

Harris

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

2006-03-03 AM 9:07

DOCKET NO. 05A-333W

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IN THE MATTER OF THE APPLICATION OF DALLAS CREEK WATER COMPANY, INC.  
FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY AND FOR SIMPLIFIED REGULATORY TREATMENT

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DOCKET NO. 05S-396W

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

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**AMENDED SETTLEMENT AGREEMENT**

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Dallas Creek Water Company (DCWC) and Staff of the Public Utilities Commission (Staff) (collectively, the "Parties") hereby present this Amended Settlement Agreement and request that it be approved without modification. This Amended Settlement Agreement incorporates by this reference the Settlement Agreement filed by the parties in this Docket on May 24, 2006 (the "Original Settlement Agreement").

## AMENDMENTS TO THE ORIGINAL SETTLEMENT AGREEMENT

### A. REVENUE REQUIREMENT AND RATES FOR CUSTOMERS

1. After the filing of the Original Settlement Agreement, Staff became aware of Cellular Tower Rental Income that DCWC receives and then assigns to Mesa Civil Constructors in consideration of a lease agreement for a backhoe that had not been disclosed prior to the filing. The total amount of annual rental income is \$11,300. DCWC witness James Willey testified on this issue at the hearings in this matter held on July 26 and 27, 2006. For purposes of settlement, the Parties agree to include the \$11,300 as additional other income to DCWC for purposes of setting rates, without the inclusion of any expense that may be associated with the use or lease of a backhoe that is not currently incorporated into the expenses used to set rates.

2. For purposes of simplicity and in order to attribute the benefit of this agreement to all retail customers (active meter and standby), the Parties have allocated the additional \$11,300 revenue to reduce the revenue requirement used to calculate the Base Service Charge. **Amended Exhibit A** sets forth the total operating expenses agreed to by the Parties for purposes of determining an appropriate revenue requirement. **Amended Exhibit B** sets forth the Parties' agreement as to the allocation of the stipulated revenue requirement between the four rate elements defined in the Original Settlement Agreement. **Amended Exhibit C** sets forth the Parties' agreement as to the rates for each rate element. **Amended Exhibit D** provides a comparison of current DCWC interim rates and the rates agreed to by the Parties to the Amended Settlement Agreement.

## B. TARIFF REVISIONS

1. The Parties have agreed to revisions to the tariff pages provided with Advice Letter No. 1. The purpose of the revisions is to either implement the rates and terms of this Settlement Agreement or to improve the clarity and/or structure of the proposed tariff pages. The revised tariff pages were provided in clean form as **Exhibit F** to the Original Settlement Agreement.

2. The Parties discovered after the filing of the Original Settlement Agreement that there is a discrepancy between the terms of Section 6.9 of the proposed tariff and DCWC's actual practices. Section 6.9 as originally proposed provides that the Water Usage Rate "will be billed in increments of 1000 gallons rounded up to the nearest 100 gallons." In practice, the company bills the Water Usage Rate based on the actual reading of the meter without any rounding. However, because of the vintage and capabilities of certain meters, the current meters do not all read to the same increments. For example, a meter may read to the 1000 gallon increment only, to the 100 gallon increment only, to the 10 gallon increment only, or to the single gallon increment. The Parties agree that DCWC will bill customers the Water Usage Rate based on the actual reading of the meter. The practical effect of this is that no rounding up will occur, and as explained at hearing, in many case there will be a rounding down effect. The tariff revisions to incorporate this change are attached hereto as **Amended Exhibit F**.<sup>1</sup> In addition, the tariff revision to incorporate the agreed to modification to the Base Service Charge is also incorporated in **Amended Exhibit F**.

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<sup>1</sup> Only the effected pages of Exhibit F are being provided for replacement in Original Exhibit F.

**C. AMENDED EXHIBIT D AND NOTICE ISSUES REGARDING ORIGINAL EXHIBIT D.**

1. **Amended Exhibit D** shows the rate impact to an Active Meter Customer using 3221 gallons of water in a billing period, assuming the meter reads to the single gallon level.<sup>2</sup> As explained in Section B above, the calculation of this rate based on any other type of meter would result in a lower rate.<sup>3</sup> In **Original Exhibit D** and the notice of the Settlement Agreement provided to customers by DCWC, the Water Usage Rate calculated for an Active Meter Customer using 3221 gallons in the billing period was calculated assuming an actual reading of 3200 gallons.<sup>4</sup> As explained herein and at hearing, this noticed rate would be accurate for a certain number of customers with a certain type of meter. To the extent it was inaccurate, the inaccuracy was immaterial and should not call in to question the adequacy of the notice provided. Moreover, because of the agreement herein to lower the Base Service Charge, the total bill that an Active Meter Customer using 3221 gallons would pay under the Amended Settlement Agreement, if approved as proposed, will in all cases be lower than the rate set forth in the notice. This should likewise not call into question the adequacy of the notice provided.

<sup>2</sup> 3221 x \$8.02/1000 equals \$25.83.

<sup>3</sup> 3220 x \$8.02/1000 equals \$25.82; 3200 x \$8.02/1000 equals \$25.66; 3000 x 8.02/1000 equals \$24.60.

<sup>4</sup> 3200 x \$8.02/1000 equals \$25.66

DATED this 2<sup>nd</sup> day of August, 2006.

DALLAS CREEK WATER COMPANY

APPROVED AS TO FORM

---

By: James A. Willey  
President  
334 South 5<sup>th</sup> Street  
Montrose, CO 81401

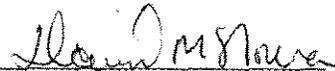
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By: Scott C. Miller, No. 26181  
Madoline E.S. Wallace, No. 32255  
730 East Durant St., Suite 200  
Aspen, CO 81611  
(970) 920-1028

STAFF OF THE COLORADO PUBLIC  
UTILITIES COMMISSION

APPROVED AS TO FORM

 For



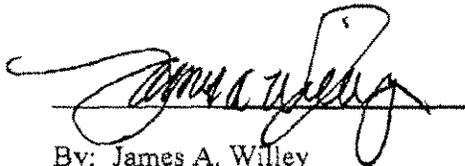
By: Patricia A. Parker  
Rate/Financial Analyst  
1580 Logan Street  
Denver, CO 80203  
(303) 894-2905

By: David M. Nocera, 28776\*  
Assistant Attorneys General  
Business and Licensing Section  
1525 Sherman Street, 5<sup>th</sup> Floor  
Denver, CO 80203  
(303) 866-5295  
\*Counsel of Record

DATED this \_ day of August, 2006.

**DALLAS CREEK WATER COMPANY**

APPROVED AS TO FORM



By: James A. Willey  
President  
334 South 5<sup>th</sup> Street  
Montrose, CO 81401

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Dallas Creek Water Company  
Stipulated 2005 Revenue Requirement

Docket Nos. 05A-333W  
05S-396W  
Amended Settlement Agreement  
Exhibit A

	Staff's Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>WATER SALES &amp; STANDBY FEES</b>			
Domestic Water Sales-Base Rate	\$ 93,316	\$ (93,316)	\$ -
Domestic Water Sales-Over Base	\$ -	\$ -	\$ -
Usage Per 1000	\$ 135,690	\$ (35,271)	\$ 100,419
Excessive Consumption Surcharge	\$ -	\$ -	\$ -
Raw Water Sales	\$ -	\$ -	\$ -
Raw Water Delivery Charges	\$ 20,814	\$ (117)	\$ 20,697
<b>Total WATER SALES &amp; STANDBY FEES</b>	<b>\$ 249,820</b>	<b>\$ (128,704)</b>	<b>\$ 121,116</b>
<b>OTHER INCOME</b>			
Water Tap Revenue			
Water Tap Revenue	\$ -	\$ -	\$ -
Availability of Service Fees	\$ 313,438	\$ 313,438	\$ -
Base Service Charge	\$ -	\$ 419,345	\$ 419,345
Meter In-Service Charge	\$ -	\$ 116,239	\$ 116,239
Monthly Access Charge Cost	\$ -	\$ -	\$ -
Service Connection Fees	\$ -	\$ -	\$ -
Late Payment Fees Charged	\$ -	\$ -	\$ -
After-Hours Turn Off Fees	\$ -	\$ -	\$ -
Collection & Returned Ck Fees	\$ -	\$ -	\$ -
Water Tap Transfer Fees	\$ 3,400	\$ -	\$ 3,400
Water Tap Transfer Fees - Differential	\$ -	\$ -	\$ -
<b>Total OTHER INCOME</b>	<b>\$ 316,838</b>	<b>\$ 222,146</b>	<b>\$ 538,984</b>
<b>Total Income</b>	<b>\$ 566,658</b>	<b>\$ 93,442</b>	<b>\$ 660,100</b>
<b>Cost of Goods Sold</b>			
<b>COST OF WATER &amp; WATER TREATMENT</b>			
Chemicals & Polymers	\$ 7,032	\$ -	\$ 7,032
Compliance Testing & Sampling	\$ 4,697	\$ -	\$ 4,697
Plant Operator - Contracted	\$ 62,541	\$ -	\$ 62,541
Plant Operator Backup-Contract	\$ 581	\$ -	\$ 581
Plant Operations Payroll			
FICA & Medicare Tax Expense	\$ 8,407	\$ -	\$ 8,407
FUTA Tax Expense	\$ 237	\$ -	\$ 237
SUTA Tax Expense	\$ 900	\$ -	\$ 900
Workmens Compensation Insurance	\$ (321)	\$ 757	\$ 436
<b>Total Plant Operations Payroll</b>	<b>\$ 84,074</b>	<b>\$ 757</b>	<b>\$ 84,831</b>
Utilities-Electric	\$ 38,586	\$ -	\$ 38,586
Utilities-Telephone Line/Alarm	\$ 51	\$ -	\$ 51
Water Purchases	\$ 45,718	\$ -	\$ 45,718
<b>Total COST OF WATER &amp; WATER TREATMENT</b>	<b>\$ 84,356</b>	<b>\$ -</b>	<b>\$ 84,355</b>
<b>Total COGS</b>	<b>\$ 168,429</b>	<b>\$ 758</b>	<b>\$ 169,186</b>
<b>Gross Profit</b>	<b>\$ 398,230</b>	<b>\$ 92,684</b>	<b>\$ 490,914</b>
<b>Expense</b>			
<b>OTHER TREATMENT &amp; DISTRIBUTION</b>			
Local Travel	\$ 55	\$ -	\$ 55
Plant & Dist System Repairs			
Distribution System Repairs	\$ 23,765	\$ -	\$ 23,765
Plant Maintenance & Repairs	\$ 1,799	\$ -	\$ 1,799

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Dallas Creek Water Company  
Stipulated 2005 Revenue Requirement

Docket Nos. 05A-333W  
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Amended Settlement Agreement  
Exhibit A

	Staff's Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
Pump Repairs & Maintenance	\$ 38,397	\$ -	\$ 38,397
Plant/Dist Sys Maint Supplies	\$ 3,295	\$ -	\$ 3,295
Small Tools	\$ 967	\$ -	\$ 967
Utilities-Plant Telephone	\$ 1,002	\$ -	\$ 1,002
<b>Total OTHER TREATMENT &amp; DISTRIBUTION</b>	<b>\$ 69,299</b>	<b>\$ -</b>	<b>\$ 69,299</b>
<b>INFRASTRUCTURE COSTS</b>			
Mortgage Interest	\$ 52,150	\$ 4,461	\$ 56,611
Property Tax Expense	\$ 6,874	\$ -	\$ 6,874
Depreciation Expense			
Depreciation Exp-Plant/Dist Sys	\$ 85,672	\$ -	\$ 85,672
<b>Total INFRASTRUCTURE COSTS</b>	<b>\$ 144,696</b>	<b>\$ 4,461</b>	<b>\$ 149,157</b>
<b>ADMINISTRATION &amp; OVERHEAD</b>			
Employee Health Ins.	\$ 9,327	\$ -	\$ 9,327
Salary-Administrator	\$ 41,600	\$ 8,800	\$ 50,400
Salary-Manager	\$ 49,900	\$ (8,800)	\$ 41,100
Salary-Secretary	\$ 19,500	\$ -	\$ 19,500
Utilities-Internet Access	\$ 1,000	\$ -	\$ 1,000
6560 - Payroll Expenses	\$ -	\$ -	\$ -
Amortization of Loan Fees	\$ 2,642	\$ -	\$ 2,642
Advertising Expense	\$ 1,027	\$ -	\$ 1,027
Auto-License Plates	\$ 435	\$ -	\$ 435
Auto Maintenance & Repairs	\$ 175	\$ -	\$ 175
Bank Charges	\$ 1,508	\$ -	\$ 1,508
Finance Charges Paid	\$ 2,919	\$ -	\$ 2,919
Fuel	\$ 343	\$ -	\$ 343
Insurance - Auto	\$ 819	\$ -	\$ 819
Insurance-Property & Liability	\$ 8,207	\$ -	\$ 8,207
Interest Expense	\$ 2,279	\$ -	\$ 2,279
Legal Notices	\$ -	\$ -	\$ -
License Fees	\$ 423	\$ -	\$ 423
Membership Dues	\$ 125	\$ -	\$ 125
Office Rent			
Office Maintenance	\$ 271	\$ -	\$ 271
Office Rent - Other	\$ 2,400	\$ 19,867	\$ 22,267
Office Supplies Expense	\$ 5,022	\$ -	\$ 5,022
<b>Outside Services</b>			
<b>Engineering Services-PUC Matter</b>			
PUC-Work	\$ 1,495	\$ -	\$ 1,495
Drafting	\$ -	\$ -	\$ -
Raw Water	\$ 581	\$ -	\$ 581
General	\$ 1,978	\$ -	\$ 1,978
<b>Legal Fees - PUC Matters</b>			
Rate Case	\$ 10,281	\$ 4,719	\$ 15,000
Complaint, etc.	\$ -	\$ 5,000	\$ 5,000
Accounting & Tax Prep Fees	\$ 3,128	\$ -	\$ 3,128
Auditor	\$ 4,000	\$ -	\$ 4,000
Administration - Contracted	\$ -	\$ -	\$ -
<b>Legal Fees</b>			
Water Rights	\$ -	\$ -	\$ -
Loan Default	\$ -	\$ -	\$ -
General	\$ 163	\$ -	\$ 163
Postage	\$ 3,459	\$ -	\$ 3,459
Tax Penalty Expense	\$ 710	\$ -	\$ 710
Utilities-Message Services	\$ 1,293	\$ -	\$ 1,293
Utilities-Telephone-Office	\$ 2,158	\$ -	\$ 2,158
<b>Total ADMINISTRATION &amp; OVERHEAD</b>	<b>\$ 179,168</b>	<b>\$ 26,585</b>	<b>\$ 208,753</b>

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Dallas Creek Water Company  
Stipulated 2005 Revenue Requirement

Docket Nos. 05A-333W  
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	Staff's Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
<b>Total Expense</b>	\$ 393,164	\$ 34,046	\$ 427,210
Net Ordinary Income	\$ 5,068	\$ 58,638	\$ 63,705
Other Income/Expense			
Other Income			
Cellular Tower Rental Income	\$ -	\$ 11,300	\$ 11,300
Interest Income	\$ 3,060	\$ -	\$ 3,060
Interest Income - CFS MMA	\$ 3	\$ -	\$ 3
Finance Charges Earned	\$ 12,900	\$ (1,851)	\$ 11,049
Total Other Income	\$ 15,963	\$ 9,449	\$ 25,412
<b>Net Income</b>			\$ 100,417
	\$ 561,592		\$ 596,396
<b>Revenues</b>	\$ 645,508		\$ 685,512
Operating Ratio	87%		87%
	\$ 83,916		\$ 89,117
			\$ 11,300
<b>New Revenues minus Cellular Income</b>			\$ 674,212

Dallas Creek Water Company  
Cost Allocations

Docket Nos. 05A-333W  
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Amended Settlement Agreement  
Exhibit B

Indicator	Expenses	2005 Test Year with Adjustments	Indicator	Expenses	2005 Test Year with Adjustments
F	Accounting & Tax Prep Fees	\$ 3,128	V	Chemicals & Polymers	\$ 7,032
F	Advertising Expense	\$ 1,027	V	Plant Operator Backup-Contract	\$ 581
F	Amortization of Loan Fees	\$ 2,642	V	Distribution System Repairs	\$ 23,785
F	Audit	\$ 4,000	V	Plant Maintenance & Repairs	\$ 1,799
F	Auto Maintenance & Repairs	\$ 175	V	Pump Repairs & Maintenance	\$ 38,397
F	Auto-License Plates	\$ 435	V	Plant/Dist Sys Maint Supplies	\$ 3,295
F	Bank Charges	\$ 1,508	V	Water Purchases	\$ 45,718
F	Complaint, etc.	\$ 5,000			\$ 120,607
F	Compliance Testing & Sampling	\$ 4,697		Contribution	\$ 18,022
F	Depreciation Exp-Plant/Dist Sys	\$ 85,672		Total Variable with Contribution	\$ 138,628
F	Employee Health Ins.	\$ 9,327			
F	FICA & Medicare Tax Expense	\$ 8,407		Less Water Distribution Expense	\$ 20,697
F	Finance Charges Paid	\$ 2,919		Less Other Income	\$ 17,512
F	Fuel	\$ 343		Net Water Usage	\$ 100,419
F	FUTA Tax Expense	\$ 237			
F	General Engineering	\$ 1,978	MIS	Plant Operator - Contracted	\$ 62,541
F	General Legal	\$ 163	MIS	Utilities - Electric	\$ 38,586
F	Insurance - Auto	\$ 819			\$ 101,128
F	Insurance-Property & Liability	\$ 8,207		Contribution	\$ 15,111
F	Interest Expense	\$ 2,279		Total Fixed/Variable	\$ 116,239
F	License Fees	\$ 423			
F	Local Travel	\$ 55		F=Fixed (Base Service Charge)	
F	Membership Dues	\$ 125		V=Variable	
F	Mortgage Interest	\$ 56,611		MIS=Meter In-Service Charge	
F	Office Maintenance	\$ 271			
F	Office Rent - Other	\$ 22,267			
F	Office Supplies Expense	\$ 5,022			
F	Postage	\$ 3,459			
F	Property Tax Expense	\$ 6,874			
F	PUC-Work	\$ 1,495			
F	Rate Case	\$ 15,000			
F	Raw Water	\$ 581			
F	Salary-Administrator	\$ 50,400			
F	Salary-Manager	\$ 41,100			
F	Salary-Secretary	\$ 19,500			
F	Small Tools	\$ 967			
F	SUTA Tax Expense	\$ 900			
F	Tax Penalty Expense	\$ 710			
F	Utilities-Internet Access	\$ 1,000			
F	Utilities-Message Services	\$ 1,293			
F	Utilities-Plant Telephone	\$ 1,002			
F	Utilities-Telephone Line/Alarm	\$ 51			
F	Utilities-Telephone-Office	\$ 2,158			
F	Workmens Compensation Insurance	\$ 436			
		\$ 374,661			
	Contribution	\$ 55,984			
	Total Fixed with Contribution	\$ 430,645			
	Cellular Rental Income	\$ 11,300			
	Net	\$ 419,345			

Dallas Creek Water Company  
Rate Development

Docket Nos. 05A-333W  
05S-396W  
Amended Settlement Agreement  
Exhibit C

	Demand		Proposed Rate	Proposed Revenues
Raw Water Distribution Rate (Per 1,000 Gallons)	17,416	1	\$ 1.19	\$ 20,697
Base Service Charge (Per Customer)	806	2	<del>\$ 43.36</del>	<del>\$ 419,345</del>
Meter In-Service Charge (Per Customer)	328	3	\$ 29.53	\$ 116,239
Water Usage Rate (Per 1000 Gallons)	12,525	4	\$ 8.02	\$ 100,419
Other Fees and Income				\$ 17,512
Net of Cellular Revenues				\$ 674,212

- Note (1) Per 1000 Gallons. This charge is for transporting water to the golf course.  
 Note (2) This charge will be assessed on all customers.  
 Note (3) This charge is assessed on active meter customers only.  
 Note (4) Water Usage Fees Per 1000 gallons

Dallas Creek Water Customer Impact Survey  
Average Month

Docket Nos. 05A-333W  
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Amended Settlement Agreement  
Exhibit D

	Current Rate	Proposed Rate	Average Customer Impact	Percent Change
Base Service Charge	\$ 22.50	\$ 43.36	\$ 20.86	
Meter In-service Charge	\$ -	\$ 29.53	\$ 29.53	
Water Usage Rate	\$ 1.66	\$ 25.83	\$ 24.17	
Stand-by Customer	\$ 22.50	\$ 43.36	\$ 20.86	92.71%
Active Meter Customer (Average Usage Per Month = 3,221 Gallons per customer)	\$ 24.16	\$ 98.72	\$ 74.56	308.62%

Dallas Creek Water Company, Inc.

Colorado PUC Tariff Number 1  
Original Page 41

**6.9 WATER USAGE RATE.** This volumetric consumption rate is assessed to the Customer for 1,000 gallons of water used. This rate will be billed in gallon increments consistent with actual meter readings.

**6.10 FINANCE CHARGES.** A bill is considered to be past due if charges are not paid with 30 days from the due date on the bill. The Company shall have the right to assess an interest charge at a rate of one percent (1%) for residential customers and one and one-half percent (1.5%) per month for commercial customers on the unpaid balance.

**6.11 RETURNED PAYMENT FEE.** The Company shall charge a Returned Payment Fee for each check or payment that is not honored by the Company's bank for insufficient funds or for any other reason not the fault of the Company. The fee will be \$20.00.

The Company has the right to assess to any Customer who is overdue in payment of his/her account, all legal, court, disconnection, blockage and other costs necessary to, or incidental to, the collection of said account.

**6.12 DEPOSIT.** The Company shall not charge its Customers a deposit for water service in order to guarantee payment of current bills.

**6.13 TURN-ON/TURN-OFF FEE.** The Company shall charge a Turn-on/Turn-off Fee to every Customer whenever water service to the property is either turned-off or to turned-on, except that the Turn-on/Turn-off Fee shall not be charged if Customers require turn-on/turn-off for maintenance of their Water Service Line.

Advice No. 2  
Decision No. CO-XXXX  
Issued by:

Issued Date: XXXXXX  
Effective Date: \_\_\_\_\_, X XXXX

James Willey  
Dallas Creek Water Company, Inc.  
334 South 5<sup>th</sup> Street  
Montrose, Colorado

Decision No. 05A-333W  
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Dallas Creek Water Company, Inc.

Colorado PUC Tariff Number 1  
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**SECTION 7 - SCHEDULE OF UTILITY RATES AND FEES**

	<u>Monthly</u>
Base Service Charge	\$43.36
Meter In-Service Charge	\$29.53
	<u>Non-Recurring</u>
Water Tap Fee	\$7,000
Turn-on/Turn-off	\$50.00
Water Tap Transfer Fee	\$50.00
After-Hours Fees	
First Hour	\$60.00
Additional Fifteen (15) Minutes	\$15.00
	<u>Usage</u>
Customer Usage Fee per 1,000 gallons	\$8.02
Water Distribution Fee per 1,000 gallons	\$1.19
Raw Water Fee per 1,000 gallons	\$7.50
Service Connection Fee	Individual Case Basis

Advice No. 2  
Decision No. CO-XXXX  
Issued by:

Issued Date: XXXXXX  
Effective Date: \_\_\_\_\_, X XXXX

James Willey  
Dallas Creek Water Company, Inc.  
334 South 5<sup>th</sup> Street  
Montrose, Colorado

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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

DOCKET NO. 05A-333W

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IN THE MATTER OF THE APPLICATION OF DALLAS CREEK WATER COMPANY, INC.  
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DOCKET NO. 05S-396W

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CREEK WATER COMPANY, INC. WITH ADVICE LETTER NO. 1

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**SETTLEMENT AGREEMENT**

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Dallas Creek Water Company (DCWC) and Staff of the Public Utilities Commission (Staff) (collectively, the "Parties") hereby enter into this Settlement Agreement.

**I. INTRODUCTION**

1. On June 20, 2005, in compliance with Decision No. C05-0673, DCWC filed interim rate sheets and rules and regulations with the Commission that are to apply until initial tariffs for DCWC are adopted by the Commission. On August 5, 2005, DCWC filed Advice Letter No. 1 to become effective on September 23, 2005. The purpose of the filing was to further comply with Decision No. C05-0673 and to place in effect initial tariffs establishing rates, charges, rules and regulations that will govern DCWC's provisioning of public utility water service.

2. By Decision No. C05-1138, the Commission established Docket No. 05S-396W, suspended the effective date of the tariffs, issued a notice of hearing, and assigned the matter to an Administrative Law Judge (ALJ). Staff intervened in the Docket and DCWC and Staff are the only parties to Docket No. 05S-396W. Subsequently, DCWC has amended the Advice Letter twice. The Second Amendment to Advice Letter No. 1 changed the requested effective date to March 10, 2006. The effect of the Second Amendment is that the Commission may suspend the tariffs for a maximum of 210 days, or in this case, until October 6, 2006.

3. On August 8, 2005, DCWC filed an Application for the issuance of a Certificate of Public Convenience and Necessity (CPCN) and for simplified regulatory treatment. The Application commenced Docket No. 05A-333W. Staff intervened in the Docket and DCWC and Staff are the only parties to Docket No. 05A-333W.

4. By Decision No. R05-1460-I, the ALJ consolidated Docket Nos. 05A-333W and 05S-396W and established a procedural schedule for the consolidated proceeding. The procedural schedule was modified by order of the ALJ on two occasions and eventually vacated by Decision Nos. R06-1419-I and R06-0442-I to allow the Parties to reduce to writing and file a settlement agreement.

5. The Parties held numerous settlement discussions in an effort to reach a comprehensive settlement of all the issues raised in this consolidated proceeding. These discussions have been successful. The Parties thus submit this Settlement Agreement as resolution of all issues that were raised or could have been raised in this consolidated proceeding and request that the Settlement Agreement be approved without modification as expeditiously as possible.

## II. TERMS OF SETTLEMENT

### A. REVENUE REQUIREMENT AND RATES FOR CUSTOMERS

1. This Settlement Agreement constitutes agreement on both the DCWC revenue requirement (traditional Phase 1 issues) and the rate design to allocate the revenue requirement between customers (traditional Phase 2 issues). DCWC proposed to use a 2006 *pro forma* financial statement to establish the recoverable expenses and revenue requirement for the Company. (See Exhibit JAW-34). Staff proposed to use a 2005 historical test year, using actual booked values adjusted for known and measurable changes. Staff also proposed to use an operating ratio to establish the overall revenue requirement, which includes recoverable expenses and a reasonable profit margin. The Parties agree to use the Staff 2005 historical test year approach, adjusted for known and measurable changes, and an operating ratio of 87%.<sup>1</sup> The model used to develop the below commodity rates and fixed charges is set forth in Exhibits A through C, attached hereto and incorporated herein.

2. **Exhibit A** sets forth the total operating expenses agreed to by the Parties for purposes of determining an appropriate revenue requirement. The stipulated amount of expenses is \$596,396. **Exhibit A** presents Staff's Proposed 2005 Test Year expenses and revenue requirement (as corrected)<sup>2</sup> (from Exhibit PAP-3) for purpose of comparison. For purposes of settlement, the Parties began with Staff's Proposed 2005 Test Year and agreed to adjustments to those amounts. The stipulated adjustments and resulting expenses are set forth on **Exhibit A**. The bases for the stipulated adjustments are briefly explained below. **Exhibit A** also

<sup>1</sup> The justification for this operating ratio from Staff's perspective is found in the Answer Testimony of Patricia Parker, pp. 13-14 and Exhibit PAP-4.

<sup>2</sup> After Staff filed its answer testimony, the Parties discussed and agreed that calculation errors had been made in Exhibit PAP-3 and that one "as booked 2005" value was incorrectly entered on Exhibit PAP-3. The agreed to corrections are incorporated in Exhibit A under "Staff's Proposed 2005 Test Year" and are identified by shading.

sets forth the overall revenue requirement of \$685,512, which incorporates the stipulated operating ratio of 87%.

3. **Exhibit B** sets forth the Parties' agreement as to the allocation of the stipulated revenue requirement between four rate elements. The four rate elements are:

- a. **Raw Water Distribution Rate.** This charge is for delivery of untreated water to the Fairway Pines Golf Course for irrigation purposes. The rate is expressed and billed as a per 1000 gallon rate.
- b. **Base Service Charge.** This charge is assessed to each owner of a paid DCWC water tap, regardless of whether such owner is connected to the water system or on "standby."
- c. **Monthly Meter In-Service Charge.** This monthly charge is assessed on connected active meter customers only.
- d. **Water Usage Rate.** This rate is assessed on connected customers for actual water usage. The rate is expressed as a per 1000 gallon rate, however, customers will be billed at the per 100 gallon usage level.<sup>3</sup>

4. **Exhibit C** sets forth the Parties' agreement as to the rates for each rate element. Key assumptions agreed to for purposes of developing the rates are:

- a. **Raw Water Distribution Rate.** Based on projected annual usage of 17,416,000 gallons.<sup>4</sup>
- b. **Base Service Charge.** Based on 806 paid DCWC water taps.
- c. **Monthly Meter In-Service Charge.** Based on 328 connected water customers.
- d. **Water Usage Rate.** Based on a projected annual usage of 12,525,000 gallons.<sup>5</sup>

<sup>3</sup> For example, a customer using 3400 gallons in a month, will be charged for 3.4 1000 gallon units (3.4 x \$8.02)

<sup>4</sup> Projection based on historical 2005 actual usage.

<sup>5</sup> Projection based on historical 2005 actual usage.

5. **Exhibit D** provides a comparison of current DCWC interim rates and the rates agreed to by the Parties to the Settlement Agreement.

6. The specific adjustments to Staff's Proposed 2005 Test Year expenses (as corrected) agreed to by the Parties are as follows:

a. Workmen's Compensation Insurance. Staff used the 2005 booked value of negative \$321. Staff recognizes that 2005 was an unusual year in which DCWC received a refund of prior payments. The Parties agree to use a \$436 value for this expense item.

b. Mortgage Interest. Staff used the 2005 booked value of \$52,150. The Parties agree to increase this amount by \$4461, for a total of \$56,611, to account for additional interest associated with an upward adjustment to the adjustable mortgage interest rate.

c. Salaries (Administrator and Manager). Staff allowed for an Administrator salary of \$41,600 and a Manager salary of \$49,900. DCWC has committed to pay the Administrator an annual salary of \$50,400. The Parties agree to an upward adjustment of \$8800 to this expense item, totaling \$50,400. The Parties also agree to a downward adjustment of \$8800 to the Manager's salary, totaling \$41,100 for this expense item.

d. Office Rent. Staff allowed \$2400 for office rent. Based on a market comparable and a .667 allocation factor, the Parties agree to an upward adjustment of \$19,867 for a total of \$22,267 for this expense item. **Exhibit E** shows the calculation of the office rent allowance.

e. Rate Case Legal Fees. Staff allowed \$10,281 for rate case legal fees (\$30,843 amortized over three years). Based on more recent estimates of total fees for this rate case, the Parties agree to an upward adjustment of \$4719 for a total of \$15,000 (\$45,000 amortized over three years).

f. Legal Fees-PUC Matters. Staff did not allow any amount for this item. The Parties agree to \$5000 annual expense for PUC matters such as defending complaint proceedings and addressing compliance issues, including compliance associated with this Settlement Agreement.

**B. CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (CPCN)**

1. DCWC requested a CPCN to serve an area described in its application in Exhibit B. Staff proposed that DCWC's certificated service territory be limited to the existing 21 subdivisions currently served by DCWC in Ouray County. DCWC has represented to Staff that it has made commitments or otherwise indicated a willingness to serve beyond the boundaries of the existing 21 subdivisions and that prospective customers have relied on these Company representations. For this reason and in light of the tap limitation below, Staff is now agreeable with the Company's proposed service territory as presented in its application. The Parties therefore request that the Commission grant DCWC a CPCN to serve the territory described in Exhibit B to its application.

2. DCWC did not propose a limit on the number of taps it could sell within its approved service territory. Staff proposed that the Company be limited to selling 1000 taps until such time as DCWC can reconfirm its ability to serve more than 1000 customers. Staff's proposal was premised on a Company projection that indicated it would take approximately ten years for the Company to sell up to the 1000 tap limit. DCWC countered to Staff that it had demonstrated a clear ability to serve 1393 customers and expressed concern to Staff that this limitation could impair the ability of developers in the area to gain county subdivision approval, because water availability is critical to such approval. The Parties agree for purposes of

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settlement that the CPCN be granted subject to a limitation of 1350 taps. At any time that DCWC believes it has the need to and justification for removing or enlarging this limitation, it may file an application with the Commission requesting such action.

**C. KEY MISCELLANEOUS ISSUES**

1. DCWC agrees to begin allocating its expenses between DCWC and any other entity with which DCWC shares facilities, equipment, or employee time, including entities in which DCWC owner James Willey has an ownership interest. To facilitate the proper allocation for future ratemaking purposes, DCWC will work with Staff to develop and agree to a cost allocation process to be used for such purposes. The Parties will attempt to reach agreement on this process and file a stipulated cost allocation manual for approval within this Docket no later than 60 days from the effective date of the tariffs approved in this proceeding. Should the Parties be unable to agree on a cost allocation manual within 60 days, DCWC shall file an application with the Commission for approval of its proposed allocation manual, which will be noticed and set for hearing in accordance with Commission rules.

2. DCWC agrees to coordinate with Staff to undertake and complete a comprehensive rate review of the rates established and approved in this proceeding no later than two years from the effective date of the tariffs approved in this proceeding. Following such rate review, DCWC may voluntarily, but is not obligated to, file an advice letter to modify the Company's rates. Likewise, Staff may choose to initiate a complaint proceeding to have the rates addressed and modified if necessary.

3. Within 60 days of the effective date of the tariffs approved in this proceeding, DCWC shall provide Staff with an action plan identifying its proposed activities

concerning recovery of funds loaned to the Pines Development Group. DCWC agrees to periodically update Staff regarding this action plan as changes or developments warrant.

4. The Parties agree to a tap fee of \$7000 for each residential customer and each Single Family Equivalent as defined in the Company's tariff. The Parties agree that tap fee revenue shall be accounted for separately and used only to reduce outstanding debt on existing plant investment, used to acquire additional water supply, or spent or held in reserve for needed capital improvements.

5. At times DCWC has contracted with entities that are wholly or partially owned by DCWC's owner, James Willey. In the future, DCWC shall implement a process to ensure and document that any such transactions are entered into only if they represent a least-cost market transaction. Failure to implement or document the necessary process for such transactions may result in disallowance for rate-making purposes.

6. DCWC shall provide Staff with its Certified Public Accountant audited financial statements as soon as they become available, beginning with calendar year 2005 financial statements. DCWC shall also work with Staff to modify its annual report to provide such information in a format that is more usable for PUC purposes.

#### **D. TARIFF REVISIONS**

1. The Parties have agreed to revisions to the tariff pages provided with Advice Letter No. 1. The purpose of the revisions is to either implement the rates and terms of this Settlement Agreement or to improve the clarity and/or structure of the proposed tariff pages. The revised tariff pages are provided in clean form as **Exhibit F**.

### **III. IMPLEMENTATION**

1. The Parties agree that upon final Commission order approving this Settlement Agreement, DCWC shall file a compliance advice letter on not less than one day's notice to place into effect revised tariff sheets attached hereto as **Exhibit F**.

#### **IV. NOTICE OF SETTLEMENT AGREEMENT AND PUBLIC HEARING**

1. DCWC filed Advice Letter No. 1 with the Commission. While this was all that was legally required in the way of notice to customers, at Staff's request, DCWC also provided notice to its customers by way of publication in local newspapers.

2. The Parties agreed to revenue requirement in the Settlement Agreement is lower than that requested by the Company in Advice Letter No. 1. However, the agreed to allocation of the revenue requirement is substantially different than that proposed by DCWC. Staff believes that as a matter of policy, the Commission should provide DCWC customers notice of the rate structure proposed under the Settlement Agreement and an opportunity to comment. DCWC is not opposed to providing notice and an opportunity to be heard, but is extremely concerned about and adverse to any process that would or could significantly delay approval of the Settlement Agreement and implementation of the rates and terms of the initial tariffs.

3. To address both Parties' concerns, the Parties propose that the ALJ set a public hearing to allow for public comment on the terms of the Settlement Agreement. The nearest town to DCWC's service territory is the Town of Ridgway. DCWC will assist in arranging a hearing site if the ALJ chooses to hold a public hearing in a location other than at the Commission. DCWC agrees to provide notice to its customers of the filing of the Settlement Agreement, of the general terms of the Settlement Agreement and of the public hearing on the

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Settlement Agreement by direct mail at least ten days prior to the date of public hearing.

Contemporaneously with the filing of this Settlement Agreement, the Parties are filing a request with the ALJ that he set such public hearing, if he deems it necessary, as soon as possible, which request includes additional information on the proposed process for notice and available dates for the Parties. The Parties also request that should the ALJ wish to hold an evidentiary hearing on the Settlement Agreement, that such hearing be held in Denver as soon as possible.

#### V. GENERAL TERMS

1. To the extent not adopted as part of this Settlement Agreement, any relief requested by DCWC as part of its application in Docket No. 05A-333W or as part of its Advice Letter No. 1-Water in Docket No. 05S-396W is hereby dismissed by stipulation of the Parties, without prejudice.

2. This Settlement Agreement shall not become effective until the issuance of a final Commission order approving the Settlement Agreement, which order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to the Parties hereto. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party hereto, that Party shall have the right to withdraw from this Settlement Agreement and proceed to hearing on some or all of the issues that may be appropriately raised by that Party in this docket under a new procedural schedule. The withdrawing Party shall notify the Commission, and the other Parties to this Settlement Agreement, in writing within ten (10) days of the date of the Commission order that the Party is withdrawing from the Settlement Agreement (such notice being referred to as the "Notice"). A Party who properly serves a Notice shall have and be entitled to exercise all rights the Party

would have had in the absence of the Party's agreeing to this Settlement Agreement. Hearing shall be scheduled on an expedited basis, as soon as practicable.

3. In the event that this Settlement Agreement 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 Settlement Agreement shall not be admissible into evidence in this or any other proceeding.

4. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding, except as otherwise specifically noted in this Settlement Agreement.

5. This Settlement Agreement is a negotiated compromise of issues raised in the consolidated proceeding. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein. Notwithstanding the foregoing, the Parties, by signing this Settlement Agreement and by joining the motion to adopt the Settlement Agreement filed with the Commission, acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.

6. This Settlement Agreement may be executed in counterparts, all of which when taken together shall constitute the entire agreement between the Parties with respect to the issues addressed by this Settlement Agreement.

DATED this 24<sup>th</sup> day of May, 2006.

DALLAS CREEK WATER COMPANY

APPROVED AS TO FORM

*James A. Willey* BY *SCM*  
*AIF FR*  
*JAMES A WILLEY*

By: James A. Willey  
President  
334 South 5<sup>th</sup> Street  
Montrose, CO 81401

By: Scott C. Miller, No. 26181  
Madoline E.S. Wallace, No. 32255  
730 East Durant St., Suite 200  
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(970) 920-1028

STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION

APPROVED AS TO FORM

By: Patricia A. Parker  
Rate/Financial Analyst  
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By: David M. Nocera, 28776\*  
Assistant Attorneys General  
Business and Licensing Section  
1525 Sherman Street, 5<sup>th</sup> Floor  
Denver, CO 80203  
(303) 866-5295  
\*Counsel of Record

DATED this 24<sup>th</sup> day of May, 2006.

**DALLAS CREEK WATER COMPANY**

APPROVED AS TO FORM

---

By: James A. Willey  
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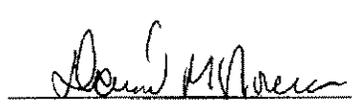
**STAFF OF THE COLORADO PUBLIC  
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Dallas Creek Water Company  
Stipulated 2005 Revenue Requirement

Docket Nos. 05A-333W  
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Settlement Agreement  
Exhibit A

		Staff's Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
Ordinary Income/Expense				
Income				
WATER SALES & STANDBY FEES				
	Domestic Water Sales-Base Rate	\$ 93,316	\$ (93,316)	\$ -
	Domestic Water Sales-Over Base	\$ -	\$ -	\$ -
	Usage Per 1000	\$ 135,690	\$ (35,271)	\$ 100,419
	Excessive Consumption Surcharge	\$ -	\$ -	\$ -
	Raw Water Sales	\$ -	\$ -	\$ -
	Raw Water Delivery Charges	\$ 20,814	\$ (117)	\$ 20,697
	<b>Total WATER SALES &amp; STANDBY FEES</b>	<b>\$ 249,820</b>	<b>\$ (128,704)</b>	<b>\$ 121,116</b>
OTHER INCOME				
Water Tap Revenue				
	Water Tap Revenue	\$ -	\$ -	\$ -
	Availability of Service Fees	\$ 313,438	\$ 313,438	\$ -
	Base Service Charge	\$ -	\$ 430,845	\$ 430,845
	Meter In-Service Charge	\$ -	\$ 116,239	\$ 116,239
	Monthly Access Charge Cost	\$ -	\$ -	\$ -
	Service Connection Fees	\$ -	\$ -	\$ -
	Late Payment Fees Charged	\$ -	\$ -	\$ -
	After-Hours Turn Off Fees	\$ -	\$ -	\$ -
	Collection & Returned Ck Fees	\$ -	\$ -	\$ -
	Water Tap Transfer Fees	\$ 3,400	\$ -	\$ 3,400
	Water Tap Transfer Fees - Differential System	\$ -	\$ -	\$ -
	<b>Total OTHER INCOME</b>	<b>\$ 316,838</b>	<b>\$ 233,446</b>	<b>\$ 550,284</b>
	<b>Total Income</b>	<b>\$ 566,658</b>	<b>\$ 104,742</b>	<b>\$ 871,400</b>
Cost of Goods Sold				
COST OF WATER & WATER TREATMENT				
	Chemicals & Polymers	\$ 7,032	\$ -	\$ 7,032
	Compliance Testing & Sampling	\$ 4,897	\$ -	\$ 4,897
	Plant Operator - Contracted	\$ 62,541	\$ -	\$ 62,541
	Plant Operator Backup-Contract	\$ 581	\$ -	\$ 581
	Plant Operations Payroll			
	FICA & Medicare Tax Expense	\$ 8,407	\$ -	\$ 8,407
	FUTA Tax Expense	\$ 237	\$ -	\$ 237
	SUTA Tax Expense	\$ 900	\$ -	\$ 900
	Workmens Compensation Insurance	\$ (321)	\$ 757	\$ 436
	<b>Total Plant Operations Payroll</b>	<b>\$ 84,074</b>	<b>\$ 757</b>	<b>\$ 84,831</b>
	Utilities-Electric	\$ 38,588	\$ -	\$ 38,588
	Utilities-Telephone Line/Alarm	\$ 51	\$ -	\$ 51
	Water Purchases	\$ 45,718	\$ -	\$ 45,718
	<b>Total COST OF WATER &amp; WATER TREATMENT</b>	<b>\$ 84,355</b>	<b>\$ -</b>	<b>\$ 84,355</b>
	<b>Total COGS</b>	<b>\$ 188,429</b>	<b>\$ 758</b>	<b>\$ 189,187</b>
	<b>Gross Profit</b>	<b>\$ 398,230</b>	<b>\$ 103,984</b>	<b>\$ 502,214</b>
Expense				
OTHER TREATMENT & DISTRIBUTION				
	Local Travel	\$ 55	\$ -	\$ 55
	Plant & Dist System Repairs			
	Distribution System Repairs	\$ 23,785	\$ -	\$ 23,785
	Plant Maintenance & Repairs	\$ 1,799	\$ -	\$ 1,799

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Dallas Creek Water Company  
Stipulated 2005 Revenue Requirement

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	Staff's Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
Pump Repairs & Maintenance	\$ 38,397	\$ -	\$ 38,397
Plant/Dist Sys Maint Supplies	\$ 3,295	\$ -	\$ 3,295
Small Tools	\$ 967	\$ -	\$ 967
Utilities-Plant Telephone	\$ 1,002	\$ -	\$ 1,002
<b>Total OTHER TREATMENT &amp; DISTRIBUTION</b>	<b>\$ 69,299</b>	<b>\$ -</b>	<b>\$ 69,299</b>
<b>INFRASTRUCTURE COSTS</b>			
Mortgage Interest	\$ 52,150	\$ 4,461	\$ 56,611
Property Tax Expense	\$ 6,874	\$ -	\$ 6,874
Depreciation Expense			
Depreciation Exp-Plant/Dist Sys	\$ 85,672	\$ -	\$ 85,672
<b>Total INFRASTRUCTURE COSTS</b>	<b>\$ 144,696</b>	<b>\$ 4,461</b>	<b>\$ 149,157</b>
<b>ADMINISTRATION &amp; OVERHEAD</b>			
Employee Health Ins.	\$ 9,327	\$ -	\$ 9,327
Salary-Administrator	\$ 41,600	\$ 8,800	\$ 50,400
Salary-Manager	\$ 49,900	\$ (8,800)	\$ 41,100
Salary-Secretary	\$ 19,500	\$ -	\$ 19,500
Utilities-Internet Access	\$ 1,000	\$ -	\$ 1,000
6580 - Payroll Expenses	\$ -	\$ -	\$ -
Amortization of Loan Fees	\$ 2,642	\$ -	\$ 2,642
Advertising Expense	\$ 1,027	\$ -	\$ 1,027
Auto-License Plates	\$ 435	\$ -	\$ 435
Auto Maintenance & Repairs	\$ 175	\$ -	\$ 175
Bank Charges	\$ 1,508	\$ -	\$ 1,508
Finance Charges Paid	\$ 2,919	\$ -	\$ 2,919
Fuel	\$ 343	\$ -	\$ 343
Insurance - Auto	\$ 819	\$ -	\$ 819
Insurance-Property & Liability	\$ 8,207	\$ -	\$ 8,207
Interest Expense	\$ 2,279	\$ -	\$ 2,279
Legal Notices	\$ -	\$ -	\$ -
License Fees	\$ 423	\$ -	\$ 423
Membership Dues	\$ 125	\$ -	\$ 125
Office Rent			
Office Maintenance	\$ 271	\$ -	\$ 271
Office Rent - Other	\$ 2,400	\$ 19,867	\$ 22,267
Office Supplies Expense	\$ 5,022	\$ -	\$ 5,022
<b>Outside Services</b>			
Engineering Services-PUC Matter			
PUC-Work	\$ 1,495	\$ -	\$ 1,495
Drafting	\$ -	\$ -	\$ -
Raw Water	\$ 581	\$ -	\$ 581
General	\$ 1,978	\$ -	\$ 1,978
Legal Fees - PUC Matters			
Rate Case	\$ 10,281	\$ 4,719	\$ 15,000
Complaint, etc.	\$ -	\$ 5,000	\$ 5,000
Accounting & Tax Prep Fees	\$ 3,128	\$ -	\$ 3,128
Auditor	\$ 4,000	\$ -	\$ 4,000
Administration - Contracted	\$ -	\$ -	\$ -
Legal Fees			
Water Rights	\$ -	\$ -	\$ -
Loan Default	\$ -	\$ -	\$ -
General	\$ 163	\$ -	\$ 163
Postage	\$ 3,459	\$ -	\$ 3,459
Tax Penalty Expense	\$ 710	\$ -	\$ 710
Utilities-Message Services	\$ 1,293	\$ -	\$ 1,293
Utilities-Telephone-Office	\$ 2,158	\$ -	\$ 2,158
<b>Total ADMINISTRATION &amp; OVERHEAD</b>	<b>\$ 179,168</b>	<b>\$ 29,585</b>	<b>\$ 208,753</b>

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Dallas Creek Water Company  
 Stipulated 2005 Revenue Requirement

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 Settlement Agreement  
 Exhibit A

	State Proposed 2005 Test Year	Stipulated Adjustments	Settlement Agreement
<b>Total Expense</b>	\$ 393,164	\$ 34,046	\$ 427,210
Net Ordinary Income	\$ 5,066	\$ 69,938	\$ 75,005
Other Income/Expense			
Other Income			
Interest Income	\$ 3,060	\$ -	\$ 3,060
Interest Income - CFS MMA	\$ 3	\$ -	\$ 3
Finance Charges Earned	\$ 12,900	\$ (1,851)	\$ 11,049
Total Other Income	\$ 15,963	\$ (1,851)	\$ 14,112
<b>Net Income</b>			\$ 89,117
	\$ 561,592		\$ 596,398
<b>Revenues</b>	\$ 645,508		\$ 685,512
<b>Operating Ratio</b>	87%		87%

Dallas Creek Water Company  
Cost Allocations

Docket Nos. 05A-333W  
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Exhibit B

Indicator	Expenses	2005 Test Year with Adjustments	Indicator	Expenses	2005 Test Year with Adjustments
F	Accounting & Tax Prep Fees	\$ 3,128	V	Chemicals & Polymers	\$ 7,032
F	Advertising Expense	\$ 1,027	V	Plant Operator Backup-Contract	\$ 581
F	Amortization of Loan Fees	\$ 2,642	V	Distribution System Repairs	\$ 23,785
F	Audit	\$ 4,000	V	Plant Maintenance & Repairs	\$ 1,799
F	Auto Maintenance & Repairs	\$ 175	V	Pump Repairs & Maintenance	\$ 38,397
F	Auto-License Plates	\$ 435	V	Plant/Dist Sys Maint Supplies	\$ 3,295
F	Bank Charges	\$ 1,508	V	Water Purchases	\$ 45,718
F	Complaint, etc.	\$ 5,000			\$ 120,607
F	Compliance Testing & Sampling	\$ 4,697		Contribution	\$ 18,022
F	Depreciation Exp-Plant/Dist Sys	\$ 85,672		Total Variable with Contribution	\$ 138,628
F	Employee Health Ins.	\$ 9,327			
F	FICA & Medicare Tax Expense	\$ 8,407		Less Water Distribution Expense	\$ 20,697
F	Finance Charges Paid	\$ 2,919		Less Other Income	\$ 7,512
F	Fuel	\$ 343		Net Water Usage	\$ 107,419
F	FUTA Tax Expense	\$ 237			
F	General Engineering	\$ 1,978	MIS	Plant Operator - Contracted	\$ 62,541
F	General Legal	\$ 163	MIS	Utilities - Electric	\$ 38,586
F	Insurance - Auto	\$ 819			\$ 101,128
F	Insurance-Property & Liability	\$ 8,207		Contribution	\$ 15,111
F	Interest Expense	\$ 2,279		Total Fixed/Variable	\$ 16,239
F	License Fees	\$ 423			
F	Local Travel	\$ 55		F=Fixed (Base Service Charge)	
F	Membership Dues	\$ 125		V=Variable	
F	Mortgage Interest	\$ 56,611		MIS=Meter In-Service Charge	
F	Office Maintenance	\$ 271			
F	Office Rent - Other	\$ 22,267			
F	Office Supplies Expense	\$ 5,022			
F	Postage	\$ 3,459			
F	Property Tax Expense	\$ 6,874			
F	PUC-Work	\$ 1,495			
F	Rate Case	\$ 15,000			
F	Raw Water	\$ 581			
F	Salary-Administrator	\$ 50,400			
F	Salary-Manager	\$ 41,100			
F	Salary-Secretary	\$ 19,500			
F	Small Tools	\$ 967			
F	SUTA Tax Expense	\$ 900			
F	Tax Penalty Expense	\$ 710			
F	Utilities-Internet Access	\$ 1,000			
F	Utilities-Message Services	\$ 1,293			
F	Utilities-Plant Telephone	\$ 1,002			
F	Utilities-Telephone Line/Alarm	\$ 51			
F	Utilities-Telephone-Office	\$ 2,158			
F	Workmens Compensation Insurance	\$ 436			
		\$ 374,661			
	Contribution	\$ 55,984			
	Total Fixed with Contribution	\$ 430,645			

**Dallas Creek Water Company  
Rate Development**

Docket Nos. 05A-333W  
05S-396W  
Settlement Agreement  
Exhibit C

	<b>Demand</b>		<b>Proposed Rate</b>	<b>Proposed Revenues</b>
Raw Water Distribution Rate (Per 1,000 Gallons)	17,416	1	\$ 1.19	\$ 20,697
Base Service Charge (Per Customer)	806	2	\$ 44.52	\$ 430,645
Meter In-Service Charge (Per Customer)	328	3	\$ 29.53	\$ 116,239
Water Usage Rate (Per 1000 Gallons)	12,525	4	\$ 8.02	\$ 100,419
Other Fees and Income				\$ 17,512
				\$ 685,512

Note (1) Per 1000 Gallons. This charge is for transporting water to the golf course.

Note (2) This charge will be assessed on all customers.

Note (3) This charge is assessed on active meter customers only.

Note (4) Water Usage Fees Per 1000 gallons

Dallas Creek Water Customer Impact Survey  
Average Month

Docket Nos. 05A-333W  
05S-396W  
Settlement Agreement  
Exhibit D

	Current Rate	Proposed Rate	Average Customer Impact	Percent Change
Base Service Charge	\$ 22.50	\$ 44.52	\$ 22.02	
Meter In-Service Charge	\$ -	\$ 29.53	\$ 29.53	
Water Usage Rate (3221 gallons)	\$ 1.66	\$ 25.66	\$ 24.00	
Stand-by Customer	\$ 22.50	\$ 44.52	\$ 22.02	97.87%
Active Meter Customer (Average Usage Per Month = 3,221 Gallons per customer)	\$ 24.16	\$ 99.71	\$ 75.55	312.71%

Dallas Creek Water Company Rent Expense Adjustment

Docket Nos. 05A-333W  
 05S-396W  
 Settlement Agreement  
 Exhibit E

		Total Square Feet	Used to Total Sq. Ft.
Square Footage Used	2,200	4,184	52.58%
Per Foot	\$ 13.50		
Cost	\$ 29,700		
		Total Taxes	
Taxes	\$ 3,701	\$ 7,038	
Allocation	Office Space	DCWC	
Manager	1.00	0.5	
Administrator	1.00	1	
Storage	1.00	1	
MCC	1.00	0	
Reception	0.50	0.5	
	4.50	3	
	Percent DCWC to Total Office Space	66.67%	
Allocation		\$ 22,267	



DALLAS CREEK WATER COMPANY, INC.

WATER UTILITY TARIFF

Dated \_\_\_\_\_ XX, 2006

**UTILITY TARIFF**  
**DALLAS CREEK WATER COMPANY**  
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James Willey  
Dallas Creek Water Company, Inc.  
334 South 5<sup>th</sup> Street  
Montrose, Colorado

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James Willey  
Dallas Creek Water Company, Inc.  
334 South 5<sup>th</sup> Street  
Montrose, Colorado

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**SECTION 1 - GENERAL/EXPLANATORY MATERIAL**

**1.1 CHECK LIST**

The title page and pages listed below are inclusive and effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date shown on each page.

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James Willey  
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334 South 5<sup>th</sup> Street  
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**1.2 EXPLANATION OF SYMBOLS**

The following symbols shall be used in this tariff for the purpose indicated below:

- (C) To signify changed regulation.
- (D) To signify discontinued rate and regulation.
- (I) To signify increased rate.
- (M) To signify a move in the location of text.
- (N) To signify new rate or regulation.
- (R) To signify reduced rate.
- (T) To signify a change in text but no change in rate or regulation.

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James Willey  
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334 South 5<sup>th</sup> Street  
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**1.3 AUTHORITY.** Dallas Creek Water Company, Inc. ("Company") is a corporation incorporated in the County of Ouray, State of Colorado. The Company engages in the business of a public utility furnishing water to Customers under the jurisdiction of the Public Utilities Commission ("PUC") of the State of Colorado.

**1.4 DEFINITIONS.** Unless the context specifically indicates otherwise, the meaning of terms used herein shall be as follows:

Actual Cost shall mean all direct costs applicable to the construction of a given facility, including: surveys; preliminary and design engineering; construction; inspection; administrative fees; regulatory agency fees; bond fees; all required easements and/or rights-of-way; plan approval fees; "as-built" drawings; attorneys' fees; and other costs necessary for completion.

Applicant shall mean any person, partnership, firm, corporation, or Developer and their lessees, trustees, or receivers appointed by any court, who files an application to be supplied water by the Company, or who files an application to transfer ownership of a Water Tap to serve a particular property, building or structure.

Application Approval shall mean written permission of the Company authorizing connection to a Water Main of the Company granting Applicant a license to use the water system or to receive water service from the system owned, operated or served by the Company under the terms of this tariff.

Base Service Charge shall mean a monthly recurring charge assessed to each owner of a water tap regardless of whether such owner is connected to the water system or on "standby".

Commercial Customer shall mean all others, for e.g., a developer or owner of property with no intent to personally reside on the property.

Cross-connection shall mean any physical arrangement whereby the Company's water supply is connected, directly or indirectly, with any non-potable or unapproved water supply system, sewer drain, well, conduit, pool, reservoir, plumbing fixture or other device which contains, or may contain, any contaminated water, liquid, or other waste of unknown, non-potable or unsafe quality that could impart a contaminant to the Company's water supply as a result of backflow.

Customer shall mean any person, partnership, firm, corporation, their lessees, trustees, or receivers appointed by any court, supplied by the Company with water.

Customer Facilities shall mean those facilities intended to serve one Customer only (e.g. Customer portion of the Water Service Lines).

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James Willey  
Dallas Creek Water Company, Inc.  
334 South 5<sup>th</sup> Street  
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