	Annual
Trial Balance													
Revenues - Monthly Fixed	\$ 7,114.23	\$ 13,528.19	\$ 4,729.16	\$ 5,016.66	\$ 5,037.50	\$ 5,153.75	\$ 5,272.91	\$ 5,295.84	\$ 4,838.00	\$ 5,341.67	\$ 40,685.49	\$ 5,085.69	\$ 61,028.24
Revenues - Commodity	\$ 5,616.00	\$ 5,372.00	\$ 22,780.00	\$ 14,864.00	\$ 15,579.00	\$ 7,084.00	\$ 5,076.00	\$ 4,148.00	\$ 4,856.00	\$ 3,132.00	\$ 77,529.00	\$ 9,691.13	\$ 116,293.50
Late Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33.56	\$ 18.10	\$ 14.57	\$ 8.43	\$ 23.95	\$ 98.61	\$ 12.33	\$ 147.92
	\$ 12,730.23	\$ 18,900.19	\$ 27,509.16	\$ 19,880.66	\$ 20,616.50	\$ 12,281.31	\$ 10,367.01	\$ 9,458.41	\$ 9,702.43	\$ 8,497.62	\$ 118,313.10	\$ 14,789.14	\$ 177,469.65
Cost of Goods Sold													
Advertising	\$ 30.00	\$ 566.95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Answering	\$ -	\$ 104.49	\$ -	\$ 59.50	\$ 59.50	\$ 59.50	\$ 59.50	\$ 59.50	\$ 59.50	\$ 59.50	\$ 416.50	\$ 52.06	\$ 624.75
Customer Record - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302.40	\$ 710.96	\$ -	\$ -	\$ -	\$ 1,013.36	\$ 126.67	\$ 1,320.04
Customer Record - Materials	\$ -	\$ 485.72	\$ 55.32	\$ 114.44	\$ -	\$ -	\$ -	\$ -	\$ 1,221.31	\$ -	\$ 169.76	\$ 21.22	\$ 254.64
Employee Benefits	\$ -	\$ -	\$ -	\$ 1,086.72	\$ 268.91	\$ 638.15	\$ 585.27	\$ (1,399.07)	\$ 60.52	\$ 153.23	\$ 2,418.52	\$ 1,209.26	\$ 2,434.47
Office Supplies	\$ 687.20	\$ 434.58	\$ 249.25	\$ 461.12	\$ 164.66	\$ 257.98	\$ 260.81	\$ 257.76	\$ 260.53	\$ 260.02	\$ 1,922.88	\$ 202.87	\$ 2,884.32
Office Supplies - Telephone	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100.00	\$ 100.00	\$ 12.50	\$ 150.00
OnCall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (256.21)	\$ -	\$ 28.96	\$ 342.42	\$ 342.42	\$ -	\$ -	\$ -
Out Services	\$ 5.00	\$ (5.00)	\$ 0.20	\$ 205.33	\$ 50.68	\$ 342.42	\$ 342.42	\$ -	\$ 235.92	\$ 145.14	\$ 410.02	\$ 51.25	\$ 615.03
Property Insurance	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 342.42	\$ 2,739.36	\$ 342.42	\$ 4,109.04
Tools	\$ 787.86	\$ 156.33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment - Maintenance - Lat	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248.33	\$ 248.33	\$ 31.04	\$ 372.50
Labor	\$ 5,603.58	\$ 5,603.58	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 3,856.67	\$ 30,853.33	\$ 3,856.67	\$ 46,280
Maintenance	\$ 1,070.00	\$ -	\$ 3,199.50	\$ 1,410.00	\$ 1,180.00	\$ 1,177.10	\$ 1,113.80	\$ 1,285.03	\$ 224.86	\$ 180.36	\$ 9,770.65	\$ 1,221.33	\$ 14,655.98
Meter Reading - Labor	\$ -	\$ -	\$ -	\$ -	\$ 54.62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54.62	\$ 6.83	\$ 81.93
Meter Reading - Subcontractor	\$ 200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spare Part - Subcontractor	\$ 265.00	\$ 529.00	\$ 240.00	\$ -	\$ 1,927.65	\$ 1,486.51	\$ 793.05	\$ 552.87	\$ 534.15	\$ 541.15	\$ 240.00	\$ 30.00	\$ 960.00
Meters - Utilities	\$ 103.38	\$ 973.63	\$ 1,485.11	\$ 2,484.64	\$ 803.20	\$ 803.20	\$ 792.24	\$ 809.17	\$ 774.42	\$ 237.54	\$ 6,756.17	\$ 844.52	\$ 10,134.26
Vehicle Maintenance	\$ 24.83	\$ 83.18	\$ 337.60	\$ 1,179.71	\$ 1,822.29	\$ 3,328.00	\$ 3,607.10	\$ 1,774.66	\$ 3,770.90	\$ 32,343.11	\$ 44,823.77	N/A	\$ 44,823.77
Legal expense removed from UPIS	\$ 9,119.27	\$ 9,274.88	\$ 9,766.07	\$ 11,180.55	\$ 9,727.40	\$ 11,995.72	\$ 12,121.82	\$ 7,567.97	\$ 11,341.20	\$ 39,664.68	\$ 113,365.38	\$ 14,170.67	\$ 164,971.41
Accounts	174	175	192	207	213	210	215	217	213	214	19,383,000	2,422,875	141,580
Gallons/Customer	1,404,000	1,343,000	5,695,000	3,716,000	3,895,000	1,774,000	1,269,000	1,037,000	1,214,000	783,000	94,387	11,798	Per Customer
			29,661	17,952	18,286	8,448	5,902	4,779	5,700	3,659			



Tax Pump	CWU Operating Ratio
Revenues	\$ 222,557
O & M Expenses	\$ 176,007
Property Taxes	\$ 8,794
Operating Income	\$ 37,756
Income Taxes Pump	\$ 46,579
Income Taxes	\$ 8,824
Total Expenses	\$ 193,624
Operating Ratio	87%
Revenues	\$ 222,557
Additional Income Taxes on Equity Return portion of Return on Water Rights	

S&A ATTACHMENT B

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. 1
Sheet No. _____

COLORADO TARIFF
FOR
WATER SERVICE
IN THE TERRITORY SERVED
BY
COLORADO WATER UTILITY, INC.

Advice Letter Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision Number _____

Effective Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. 2
Sheet No. _____

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Advice Letter _____ Issue Date _____
Number _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision _____
Number _____

Effective _____
Date _____

COLORADO WATER UTILITY, INC.
 PO Box 270868
 Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. 3
 Sheet No. _____

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 <u>WATER SALES RATES</u>	
Rate Schedule Summation Sheet	5
Schedule of Charges for Rendering Services	6
 <u>RETAIL SALES SERVICE RATES</u>	
Water Service:	
Deer Creek Division - Schedule W-DC.....	7-8
Deer Creek Division - Schedule HW-DC.....	9
 Index to Rules and Regulations Section.....	 R1
 <u>Key to Symbols of Revised Tariff Sheets</u>	
I - Indicates an increase in rate	
R - Indicates a reduction in rate	
T - Indicates a change in text but no change in rate, term or condition	
N - Indicates new rate or regulation	
C - Indicates a change in text due to changed regulation, term or condition	
D - Indicates discontinued rate, regulation or deleted material	
M - Indicates move in the location of text from a page to another page	

Advice Letter
 Number _____ Issue Date _____

Timothy R. Johnston, President
 7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
 Number _____ Effective
 Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Original _____ Sheet No. 4
Cancels _____ Sheet No. _____

TERRITORY SERVED

Water Service is supplied in the following territory. For rates available see the applicable rate schedules.

DEER CREEK DIVISION

<u>Township</u>	<u>Range</u>	<u>Sections</u>
7 South	64 West	Section 6
7 South	65 West	S ½ Section 1

This territory is limited to providing service only to up to 284 residential lots located within the Deer Creek Farm and Deer Creek Ranch Estates subdivisions as well as a 6-acre commercial lot located in the Deer Creek Farm subdivision.

Advice Letter _____ Issue Date _____
Number _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision _____ Effective _____
Number _____ Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Appendix A
Docket No. 05A-376W
Docket No. 05S-491W
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Original Sheet No. 6

Cancels Sheet No. _____

SCHEDULE OF RATES FOR RENDERING SERVICE
ALL DIVISIONS OF THE COMPANY

To initiate or restore service.....\$40.00

To transfer service at a specific location from one customer to another customer where such service is continuous.....\$20.00

To perform non-gratuitous labor for service work in addition to charges for material:

 Trip Charge.....\$40.00
 (Assessed for trips where no actual labor is performed other than a general diagnosis of the customer's problem)

 For service work during normal working hours, per man-hour....\$40.00

 Minimum Charge, one hour.....\$40.00

 For service work before 8:00 AM or after 5:00 PM Monday through Friday, or at any time on Saturday, per man-hour.....\$60.00

 Minimum Charge, one hour.....\$60.00

 For service work on Sundays and holidays, per man-hour.....\$80.00

 Minimum Charge, two hours.....\$160.00

To process a check from a customer which is returned to the Company by the bank as non-payable.....\$20.00

Meter testing at the customer's request, when the meter has already been tested within the previous 12 months. This charge shall be applicable if the meter accuracy is found to be within the limits set forth in Commission Rule 5302.....\$300.00

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. 7
Sheet No. _____

WATER RATES

WATER SERVICE

SCHEDULE W-DC

APPLICABILITY

Applicable within the territory served by Colorado Water Utility, Inc., as described on Sheet No. 4. This schedule applies to single family residential class customers taking water through meters installed at permanent locations on the system. Multiple living units may require a change in classification.

MONTHLY RATE

Service and Facility Charge, per customer.....\$39.45

Commodity Charge, all water used per 1000 gallons (kgal).....\$2.95

MONTHLY MINIMUM.....\$39.45

PAYMENT

Bills for water service are due and payable within fifteen days from date of mailing or hand delivery of the bill.

SERVICE PERIOD

Initial service under this schedule shall be for a minimum period of thirty days and thereafter until terminated, where service is no longer required, on three days' notice.

RULES AND REGULATIONS

Service supplied under this schedule is subject to the terms and conditions set forth in the Company's Rules and Regulations on file with The Public Utilities Commission of the State of Colorado.

Advice Letter
Number _____

Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____

Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Original Sheet No. 8

Cancels Sheet No. _____

WATER RATES

WATER SERVICE

CONSTRUCTION PAYMENT

Customers receiving service under this schedule will be required to pay a construction payment prior to connection to the Company's system, consistent with the provisions of the Service Lateral and Distribution Main Extension policy detailed on Tariff Sheet SL4.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____

Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Original Sheet No. 9
Cancels Sheet No. _____

WATER RATES

WATER SERVICE

SCHEDULE HW-DC

APPLICABILITY

Applicable within the territory served by Colorado Water Utility, Inc., as described on Sheet No. 4. This schedule applies to all customers taking bulk water on a temporary, non-recurring basis through meters installed at temporary locations on the system. This service shall only be available when weather permits. This schedule does not include water used for the purpose of fighting fires. Water for fire-fighting is provided at no cost.

MONTHLY RATE

Service and Facility Charge, per customer.....\$50.00

Commodity Charge, all water used per 1000 gallons (kgal).....\$2.95

MONTHLY MINIMUM.....\$50.00

PAYMENT

Bills for water service are due and payable within fifteen days from date of mailing or hand delivery of the bill.

SERVICE PERIOD

Initial service under this schedule shall be for a minimum period of thirty days and thereafter until terminated, where service is no longer required, on three days' notice.

RULES AND REGULATIONS

Service supplied under this schedule is subject to the terms and conditions set forth in the Company's Rules and Regulations on file with The Public Utilities Commission of the State of Colorado.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Original Sheet No. R1

Cancels _____ Sheet No. _____

RULES AND REGULATIONS
APPLICABLE TO ALL WATER SERVICE
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Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. R2
Sheet No. _____

RULES AND REGULATIONS
APPLICABLE TO ALL NATURAL WATER SERVICES
INDEX Cont'd

Sheet no.

SERVICE LATERAL CONNECTION AND DISTRIBUTION MAIN EXTENSION POLICY	
General Provisions	SL1
Water Meter and Piping Installations	SL2
WATER SALES SERVICE	
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Deposits for Service and Refunds	SA1-SA2
Discontinuance of Service by Company	SA3-SA4
Restoration of Service	SA5
Budget Billing Plan	SA6

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

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Docket No. 05S-491W
Decision No. R06-1300
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Sheet No. _____

RULES AND REGULATIONS

WATER SERVICE

GENERAL STATEMENT

The following terms and conditions, filed with The Public Utilities Commission of the State of Colorado as part of the water tariff of the Company, set forth the provisions under which water service is supplied and govern all classes of service in all territory served by the Company. They are subject to termination, change, or modification, in whole or in part, at any time as provided by the rules of said Commission.

Service furnished by the Company is also subject to the Rules of the Public Utilities Commission of the State of Colorado. Copies of the Company's tariff, which includes Rules and Regulations, are available for any customer's inspection at the offices of the Company.

Any waiver at any time of the Company's rights or privileges under the Company's Rules and Regulations will not be deemed a waiver as to any breach or other matter subsequently occurring.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____

Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

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Cancels _____ Original _____ Sheet No. R4
Sheet No. _____

RULES AND REGULATIONS

WATER SERVICE

GENERAL

DEFINITION OF TERMS

Billing Unit - A quantity of water expressed in thousands of gallons (kgal).

Commission - "Commission" shall mean the Public Utilities Commission of Colorado.

Company - "Company" shall mean Colorado Water Utility, Inc.

Construction Costs of Distribution Facilities - The combined costs of all facilities necessary to the Distribution Extension or Distribution Reinforcement, including satisfactory rights-of-way.

Construction Payment - Amount advanced by applicant to pay all Construction Costs of Distribution Facilities.

Customer - "Customer" shall mean any person or entity that purchases water provided by Company for direct use.

Delivery Point - Point where the Company's water facilities are first connected to the water facilities of the customer. The location of the Delivery Point will be determined by Company in accordance with standard practice or as individual circumstances may dictate. In most cases this point will be the service shut-off valve located approximately at the property line of the service address.

Distribution Extension - Distribution or supply main, including all appurtenant facilities necessary to supply service to additional customers.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
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COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

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Cancels _____ Original _____ Sheet No. R5
Sheet No. _____

RULES AND REGULATIONS

WATER SERVICE

GENERAL

DEFINITION OF TERMS - cont'd

Distribution Reinforcement - Increase in size or number of existing facilities necessitated by applicant's estimated water requirements.

Meter Piping - Special fittings necessary to connect the meter to the service lateral and/or to the customer's piping.

Normal Delivery Pressure - The pressure at which water is delivered to the Delivery Point, expressed in pounds per square inch, gauge (psig).

Service Laterals - The supply pipe extending from the distribution main to and including the first valve on the main side of the meter.

System - The pipelines, meters, wells, water treatment and storage facilities and other related facilities owned by Company and utilized in providing water service.

Year - A period of 365 consecutive days or 366 consecutive days if such period includes February 29, unless otherwise specified.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

Decision
Number _____ Effective
Date _____

COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Appendix A
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Docket No. 05S-491W
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Sheet No. _____

RULES AND REGULATIONS

NATURAL WATER SERVICE

GENERAL

BENEFIT OF SERVICE

An application for water service may be made at any office of the Company. The Company may require any applicant to sign a service contract before service is supplied. However, the receipt of water service constitutes an agreement under which the user receives water service and agrees to pay the Company therefor in accordance with the applicable rate schedules, rules and regulations. Each person of full legal age who resides at the premises to which service is delivered shall be deemed to receive benefit of service supplied and shall be liable to the Company for payment, subject to conditions hereinafter stated, whether or not service is listed in his/her name. The primary obligor for payment is the applicant or user in whose name service with the Company is listed (the customer of record). The Company is obligated to pursue reasonable and timely efforts to effect payment by or collections from the customer of record. In the event such efforts are unavailing, and it is necessary for the Company to effect payment by or collection from a user who is not the customer of record by transfer of an account or otherwise, the Company shall give prior written notice to said user that he/she may factually dispute the applicability of the benefit of service rule stated in this paragraph to his/her specific situation by making an informal complaint to the Public Utilities Commission. The benefits and obligations of the agreement for service may not be assigned without written consent of the Company.

During a period of vacancy in a rental property, the landlord or property owner may contact the Company verbally or in writing to request that water service be transferred to his/her name. Upon such application by the landlord or property owner, the landlord or property owner becomes the customer of record and service will be provided in the name of the landlord or property owner.

Advice Letter
Number _____ Issue Date _____

Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

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COLORADO WATER UTILITY, INC.
PO Box 270868
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RULES AND REGULATIONS

WATER SERVICE

GENERAL

CHARGES FOR RENDERING SERVICE

Appropriate charges to customers will be made at the time service is initiated or restored, or in the event that service at a specific location is transferred from one customer to another. Charges will also be made to customers for all service work performed for customers on customer's premises except for gratuitous services provided by Company. Service work performed at other than regular working hours shall be subject to overtime rates. Charges are set forth on the Tariff Sheet No.6. These charges are to offset Company's costs for such service work and transactions and are in addition to all other customer charges for utility service, for customer payments for required charges under Company's filed extension policy.

Gratuitous services to customers by the Company will not be charged to the customer. Such gratuitous services are limited to the following:

1. All emergency calls.
2. Bill investigations.
3. Customer service complaint investigations.
4. Maintenance of Company facilities.

To compensate Company for the cost of processing bad checks, the Company will make a charge to any customer whose check for payment to the Company is returned by the bank as not payable. The amount of the charge is stated on the tariff sheet entitled Tariff Sheet No.6.

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Timothy R. Johnston, President
7810 Shaffer Parkway, #120, Littleton, CO 80127

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COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

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RULES AND REGULATIONS

WATER SERVICE

GENERAL

MONTHLY BILLS

Bills for service will be rendered monthly. The term "month" for billing purposes means the period between any two consecutive regular readings by the Company of the meters at the customer's premise(s), such readings to be taken as nearly as may be practicable every thirty days. If the Company is unable to read a meter after reasonable effort, the customer will be billed on an estimated usage based on the best available information.

If an initial or final bill is for a period less than the "monthly" billing period described above, billing may be prorated using a ratio of the number of days between actual read dates to the number of days between the scheduled and actual read dates, or a specific meter reading may be made to determine actual usage.

All bills for service, including any applicable taxes, are due and payable at an office of the Company, or to an authorized agent of the Company. If the customer fails to receive a bill, the Company, upon request, will issue a duplicate. However, failure to receive a bill in no way exempts the customer from payment for service rendered.

When Company for any reason submits a bill to a customer for utility service which contains an estimated reading or a no charge, Company will include on such bill a notice informing customer that the bill does contain an estimate or no charge. Also included on such bill will be a statement requesting customer to call Company so an accurate meter reading may be obtained. In all bills for additional charges resulting from a period of estimated or skipped billings, Company will include a written notice of customer's right to pay such additional charges in installments, where such charges were not the result of meter inaccessibility and customer's refusal to read his own meter.

All bills issued shall include the following information:

- 1) The dates and meter readings beginning and ending the period during which service was rendered.
- 2) An appropriate rate or rate code identification.
- 3) Net amount due for regulated charges.
- 4) Date of the bill.

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RULES AND REGULATIONS

WATER SERVICE

GENERAL

MONTHLY BILLS - Cont'd

- 5) Date by which payment is due.
- 6) A distinct marking to identify an estimated bill.
- 7) The total amount of all payments or other credits made to the customer's account during the billing period.
- 8) Any past due amount. Unless otherwise stated in a tariff or Commission Rule, an account becomes "past due" on the 31st day following the due date of current charges.
- 9) Any transferred amount or balance from any account other than the customer's current account.
- 10) All other essential facts upon which the bill is based.

If a customer gives notice at the Company's office prior to the time that payment is due that the correctness of the bill is disputed, stating reasons therefore, the Company will investigate the dispute. However, such notice disputing correctness of a bill shall not be sufficient reason for withholding payment. The Company shall inform the customer of the right to file an informal complaint with the External Affairs Division of the Commission and shall provide the telephone numbers to contact the Commission, which are: 303 894-2070 (local call) and 800-456-0858 (Colorado only) and the address which is: Colorado Public Utilities Commission, External Affairs, 1580 Logan St. OL2, Denver, CO 80203.

If the bill is found to be incorrect, the Company will refund any overpayment or credit the amount of overpayment to the next bill rendered.

POSSESSION OF WATER

Company shall be in control and possession of the water deliverable to Customer and responsible for any damage or injury caused thereby, until the same shall have been delivered to Customer at the Delivery Point, after which delivery Customer shall be deemed to be in exclusive control and possession thereof and responsible for any such injury or damage.

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RULES AND REGULATIONS

WATER SERVICE

GENERAL

CUSTOMER'S INSTALLATION APPLICATION

Concurrently with or prior to requesting water service the customer shall submit to Company on forms supplied by Company, written data detailing the service requested to enable Company to determine if the type of service, quantity, capacity, and pressure desired by customer is available; to determine if extensions of, or additions to, Company's facilities will be required; to secure definite location of the Delivery Point, and to determine whether additional water supply shall be necessary to ensure the service requested.

ALTERATIONS OF EXISTING SERVICE

Before any additions to or alterations of existing installations are made by customer which will materially affect the amount of service required or which may require a change in the Delivery Point, the Company must be notified reasonably in advance thereof as to the proposed additions or alterations in order that the Company may first (a) determine if the service desired is permissible and, (b) that the necessary changes in the Company's facilities may be arranged for and completed. The Company will also review the requested service for compliance with the applicable county regulations and covenants regarding water use and required water rights.

CUSTOMER'S INSTALLATION

Company accepts no liability for injury or damage caused by defects in customer's piping or equipment. The customer MUST provide adequate, testable anti-siphon valves installed at a point upstream of any sprinkler system.

Service will be delivered to the customer for each premise at one Delivery Point designated by the Company. For the mutual protection of the customer and the Company, only authorized employees, agents of the Company, or persons holding a Master Plumbers license issued by the State of Colorado are permitted to make connections between the Company's water service and the customer's piping.

The Company reserves the right to require the customer to reimburse the Company for any cost due to a change in meters or other apparatus or in their location made at the request of the customer. Meters and other equipment of the Company will be removed or relocated only by employees or agents of the Company.

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Timothy R. Johnston, President
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COLORADO WATER UTILITY, INC.
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RULES AND REGULATIONS

WATER SERVICE

GENERAL

PROTECTION OF SUBSURFACE FACILITIES

Customer shall notify Company before undertaking any type of excavation or change in surface grade of customer's property, or operating or permitting the operation of any power excavating or ditching equipment in the proximity of Company's underground water service on customer's premises. The Company is a member of the Utility Notification Center of Colorado; customers should contact UNCC for scheduling locations at least 3 business days prior to excavation.

LIABILITY

All mains, services, apparatus, instruments, meters, and materials supplied by Company at its expense or under its standard policies will be and remain the property of the Company. Company's property shall not be worked upon or interfered with by customer or other unauthorized persons.

The customer shall be responsible for any damage to or loss of Company's property located on customer's premises, caused by or arising out of the negligence of customer or customer's agents, employees, licensees, or invitees, or the misuse or unauthorized use of Company's property by customer or customer's agents, employees, licensees, or invitees. The cost of making good such loss and/or repairing such damage shall be paid by the customer. Customer shall be held responsible for injury to Company's employees if caused by customer's negligence.

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LIABILITY - Cont'd

The customer shall be responsible for any injury to persons or damage to property occasioned or caused by the negligence of the customer or any of customer's agents, employees, licensees or invitees in installing, maintaining, operating or using any of the customer's piping, equipment, machinery or apparatus, and for injury and damage caused by defects in the same.

Company shall not be liable for injury to persons, damage to property, monetary loss, or loss of business caused by accidents, acts of God, fires, floods, strikes, wars, authority or orders of government, or any other causes and contingencies beyond its control.

INDEMNITY TO COMPANY

Customer shall hold the Company harmless and indemnify it against all claims and liability for injury to persons or damage to property when such damage or injury results from or is occasioned by the facilities located on customer's side of the Delivery Point unless caused by the negligence or wrongful acts of Company's agents or employees. "Customer" and "Company" as used herein shall include without limitation the agents, employees, licensees or contractors of each of said parties, or persons acting with permission or authorization from the respective parties.

PRIORITY OF SERVICE

In case of a shortage of supply, Company shall have the right to curtail service subject to approval by the Commission.

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RULES AND REGULATIONS

WATER SERVICE

GENERAL

DIVERSION OF WATER

The existence of water taps installed ahead of the meter or any tampering or interfering with pipes, devices, or equipment connected to Company's distribution system or the damage to, alteration, or obstruction of any meter (including the breaking of meter seals) which will permit or make possible the use of water without its proper registration on Company's meter shall constitute prima facie evidence of diversion of water by the customer in whose name service is being rendered, or by the person benefiting from the use of such diverted water. In the event that a Company check meter registers more water in the same interval of time than does the meter installed at customer's premises after such meters shall have been tested and found to be registering within the limits of accuracy prescribed by The Public Utilities Commission of the State of Colorado, such fact shall also constitute prima facie evidence of diversion of water.

In such instances, Company will, in any reasonable manner, compute the amount of diverted water. Where Company is unable to make such count, the computation will be based upon any other available information, or estimated. Such computation or estimate shall be made for the period beginning with the date on which customer began using water at the location where the diversion occurred, unless evidence proves the diversion commenced at a later date, and ending with the date on which such diversion ceased. Bills for water diverted, based upon the aforesaid computation or, where necessary, upon estimation, under the applicable rate in effect during the period of diversion, plus the cost of the service work for investigating and confirming such diversion and disconnecting service, equipment damages and other related items shall be due and payable in accordance with the Company's tariffs all as set forth on the tariff sheet entitled Tariff Sheet No.6.

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RULES AND REGULATIONS

WATER SERVICE

GENERAL

DIVERSION OF WATER - Cont'd

If service has been discontinued for failure to comply with any of the Company's rules and regulations and a diversion of water has been confirmed subsequent to discontinuance, the Company will not render service to customer, or to any other person for customer's use, until the Customer has paid or made appropriate arrangements (when applicable) with the Company for the payment of all charges relating to the diversion of water and for all past due bills for service rendered at the same location; and (2) the Company confirms that the cause for the discontinuance of water, if other than for non-payment, has been cured. Payment arrangements shall not be available in any case where the customer has defaulted on an installment payment arrangement.

If service has been discontinued for diversion of water and the Customer has in the past refused or restricted access to the Company's meter reading equipment, the Company will not render service to the Customer or to any other person for the Customer's use, at the same location until the Customer has arranged with the Company for the installation of, or has installed at the Customer's expense, such entrance and service equipment as is necessary to prevent further diversion of water.

The foregoing rules pertaining to diversion of water in no way affect or modify any action or prosecution under the laws of the State of Colorado.

Customers who wish to dispute any action of the Company may lodge an informal complaint with the Colorado Public Utilities Commission, External Affairs Division, in writing at 1580 Logan St, OL2, Denver, CO, or by telephone at (303) 894-2070 (local only) or (800) 456-0858 (Colorado only).

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WATER SERVICE

GENERAL

EASEMENTS

A contract for water service, or receipt of service by customer, will be construed as an agreement granting to Company an easement for water mains, services, meters and other equipment of Company necessary to render service to customer. If requested by Company, customer, before service is connected, will execute Company's standard form of right-of-way agreement, granting to Company, at no expense therefore, satisfactory easements for suitable location of Company's mains, services, meters and metering equipment, and other appurtenances on or across lands owned or controlled by customer, and will furnish space and shelter satisfactory to Company for all apparatus of Company located on customer's premises. In the event that customer shall divide premises by sale in such manner that one part shall be isolated from streets where Company's water mains are accessible, customer shall grant or reserve an easement for water service over part having access to water mains for the benefit of the isolated part.

ACCESS FOR COMPANY'S EMPLOYEES

The customer will provide access to his premises at all reasonable times for authorized employees of the Company for any proper purpose incidental to the supplying of water service.

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7810 Shaffer Parkway, #120, Littleton, CO 80127

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WATER SERVICE

GENERAL

RESALE OF WATER

Water service supplied by the Company is for the exclusive use of the customer. Consequently, the customer will not be permitted by sub-metering to determine a quantity of water and resell the same as such to any other person or persons on the customer's premises or for use on any other premises. A master-metered customer may, however, check-meter tenants, lessees, or other persons to whom ultimately the water is distributed for the purpose of reimbursing the master-metered customer by an appropriate allocation procedure. The Company reserves the right to refuse to furnish water service to any customer where the purchase of such service is for the purpose of resale by customer to others. In the event water is resold in conflict herewith, Company shall have the right to discontinue service to customer.

COMPLAINTS

Customers who wish to dispute any action of the Company may lodge an informal complaint with the Colorado Public Utilities Commission, External Affairs Division, in writing at 1580 Logan St, OL2, Denver, CO, or by telephone at (303) 894-2070 (local only) or (800) 456-0858 (Colorado only). The Company will investigate promptly all complaints made by its customers and will keep a record of all written complaints which record will include: the name and address of the complainant, the date, the nature of the complaint, and the adjustment or disposition made thereof. This record will be kept at least two years after the date of the complaint.

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7810 Shaffer Parkway, #120, Littleton, CO 80127

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RULES AND REGULATIONS

WATER SERVICE

STANDARDS POLICY

These Rules and Regulations set forth the Standards Policy of the Company available in all territory served by the Company.

SYSTEM OPERATION AND MAINTENANCE

The Company will construct, operate and maintain its water systems in such manner as to furnish good, safe, adequate and continuous water service in accordance with the Rules and Regulations of the Public Utilities Commission of the State of Colorado.

a. The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of water and to avoid any shortage of same and interruption of same. However, Company will not be liable for interruption, shortage, or insufficiency in the supply of water, or for any injury, loss, or damage occasioned thereby, if same is due to causes or contingencies beyond the control of the Company including but not limited to accidents, breakdown of equipment, acts of God, authority and orders of government, flood, storms, fires, strikes, riots, or war.

b. The Company, whenever it shall find it necessary for the purpose of making repairs or improvements to its systems, will have the right to temporarily suspend the delivery of water.

c. Interruptions of service, however, will not relieve customer from any charges for service actually supplied, nor will accidents to customer's equipment or machinery, or failure of customer's installation, not due to fault of Company, relieve customer of payment of minimum charges under the rate schedule or contract applicable.

PRESSURE

For service at normal delivery pressure water will be delivered at a pressure between 45 and 60 psig.

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RULES AND REGULATIONS

WATER SERVICE

STANDARDS POLICY

MEASUREMENT OF SERVICE

Water usage determination shall be done by metering which conforms to the Public Utilities Commission requirements.

MEASUREMENT EQUIPMENT AND TESTING

Testing Equipment

The Company will provide such testing equipment and instrumentation as may be necessary to comply with the Rules and Regulations of The Public Utilities Commission of the State of Colorado. The Company shall operate such equipment with standard methods in general use in the water industry. The Company will exercise reasonable means to determine and maintain the general accuracy of all water measurement equipment.

Measurement Equipment

The Company will install, maintain, and operate, or cause to be installed, maintained, and operated, measuring stations equipped with flow meters and/or other necessary metering and measuring equipment by which the billing unit of water delivered shall be determined.

Accuracy and Routine Testing

The Company will exercise reasonable means to determine and maintain the general accuracy of all water meters in use. All meters will be tested for accuracy of adjustment and registration before installation and if inaccuracy is found, such meters shall be adjusted to register within standards set forth in Commission Rule 5302.

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RULES AND REGULATIONS

WATER SERVICE

STANDARDS POLICY

MEASUREMENT EQUIPMENT AND TESTING - Cont'd

Testing upon Request

The Company, at any time, may test any of its meters. Upon written request of a customer, the Company will test the accuracy of the delivery meter installed at customer's premises. The Company is not required to bear the cost of such testing at intervals of less than 12 months. Should a customer request a second meter test within 12 months, the cost shall be borne by the Company if the accuracy of the meter is found to be outside the limits set in Commission Rule 5302. If the accuracy of the meter is found to be within the limits set forth in Rule 5302, the customer requesting the test shall bear the cost of the testing. The cost of testing is set forth on Tariff Sheet No.6.

Measurement Errors

If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted to measure accurately. In the event any measuring equipment is out of service or is found registering inaccurately and the error is not determinable by test, or by previous recording, receipts or deliveries through such equipment shall be estimated based upon the first of the following methods which is feasible:

- (a) By using the registration of any check meter or meters, if installed and accurately registering, or, in the absence of (a);
- (b) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation, or, in the absence of (a) and (b);
- (c) By estimating the quantity of water received or delivered based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

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RULES AND REGULATIONS

WATER SERVICE

STANDARDS POLICY

WATER BILLING

Billing Units

For the purpose of billing water, the following billing units shall be used:

- a. Rate Class W. The billing unit shall be thousands of gallons (kgal). Usage shall be measured to the nearest 0.1 kgal.
- b. Rate Class HW. The billing unit shall be thousands of gallons (kgal). Usage shall be measured to the nearest 0.1 kgal.

Billing Errors

The Company will exercise all reasonable means to assure accurate computation of all bills for water service. Customer agrees to accept the Company's accounting for water measurement and billing. In the event errors in under-billing occur, the Company shall bill for one-half of the under-billed amount for the period dating from the discovery of billing error to the previous meter test, with such period not exceeding six months. In the event errors in over-billing occur, the company shall refund to customer one-half the amount of any overcharge for a period dating from the discovery of billing error to the previous meter test, with such period not exceeding two years. The provisions of this tariff sheet shall not apply to meters that have been bypassed or in any way involved in water diversion or in cases of subterfuge.

Customers who wish to dispute any action of the Company may lodge an informal complaint with the Colorado Public Utilities Commission, External Affairs Division, in writing at 1580 Logan St, OL2, Denver, CO, or by telephone at (303) 894-2070 (local only) or (800) 456-0858 (Colorado only).

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RULES AND REGULATIONS

WATER SERVICE

STANDARDS POLICY

WATER QUALITY SPECIFICATIONS

Water quality in the State of Colorado is monitored by the Colorado Department of Public Health and Environment. The Company will endeavor to maintain water quality within the specifications required by that regulatory body.

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RULES AND REGULATIONS

WATER SERVICE

SERVICE LATERAL CONNECTION AND DISTRIBUTION MAIN EXTENSION POLICY

These Rules and Regulations set forth the Service Lateral Connection and Distribution Main Extension Policy of the Company available in all territory served by the Company.

GENERAL PROVISIONS

The provisions of this policy are subject to the applicable Rules and Regulations of The Public Utilities Commission of the State of Colorado and to the Company's Rules and Regulations on file with said Public Utilities Commission.

When one or more applicants request water service at premises not connected to the Company's distribution system or request an increase in service to premises already connected where such increase necessitates additional investment, Company, after consideration of applicant's water requirements, will design and estimate the cost of the extension, expansion, or other changes necessary to provide the requested service. The determination of facility type and routing will be made by Company to be consistent with the characteristics of the territory in which service is to be rendered and the nature of Company's existing facilities in the area.

In all cases, the facilities provided will be constructed by the Company or its designated agent in accordance with the Company's specifications, standards and procedures, and shall be, at all times, the property of the Company to the Delivery Point. Construction payments will be based upon the Company's estimate of the cost of constructing and installing the facilities necessary to adequately supply the service requested by applicant. Such cost will include the cost of all materials, labor, rights-of-way, etc., together with all incidental and overhead expenses connected therewith. Where special items, not incorporated in said specifications, are required to meet local construction conditions, the cost thereof will also be included.

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RULES AND REGULATIONS

WATER SERVICE

SERVICE LATERAL CONNECTION AND DISTRIBUTION MAIN EXTENSION POLICY

WATER METER AND PIPING INSTALLATIONS

Company will furnish the appropriate meter to supply applicant's requirements and install same along with associated meter piping. applicant will provide all facilities necessary for proper meter installation in conformance with Company requirements for such installation. Separate charges will be made for meter piping to additional meter locations in the same building except in the case of a meter header.

Title to meter, meter piping and the service lateral upstream of the Delivery Point shall at all times be vested in Company.

The cost of installing the service lateral to the Delivery Point, and the cost of the meter and meter piping shall be charged to the customer at the time of installation. Following the customer's application for service as described on Tariff Sheet R8, the Company shall provide the applicant with a written estimate of these costs.

If additional work beyond the installation of the service lateral and meter are required in order to provide service to a new customer, a construction payment for this additional construction may be required. This construction payment will be calculated by determining the entire cost to provide service to the customer. Upon completion of the work to connect the new customer, the Company will review the construction cost and determine if any refund of any portion of the construction payment is due the customer. For new developments, the construction payment will be the entire cost to provide service to that new development.

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COLORADO WATER UTILITY, INC.
PO Box 270868
Littleton, CO 80127

CO PUC No. 1

Cancels _____ Original _____ Sheet No. SA1
Sheet No. _____

RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

These Rules and Regulations set forth the Water Sales Service Policy available in all territory served by the Company.

DEFINITION

Water Sales Service is the furnishing of water for the exclusive use of the individual customer through a single meter.

DEPOSITS FOR SERVICE AND REFUNDS

Existing customers shall not be required to place a deposit with the Company if the customer has a satisfactory credit record with the Company in accordance with (1) below. For this purpose an existing customer shall include customers who change location if service is initiated at a new location within two weeks of discontinuance of service at the old location and customer advises the Company prior to discontinuance at the old location of intent to take service at the new location.

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Timothy R. Johnston, President
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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

DEPOSITS FOR SERVICE AND REFUNDS - Cont'd

All new applicants for water service, including former customers who have had a discontinuity in service shall be subject to the following deposit considerations;

(1) Applicants who have previously received service from the Company for at least twelve (12) consecutive months within the last three (3) years and who maintained a satisfactory credit record during the most recent twelve (12) consecutive months of previous service will not be required to make a deposit. A satisfactory credit record is defined as no discontinuance of service during the most recent twelve (12) consecutive months of previous service and if service was not discontinued or less than three (3) notices of discontinuance were issued during that time.

(2) If applicant for service does not meet the above requirement, Company will classify applicant as a "conditional customer," and will require the deposit of a sum not to exceed an estimated ninety days bill, based on actual previous summer usage wherever possible. Such deposit is not an advance payment or partial payment of any bill for service, but is security for payment of bills for service, to be applied against unpaid bills only in the event service is discontinued.

(3) Deposits shall be refunded after twelve consecutive months of service if no delinquency resulting in the issuance of a written notification of discontinuance of service to the customer has occurred.

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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

DEPOSITS FOR SERVICE AND REFUNDS - Cont'd

(4) Interest at the rate of 3.16 percent per annum shall be paid during the period January 1, 2006 through December 31, 2006 on customer deposits, either in cash or by a credit to the customer's account. Interest will be paid upon refund of the deposit or annually upon request of a customer. The interest rate is subject to change January 1 each year in accordance with the rules of The Public Utilities Commission of the State of Colorado. Whenever the interest rate is changed, deposits held by the Company shall earn interest at the new rate for the portion of time the deposit is held beyond the effective date of the interest rate change.

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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

DISCONTINUANCE OF SERVICE BY COMPANY

(a) The Company shall not discontinue the service of a customer for any reason other than the following:

- (I) Nonpayment of regulated charges.
- (II) Fraud or subterfuge.
- (III) Service diversion.
- (IV) Equipment tampering.
- (V) Safety concerns.
- (VI) Exigent circumstances.
- (VII) Discontinuance ordered by any appropriate governmental authority.
- (VIII) Properly discontinued service being restored by someone other than the Company when the original cause for proper discontinuance has not been cured.

(b) The Company shall not discontinue service for nonpayment of any of the following:

- (I) Any amount which has not appeared on a regular monthly bill or which is not past due. Unless otherwise stated in a tariff or Commission rule, an account becomes "past due" on the 31st day following the due date of current charges.
- (II) Any amount due on another account now or previously held or guaranteed by the customer, or with respect to which the customer received service, unless the amount has first been transferred either to an account which is for the same class of service or to an account which the customer has agreed will secure the other account. Any amount so transferred shall be considered due on the regular due date of the bill on which it first appears and shall be subject to notice of discontinuance as if it had been billed for the first time.

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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

DISCONTINUANCE OF SERVICE BY COMPANY - Cont'd

(III) Any amount due on an account on which the customer is or was neither the customer of record nor a guarantor, or any amount due from a previous occupant of the premises. This subparagraph does not apply if the customer is or was obtaining service through fraud or subterfuge.

(IV) Any amount due on any account for which the present customer is or was the customer of record, if another person established the account through fraud or subterfuge and without the customer's knowledge or consent.

(V) Any delinquent amount, unless the Company can supply billing records from the time the delinquency occurred.

(VI) Any debt except that incurred for service rendered by the Company in Colorado.

(VII) Any unregulated charge.

The Company shall provide a notice of pending discontinuance. The notice shall allow 15 days from the date the notice was provided by first class mail or hand-delivery for payment to be remitted or payment arrangements to be made.

The Company shall postpone discontinuance of water service to a residential customer for 60 days from the date of a medical certificate issued by a Colorado-licensed physician or health care practitioner acting under a physician's authority which evidences that discontinuance of service will aggravate an existing medical emergency or create a medical emergency for the customer or a permanent resident of the customer's household. The customer may receive a single thirty-day extension by providing a second medical certification prior to the expiration of the original 60-day period. A customer may invoke this only once in any twelve consecutive months. A customer that has already entered into a payment arrangement, but has broken the arrangement prior to seeking a medical certification, must pay all amounts that were due up to the date of the certificate, and resume the payment arrangement. A customer shall be limited to one 90-day postponement of discontinuance of service within a continuous 12-month period.

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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

DISCONTINUANCE OF SERVICE BY COMPANY - Cont'd

The certificate of medical emergency shall be in writing, sent to the Company from the office of a licensed physician, and show clearly the name of the customer or individual whose illness is at issue, the name, Colorado medical identification number, phone number, and signature of the physician or health care practitioner acting under a physician's authority certifying the medical emergency. Such certification shall be incontestable by the Company as to the medical judgment, although the Company may use reasonable means to verify the authenticity of such certification.

RESTORATION OF SERVICE

Service which has been terminated due to failure to pay or make arrangements for payment of bills for service rendered will be restored if customer pays all applicable collection or reconnection charges, enters into installment plan arrangements or modified budget billing arrangements and makes the first installment payment. This provision will not apply in cases where termination has occurred due to breached arrangements. If service is terminated after breach of arrangements, service will be reinstated only after customer has made payment in full of all amounts owed, including any collection or restoration charges and after posting any deposit required for service.

Service also will be restored upon receipt of a valid medical certificate and will not be discontinued again until said medical certificate, or any valid extension thereof, has expired. Where service has been discontinued as set forth in these Rules and Regulations, Company shall restore such service within 12 hours after elimination by customer of the cause for discontinuance, unless extenuating circumstances prevent restoral. Extenuating circumstances include, but are not limited to, the requirement that the customer or someone designated by the customer be at the premises at the time of restoral.

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RULES AND REGULATIONS

WATER SERVICE

WATER SALES SERVICE POLICY

BUDGET BILLING PLAN

Customers served who have no Notice of Discontinuance of Service pending may elect, at their option, to pay monthly bills for service on a Budget Billing Plan beginning with any billing month. Any customer electing the Budget Billing Plan will pay a monthly amount equal to the total of his most recent twelve months' bills divided by a current calculation factor. This calculation factor is subject to change by the Company as conditions warrant but, will neither exceed twelve nor be less than ten. Said monthly payment shall be made for eleven successive months with the twelfth month's payment being a settlement amount equal to the difference between the total of the prior eleven months' payments and the actual billings for the twelve month period. If the settlement amount is a credit balance the Company will issue a check to the customer in the amount of the credit balance, or the customer may elect to have the credit applied to future billings. If the settlement amount is a debit balance owed by the customer the total balance will be due and payable on the due date shown on the bill for the settlement month, except that in the event the debit balance exceeds \$20, the customer may elect to pay the debit over a two month period with at least one half of the total debit balance payable in the settlement month. The customer may continue on the Budget Billing Plan for succeeding years, in which case the settlement month for each year will occur in twelve month cycles starting with the beginning month.

If a customer electing the Budget Billing Plan fails to pay the budget billing obligation in any month, normal collection procedures shall be applicable for the outstanding budget billing amount. Upon termination of service of a customer on the Budget Billing Plan, the customer is subject to removal from the plan and the entire outstanding amount of the account for actual usage shall be due and payable.

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S&A ATTACHMENT C

S&A Attachment C Rate Comparison and Billing Impact, Present and Settled Rates

Annual Usage **162,217 gallons/year per customer**

	Present Rates	Settled Rates
Monthly Charge	\$25.00	\$39.45
Unit Charge / 1000 gallons	\$4.00	\$2.95
Average Annual Bill	\$948.87	\$951.94