FALLS WATER COMPANY

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June 28, 2012

Idaho Public Utilities Commission
472 West Washington Street
PO Box 83720
Boise, Idaho 83720-0074

FLS-W-12-01

Enclosed are the original and (7) copies of the Company's Reply Comments. A CD of the Excel attachment files is included.

If you need anything else, please, let me know what you need.

Thank you,

K. Scott Bruce

K. Scott Bruce
General Manager
Falls Water Company, Inc.

Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF FALLS WATER COMPANY FOR AN ORDER AUTHORIZING INCREASES IN THE COMPANY'S RATES AND CHARGES FOR WATER SERVICE	**CASE NO. FLS-W-12-1** **COMPANY'S REPLY TO COMMENTS OF THE COMMISSION STAFF**

Comes now Falls Water Company and files the following reply to comments of the Commission Staff dated June 28, 2012.

The Staff made the following recommendations:

1. Staff recommends use of a 2011 test year.
2. Staff recommends an 11.00% ROE and an overall return on rate base of 7.23%.
3. Staff recommends a rate base of $1,821,144.
4. Staff recommends a decrease in Land and Water Rights of $92,518.
5. Staff recommends a decrease in Meters (radio transmitters, etc.) of $713,542.
6. Staff recommends a decrease in Depreciation Expense and Accumulated Depreciation of $80,739.
7. Staff recommends a revenue requirement of $1,169,054. This represents additional revenue of $15,832 or a 1.4% increase in revenues.
8. Staff recommends a decrease of Power Cost Expense by $18,535.
9. Staff recommends a decrease in Water Treatments Costs (Chemicals) by $427.
10. Staff recommends a decrease in Office & Warehouse Rent Expense by $11,957.
11. Staff recommends decrease in Equipment Rental Expense of $11,957.
12. Staff recommends an increase in Working Capital of $1,177.
13. Staff recommends that the Commission approve the new customer charges proposed by Staff maintaining the current volume allowance for various service meter size and maintaining also the current commodity charge for all service meter sizes.
14. Staff recommends that the Company's CPCN be amended after this rate case is completed.
15. Staff recommends that Commission approve monthly reading of all customer meters throughout the year as requested by the Company.
16. The Commission approve an additional charge based on time and materials expended when the installation of a new service line requires the Company to bore a line under a road.
17. The Company refund unauthorized charges collected from customers.

18. The Company comply with the requirements of the Commission's Rules of Procedure, in particular Rule 125, with respect to preparation of Customer Notices and Press Releases.

RESPONSE TO RECOMMENDATION NO. 1

The Company concurs with the Staff's recommendation No. 1, that 2011 be used as the test year.

RESPONSE TO RECOMMENDATION NO. 2

Staff has made the recommendation for the return on equity (ROE) to be reduced to 11.00% and an overall return on rate base of 7.23%. The company recognizes the state of the current economic environment. Government interest rates are lower and the opportunity for return on investment is becoming more difficult. Investing in a small water company has many inherent risks, as follows:

1. The first and foremost risk is regulatory risk, as demonstrated by the staffs comments and actions in response to this rate cast and more particularly the metering project investment made by the company. Water companies are regulated by many State and Federal agencies whose policies tend to swing with current political and economic conditions.

2. Investing in a small water company is a very long-term commitment, with little liquidity. Investments are viewed over Twenty to Forty years. Unlike the Stock market or Bond market, where investments can be liquidated in a matter of minutes based on trends or current economic conditions. The investment made in a small water company must return an average return over many economic and political cycles. When the economy was doing very well and the stock market was producing 25% to 30% percent returns did the PUC raise the ROE to compete with the economic conditions?

3. The ROE needs to be adequate to attract new long-term capital and maintain the financial integrity of the small company. A small, aging water company requires significant capital to maintain and improve the system. If adequate long term ROE is not produced, the capital needs of the system will not be available, and the system will slowly deteriorate.

Falls Water is a small utility company with the inherent risk and market forces that justify a higher ROE than a large utility with the financial ability to withstand market and economic conditions. The U.S. Supreme Court, in its 1942 decision of the Hope Natural Gas Company (320 US 591) held that "the return to the equity owner should be commensurate with returns on investments in those enterprises having corresponding risks. The return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise so as to maintain credit and attract capital . . ."

The company will have great need in the near future to attract capital for projects such as Trunk line improvements, Storage tank and Booster stations, and replacing 50 year old water lines and services. However, weighing the future needs of the system with the current economic environment, the company would accept the 11% ROE, if the arguments to follow concerning rate base and depreciation are accepted.

RESPONSE TO RECOMMENDATION NO. 3

The company feels that the Staff recommendation No. 3 to reduce rate base by $713,542 is unjustified. The company has adjusted the rate base to $2,416,051 to reflect the inclusion of most of the meter project and reducing the Land and Land Rights as staff recommended, see Attachment 1. The company will provide additional evidence to include the meter project in the responses below. Such a large adjustment on a small company would have catastrophic effects to both the current and future operations of the company and ability to raise future capital for much needed improvements.

RESPONSE TO RECOMMENDATION NO. 4

The Company accepts the decrease in Land and Water Rights of $92,518 as explained in recommendation No. 4 of Staff's comments.

RESPONSE TO RECOMMENDATION NO. 5

The company feels that the staff recommendation to reduce the automated meter reading (AMR) project by $713,542, an 85% reduction, prohibits the company from earning a fair rate of return on investment and is therefore confiscatory of the company rate base and overall rate of return.

The company made an investment in AMR for many reasons that are valuable to the customer and the system as a whole. Most investments in a water company are not economically justifiable based on a cost savings analysis or economic benefit. When a looping project or water line project is installed how is it economically justified with a cost payback, the value is in the benefit to the system performance and reliability. The value of the project is part of the underlying intrinsic value of the system as a whole.

Many cities throughout Idaho have already fully adopted the AMR system, many are in the process of very quickly converting their entire systems with the meter reading technology and other cities are slowly utilizing the technology. However, in talking with over twenty water system operators almost all are using and implementing the AMR systems and recognize the benefits of the technology and system improvements. The Following is a list of contacted water systems and their utilization of AMR within their respected water system.

- **City Water Systems Currently Utilizing AMR throughout Entire System Include**: Chubbuck, Meridian, Kimberly, Kuna
- **City Water Systems with Bids and Funding to Implement AMR throughout Entire System within the next 12 – 18 months:** Ashton and Burley
- **City Water Systems with AMR and Touch Read Meters, but Migrating to Full AMR:**
  Nampa – 40% AMR, 60% Touch/Manual – Converting about 3,000 AMR per year
  Caldwell – 25% AMR, 75% Touch – Converting to Full AMR over 3-5 years.
  Driggs – 50% AMR, 50% Touch – Working towards Full AMR
  Ammon – 10% AMR, 90% Unmetered – Full AMR over 4-5 years.
  Blackfoot – 10% AMR, 90% Touch – All New Hookups are AMR
  Pocatello – 40% AMR, %60% Touch – Slowly Migrating to AMR
  United Water – 10% AMR, 90% Manual – Labor Union Agreements
  Twin Falls – 5% AMR, 95% Touch – Adding 100 – 300 AMR annually

These are the only cities contacted, all of which are using the AMR technology either fully or partially with over 65% either currently fully AMR or have plans to fully utilize over the next 5 years. All the cities recognize AMR as being beneficial to the system and most cities are pushing for full utilization over the near future. In talking with an Employee of United Water they are very limited with implementing AMR because of Labor Union Contracts that limit the use of the technology, but as employees retire, AMR will slowly be implemented.

AMR technology has also been widely implemented by other local utilities such as Electricity and Gas Utilities within the State of Idaho.

Many professional engineers and government agencies are supportive of the AMR technology and recommend its use for small water systems. Please review attachments 2 and 3, which are letters of recommendation for the AMR project from Schiess and Associates, the Engineer for our water study and master plan, and also from the Idaho Department of Environmental Quality. Both of which mention the many benefits of the AMR project and that similar projects have been supported and funded by State and Federal programs.

Falls Water system is located in a very cold, icy, snow packed climate during the winter months which limits access to the meter and the old touch pad for meter reading for almost half of the year. Currently Falls Water takes the last meter reading of the year around October 15th and the first meter reading for the year around April 15th, so for six months of the year the company and its customers do not know how much water is being used, where it is being used, or if it is being wasted through leaks, either on the system side or the customer side of the meter. The installation of the MXU onto the current meter gives both the company and the customer access to the current information, year round, and helps promote conservation, early leak detection, and current cost savings.

The company has been converting to the AMR meters since 2007. The commercial and multi-family residential accounts have been fully radio read for 4 to 5 years. All new construction meters have been AMR for the past 4 years, with several completed subdivisions within the system being entirely radio read. The company made the investment to convert the entire system to AMR based on past experience with the technology, and the sound judgment of our system operators and management team. The company believes the investment was reasonable and justified to bring all its customers up to the same standard. Like so many of the municipal water systems within the state have done. Falls water surely was not the first system in the state to be completely converted to AMR. Other cities of the same size, and both larger and smaller have embraced the technology and are making similar investments.

Today's consumer is more informed than ever before, and they desire information to be able to make their own personal decisions based on accurate, current and up to date information. The AMR project gives current information to the customer year round so they can make their own decision as to how much water they need to use. The Customer can have better control of their utility bill when they are educated as to how much water they are actually using, rather than estimating a six month average during the winter. Accurate information is needed to better control the flow, quality, delivery, and conservation of water, both by the company, and by the consumer.

Falls Water is one of the areas lowest cost water providers in Eastern Idaho. In attachment 4, the company used the current rates of many of the local water providers in Eastern Idaho and annualized the usage of the other cities to match the water usage of Falls Water Company of 7 months of 12,000 gallon allowance and five months of summer usage of 32,000 gallons for an annual total usage of 240,000 gallons (20,000 gallon straight line average monthly usage). The comparison shows the current rates are 33% lower than the average city annual rates and 23% lower with the proposed rate increase. The customers of Falls Water benefit from paying some of the lowest water rates in the area. This goes to show the efficiency of the company and that the company strives to operate a quality water system while keeping the rates extremely competitive with the surrounding cities.

RESPONSE TO RECOMMENDATION NO. 6

Staff recommends a 35 year depreciable life with a 10% salvage value for the Sensus iPerl meters installed in the Company's 2011 metering project. The Company will accept that the meter has a useful life longer than the 10 year depreciable life used by the Company. The useful life of a meter is determined by multiple factors such as 1) accuracy of the meter, 2) life of meter components, and 3) the ability to repair the unit.

The meter is only useful if it is accurate. The Company's tariff for a meter testing fee states that the meter is considered accurate if it is within plus or minus 1.5%. If the meter is outside that parameter, it is to be replaced. The meter removed can then be possibly rebuilt.

The Company has many Sensus SRII meters in its system. These meters are brass base positive displacement meters. They can possibly be repaired based upon the meters defect. Registers, freeze plates, impeller chambers, and screens can be replaced and lengthen the useful life of the meter. If the brass body cracks then the meter is unusable and must be retired.

The Sensus iPerl meter has a sealed composite plastic body. It has no moving parts. It is magnetic flow meter and can register lower flows than the SRII. It has a solid state electronic register built into the body and cannot be replaced. The battery powers the register and powers the generation of the magnetic field that measures the water flow. The battery and meter have a 20 year warranty as shown in the copy of the Sensus warranty document -- Attachment 5. The Company is confident that the useful life of an iPerl meter would be up to 25 years. The limiting factor is how long the battery actually lasts. The battery cannot be replaced in order to lengthen the useful life of the meter. Because of the battery life having a 20 year warranty, the Company is not comfortable with the Staff recommendation for a 35 year depreciable life. The salvage value of 10% is uncertain at this time for an iPerl. The brass meters would have salvage value from the metal base; however, the Company finds it questionable that the plastic body of the iPerl or the small amount of metal from the electronic register would have a 10% salvage value. Therefore, the Company proposes that for the iPerl meter a depreciable life of 25 years with zero salvage value is more realistic given the components of the meter.

The Sensus 520M endpoint (MXU) is similar in construction. The body of the unit is made of a composite plastic with electronics inside the sealed body. The battery has the same 20 year warranty as the iPerl. The battery cannot be replaced to extend the useful life of the unit. The unit is factory sealed to

keep moisture out of the unit and to protect the electronics. The Company proposes a 25 year depreciable life and zero salvage value for the MXU on the same grounds as those given for the iPerl.

The Company recognizes that the depreciable life of the asset should closely match the useful life of the asset. The Company noticed that depending on the source many different and widely varying depreciable life recommendations can be found. One such example is a memorandum from Arizona listing typical annual depreciation rates for water companies (see Attachment 6) which lists a 12 year depreciable life for meters. In the Environmental Protection Agency's Asset Management: A Handbook for Small Water Systems (publication # EPA 816-R-03-016) page 9 (see Attachment 7) the expected useful life for metes is listed at between ten to fifteen years.

The Company proposes an adjustment to Staff's adjustment to depreciation for the 2011 meter project. The Company adjusts Staff's adjustment to the meter project to include $674,024 of the $713,542 removed by Staff to bring the asset value to $800,360 (see Attachment 8). The Company proposes the 2011 Meter Project be depreciated over a 25 year life with no salvage value. An adjustment to depreciation of $28,766 is proposed (see Attachment 9).

The Company noticed that Staff in their rate base calculation (Staff Comments Attachment I) removed $80,739 from the Accumulated Depreciation. No depreciation for the 2011 Meter project was booked to depreciation during 2011 because the project was still Construction Work in Progress until early January 2012. Company adjustments in its calculation of rate base restored the $80,739 removed by Staff (see Line 14 in Attachment 1).

RESPONSE TO RECOMMENDATION NO. 7

The Company disagrees with Staff's recommendation of a revenue requirement of $1,169,054 and the resulting $15,832 additional revenue representing a 1.4% increase in revenues. The Company proposes the following rate design.

Rate Design –

The Company disagrees with the Staffs recommended rate design. The Company is prepared at this time to keep the volume allowance included in the Water Base charge at 12,000 gallons rather than the Company's previous rate design which proposed 5,000 gallons as a volume allowance. The Company maintains that the fairest rate for the customers is to ultimately have a rate design that sets the base rate based on the Company's fixed costs and include no volume allowance and set the commodity rate to cover the costs directly associated with the costs of water production so that each customer pays only for that water that they use. Company recognizes that while this is the fairest rate structure the Company and its customers are not fully prepared to adopt such a rate design at this time.

The rate design described above will only be possible if the Company can read meters year round. However, the Company does not wish to read meters year round if it must bear the costs of the automated meter reading (AMR) equipment on its own. The long term benefit to the customer is real if not justifiable from a financial and economic standpoint.

The Company proposes a revenue requirement of $1,281,845 as shown on Line 12 of Attachment 10. The revenue requirement is based upon the Company's adjustments to Staff recommendations for plant in service and depreciation shown in Attachment 1. The Company recommends a rate base of $2,416,051 as shown on line 21 of Attachment 1.

The Company's adjustments to the proforma results of operations are shown in Attachment 11. The Staff numbers are shown in Column J and the Company's adjustments are shown in Columns K and L. The Company recommends total expenses of $955,756 as shown on line 29 of Attachment 1.

The Company accepts the Gross up rates used by Staff in their gross-up calculation for revenue requirement.

The Company used the Staff's recommendation for an 11% ROE rather than the 12% ROE proposed in the Company's application. The resulting 7.23% rate of return is used in the Company's calculation of revenue requirement.

Commodity Charge –

The Staff proposes using an annual total excess usage of 639,602,000 gallons to calculate its rate design. This number is an estimate based upon an estimate of excess usage from the Company's last rate case FLS-W-09-1. In that rate case, the Company's rate structure was modified to reclassify customer classes by meter size rather than the previous rate classes based on type of usage (ie. residential, commercial, etc.). The Company, in 2009, had no way of preparing usage information for Staff based on meter size. The Company's billing system was unable to provide usage reports based on meter size.

The Company proposes that the calculation for revenue use 2011 excess usage data because it provides 1) actual historic data from the test year and 2) the number of customers added from January 1, 2011 to January 24, 2012 (the date used to establish the number of customers in the system for rate design purposes) is 87 or 2.27% of the total customers. Seven of the 87 customers were added in January 2012; therefore, 80 of the new customers were active at some point in 2011. The Company showed excess usage in 2011 to be 566,024,000 gallons as shown on Line 63 on page 2 of Attachment 12. This is a difference of 73,578,000 gallons less than the Staff's estimate for rate design.

The Company proposes to add an adjustment of $5,260.50 to total revenue from excess usage as shown on Line 41 on page 1 of Attachment 12. The calculation was made by adjusting the number of active customers to reflect only active customers in the system in 2011. Of the 3840 active customers, the 7 customers added in January 2012 were removed. The number of active customers at the beginning of 2011 was 3753. The number of customers added to the system, during 2011, was 80 (3833-3753). The average number of active customers during the year is 3793 ((3833+3753)/2). The 2011 average excess usage per customer of 149,229.57 gallons=566,024,000 gallons/3793 average number of active customers. The adjustment to the 2011 excess usage gallons for the total customers is 149,229.57 gallons x 3840 active customers = 573,038,000 gallons. The difference is 7,014,000 gallons of excess usage over the 2011 actual excess usage of 566,024,000 gallons. Detail of the calculation for the additional excess usage gallons from new customer is shown in lines 79 through 90 on page 2 of Attachment 12.

Attachment 13 shows that revenue collected under the present rate is $161,661 short of the revenue requirement.

The Company proposes the following rate design:

BASIC CUSTOMER CHARGES

Service Meter Size	Volume Allowance in Gallons	Minimum Charge
5/8 and ¾ inch	12,000	$17.85
1 inch	17,000	$24.99
1 ½ inc	22,000	$32.13
2 inch	28,000	$41.06
4 inch	49,000	$73.19

COMMODITY CHARGES

Commodity Charges for all Meter Sizes ($/1,000 gallons)	$0.75

The Company proposed rate design would increase the average monthly billing for a ¾ inch customer from $23.00 to $26.38 per month, an increase of $3.38 or 14.71%. The total revenue generated from rates is $1,282,710 ($845,300 from base rate + $429,778 from commodity + $7,632 from nonrecurring charges). The base rate revenue accounts for 66% of the total revenues and the commodity rate revenue accounts for 34% of the total revenues. A summary of the rates is shown in Attachment 14.

Attachment 15 shows the calculation for the monthly average billing for each meter size. The amounts in Columns C through N and Lines 1 through 14 of Attachment 15 are the revenues booked in 2011. The information is summarized by meter size on Lines 30 through 34 of Attachment 15 and increases for each meter size are shown in dollar amount and percentage.

RESPONSE TO RECOMMENDATION NO. 8

Staff recommends an $18,535 reduction in the Company's normalized Power Costs. The reduction in water production is attributable to the metering of unmetered customers between 2006 to 2008 and reduced water use as a result of the economic downturn as exhibited in the Staff Comments, Attachment F. The water production has been on a slight increase trend as the economy has stabilized and improved. The Company agrees that the use of a six year water production cycle is acceptable to normalize Power Costs.

RESPONSE TO RECOMMENDATION NO. 9

The Company accepts the recommendation of Staff to reduce the normalization of Water Treatment Costs (Chemicals) by $427 because a six year water production cycle is acceptable to normalize the Water Treatment Costs.

RESPONSE TO RECOMMENDATION NO. 10

The Company disagrees with Staff's recommendation to reduce the Building Lease Cost by $11,957.

Staff disallowed the Company's justification of inventory storage because it found no values listed in Account No. 151 – Materials and Supplies between the years 2007 and 2011. The inventory was not booked to an asset account but booked to an expense Account No. 620.6 – Distribution Maintenance and Supply. The items of inventory (twenty foot lengths of six inch, eight inch and twelve inch pipe; mechanical restraining joints; meter barrels and meter barrel extension rings) are bulky and take up space.

Staff stated that they felt that the Company provided no evidence that it was obligated to store the rental equipment which is rented from the owner. If the Company were renting the equipment from a equipment rental company on a monthly basis, the Company would need to store the equipment on its premises. The Company needs to store the equipment it rents long term whether the equipment is rented from a rental establishment or from the Company's owner. Given that the Company would have to store the equipment if rented from an equipment rental store, it felt it was under the same obligation to store the rental equipment even if rented from the Company's owner.

The Company does do routine maintenance of its vehicles. Because of the risk of contamination of wells, storage of vehicles and vehicle maintenance at well sites, within 100 feet of the wellhead, is not allowed by Idaho's Department of Environmental Quality (IDEQ). The Company uses a portion of the rented warehouse space to store the rental equipment and perform routine maintenance on its vehicles. The storage of the rental equipment was not possible given the warehouse space was previously rented in the building.

The Company will cede the fact that approximately 2,500 square feet of the additional 5,000 square feet leased under the new lease is not currently being utilized effectively. The Company proposes an adjustment to the Staff Recommendation to include 50% rather than the 20% of the additional 5,000 square feet be allowed. The total lease cost to be $50,987 annually. Company recommends that Staff's adjustment to annual rent be decreased by $8,992 as shown in Attachment 16.

RESPONSE TO RECOMMENDATION NO. 11

The Company has rented the heavy equipment it uses to do system repairs for many years. The Company routinely repairs service line leaks on the Company's side of the meter as well as repairing and replacing fire hydrants, and upgrading meter barrels. Equipment rental costs were $20,701 in 2008, $20,357 in 2009, and $19,806 in 2010. The Company has shown its need to rent equipment in previous years.

Staff states that the Company only documented $20,000 of the $31,474 of the 2011 Equipment Rental Expense. The Company's response to Request No. 23 of the First Production Request requested justification of the rental equipment and copies of invoices. The Company's response included Attachment 12, which included copies of all invoices totaling $31,474 for 2011.

The Staff stated that purchasing equipment would be more consistent with an ongoing need and would reduce the annual cost. Attachment 17 shows a cost comparison of purchasing the same brand and model of equipment currently rented. The comparison shows that to purchase a new backhoe and a new dump truck would have a combined monthly cost of $3,820. To find the same equipment used, the total monthly costs come to $2,751. Currently the monthly rental cost of the equipment is $2,000.

Staff listed the ten invoices from 2011 to justify only $20,000 for Equipment Rental Expense. The Company started leasing the equipment on March 1, 2011. The equipment is rented twelve months of the year not just for ten. The Company asks the Commission to allow an increase of $4,000 (2 months rent times $2,000 per month) to the Staff's recommendation of $20,000 for a total Equipment Rental Expense of $24,000 annually.

RESPONSE TO RECOMMENDATION NO. 12

Company proposes an increase of $1,624 to Staff's recommended adjustment to Working Capital Allowance (see Line 31 of Attachment 1). The increase results from proposed Company adjustments of $12,991 to Staff recommended operating expense adjustments for detail of Company adjustments see Attachment 11 Proforma Results of Operations.

RESPONSE TO RECOMMENDATION NO. 13

The Company disagrees with the Staffs recommended commodity rate charge in its rate design. Company is prepared at this time to keep the volume allowance included in the Water Base charge at 12,000 gallons rather than the Company's previous rate design which proposed 5,000 gallons as a volume allowance

Company's response to Staff recommendation No. 7 details the Company's proposed rate design.

RESPONSE TO RECOMMENDATION NO. 14

The Company is willing to comply and has stated its intent to amend its CPCN No. 236 after the current rate case is completed.

RESPONSE TO RECOMMENDATION NO. 15

The Company has voiced its position that the value and benefit of the AMR system cannot and should not be based solely on an economic and financial cost/benefit analysis. The ability to meter year round has beneficial effects on water resource management, conservation planning, and water right planning. The Company, while disagreeing with the Staff assessment of the benefit of the project for our customers, is in agreement that year round meter reading is a positive step towards meeting water resource management goals.

RESPONSE TO RECOMMENDATION NO. 16

The Company agrees with Staff recommendation to amend the Company tariff to include the Commission approved language:

> When the installation of a new service line requires the Company to bore a line under a road, all additional costs will be charged to the customer on a time and materials basis. The new customer may, at their option, hire a Falls Water Company approved independent contractor to perform the road bore and connection. The Company will require such contractor to show proof of bonding, licensing and insurance and have at least five (5) years of experience at hot tapping water lines. Falls Water Company will inspect and approve all the work being performed to insure compliance with the Company's installation requirements.

RESPONSE TO RECOMMENDATION NO. 17

The Company agrees with Staff recommendation to refund unauthorized charges collected from customers.

RESPONSE TO RECOMMENDATION NO. 18

The Company agrees with Staff recommendation to comply with the Commission's Rules of Procedure, in particular Rule 125, regarding the preparation of Customer Notices and Press Releases.

RESPONSE TO MISCELLANEOUS STAFF RECOMMENDATIONS:

Xpress Bill Pay –

The Company concurs with Staff support of the Company's decision to pay for the cost of the program to provide an online bill pay option to its customers. The program has worked very well and many of the customers welcomed the opportunity to pay their water bill online just as they pay many of their other bills.

Private Fire and Sprinkler Service –

The Company agrees with Staff recommendation to investigate the number of customers with private fire and sprinkler services. The Company will then prepare a proposal for a separate tariff for this service.

The company and its management and staff take great pride in running a system with very low complaints and very few violations. The company makes every effort to be both proactive in updating the system to ensure quality water delivery and service, while keeping the rates competitive with

surrounding cities, for the benefit of the customer. The company feels that the PUC staff placed more emphasis on the economic benefits to the customer with regard to the meter project. If the company focused only on keeping the rates low, there would be no system improvements and ultimately the customer will suffer with poor water quality, inadequate water pressure, and little service. There is a fine balance between maintaining and improving the system and keeping rates low. Which we have found comes through managements experience and careful judgment, with great emphasis being placed on satisfying the customer with both high quality of product and service and competitive rates. The company feels it is being reasonable with the proposed rate changes and continues to make prudent decisions which benefit the customer, the company, and many governmental agencies who regulate the company and system.

Respectfully submitted this 28th Day of June 2012.

K. Scott Bruce

Falls Water Company

K. Scott Bruce, General Manager

Attachment 1

Falls Water Company
Calculation of Rate Base

		(A) Year-End 12/31/2011	(B) Meter Proj Completed in 2012	(C) Total	(D) Staff Adjustments	(E) Totals after Staff Adjustments	(F) Company Adjustments	(G) Totals after Company Adjustments
	Plant in Service							
1	303 - Land & Land Rights	2,213,824.33		$ 2,213,824.33	(92,519.30)	2,121,305.03		2,121,305.03
2	304 - Well Structures & Improvements	488,781.50		$ 488,781.50		488,781.50		488,781.50
3	307 - Wells	401,930.88		$ 401,930.88		401,930.88		401,930.88
4	310 - Generators	16,693.04		$ 16,693.04		16,693.04		16,693.04
5	311 - Pumps & Accessories	419,991.71		$ 419,991.71		419,991.71		419,991.71
6	320 - Separators	48,554.14		$ 48,554.14		48,554.14		48,554.14
7	331 - Water Mains	906,136.08		$ 906,136.08		906,136.08		906,136.08
8	334 - Meters	985,253.27	839,878.35	$ 1,825,131.62	$ (713,542.35)	1,111,589.27	$ 674,024.00	1,785,613.27
9	335 - Hydrants	59,848.75		$ 59,848.75		59,848.75		59,848.75
10	340 - Office Equipment	60,518.83		$ 60,518.83		60,518.83		60,518.83
11	341 - Transportation Equipment	138,402.98		$ 138,402.98		138,402.98		138,402.98
12	343 - Tools & Equipment	26,857.88		$ 26,857.88		26,857.88		26,857.88
13	Total Plant in Service	5,766,793.39	839,878.35	$ 6,606,671.74	(806,061.65)	$ 5,800,610.09	674,024.00	$ 6,474,634.09
14	Less Accumulated Depreciation	1,589,467.25		1,589,467.25	(80,739.00)	1,508,728.25	80,739.00	1,589,467.25
15	Net Plant in Service			$ 5,017,204.49	$ (725,322.65)	$ 4,291,881.84	$ 593,285.00	$ 4,885,166.84
	Less Contributions in Ad of Construction							
16	Gross Contributions (12/31/2011)	3,492,484.70						
17	Less Accumulated Amortization	(903,899.11)						
18	Net Contributions in Aid of Construction			2,588,585.59		2,588,585.59		2,588,585.59
19	Net Plant in Service			2,428,618.90		1,703,296.25		2,296,581.25
20	Working Capital (1/8 of Operation and Maintenance Expense)			116,668.88	1,177.00	117,845.88	1,624.00	119,469.88
21	Rate Base			2,545,287.78	$ (724,145.65)	1,821,142.13	$ 594,909.00	2,416,051.13

Company Adjustment to Staff Working Capital Calculation

		Staff's Proposal	Company's Proposal		
	Using 1/8 of Operating Expenses				
22	Subtotal of Operating Expense	890,958.00	903,949.00	12,991.00	
23	Property Taxes	24,552.00	24,552.00	-	
24	Payroll Taxes	39,210.00	39,210.00	-	
25	State Income Tax	20.00	20.00	-	
26	Subtotal of Operating Expense	954,740.00	967,731.00	12,991.00	
27	less:: Bad Debt Expense	(10,921.00)	(10,921.00)	-	
28	less: Amortization of Rate Case	(1,054.00)	(1,054.00)	-	
29	Subtotal	942,765.00	955,756.00	12,991.00	
30	Divisor	8.00	8.00	-	
31	Working Captial Allowance	117,846.00	119,470.00	1,624.00	Company's Adjustment to Working Capital

Schiess & Associates
ENGINEERING·PLANNING·LAND SURVEYING

June 27, 2012

Scott Bruce
Falls Water Company
2180 N. Deborah Drive
Idaho Falls, Idaho 83401

Subject: Review of PUC Staff Comments Related to Falls Water Company Case No. FLS-W-12-01
Schiess Project No. 11084

Dear Scott:

This letter includes our opinion as to why your recently installed automatic meter reading (AMR) system is a beneficial investment for Falls Water Company (FWC) and its customers. Our opinion is rooted in our knowledge of the state of the meter reading industry as working design professionals in the municipal water industry and our knowledge of the Falls Water Company water system. We believe FWC and its customers will benefit from the AMR system for the following reasons:

First, the State of Idaho and US Government have implicitly accepted AMR technology as purposeful and effective in managing and operating community water systems. Last year, another client of ours, the City of Ashton, underwent a facility planning process much like FWC did in 2004-2006. Ashton lives with several feet of snow during each winter season. Ashton elected to convert to an AMR system for many of the same reasons that FWC did, including ability to read year-round. Ashton's project is being funded by State Revolving Funds (SRF as administered by DEQ) and an Idaho Community Development Block Grant (ICDBG as administered by the Idaho Department of Commerce). Both of these programs administer federal funds. AMR technology is broadly accepted as a management tool by federal and state agencies that financially support improvements to community water systems. It seems inconsistent that the PUC, a state agency, will not consider the benefits of the AMR system.

Second, it was noted by PUC staff on page 7 that the Schiess facility plan of 2006 didn't mention or recommend AMR meters as an argument to reject the use of them. As the author of the study, Schiess & Associates, by not mentioning AMR meters, did not purposely exclude AMR technology from its recommendations. At that time, FWC was focused on a touch-read system and installing meters at every connection. The draft study document was completed in 2004. Since 2004, the water meter industry has developed the AMR reading technology to a point where the equipment is now better tested and is backed by a 20 year warrantee. With the warrantee, metering technology should plateau for FWC with the use of AMR. Touch-read technology is perhaps the plateau technology for very small water systems. If FWC asked us to update the water facility planning study today we would recommend AMR metering systems as the meter reading technology of choice for them. There may yet emerge technologies that improve operation and control of the system, such as remote shut-off capability. Falls Water Company should evaluate these technologies as they emerge and stay abreast of those technologies that could benefit them and their customers.

Third, it may be a precarious position for the PUC to reject AMR technology in part because no other PUC regulated water system in Idaho has done it. Several cities in Idaho similar to FWC in size have converted or are converting to AMR. We documented for you our phone conversations with staff at Nampa and Chubbuck. Chubbuck is very similar in size to FWC and fully converted to AMR over a year ago. Requests to the PUC to convert to AMR from other water systems may come. A system in the size range of FWC desiring to convert to a clearly superior technology for cold snowy climates shouldn't be discouraged. Why not allow FWC to set precedent by being the first PUC regulated water system in the state to make the transition?

Fourth, in response to PUC staff comments in the middle of page 7, we believe that all customers of the system benefit, not just a few who unpredictably have leaks on the house side of the water meter. Every year the 100 or so customers in the water system who would benefit from the AMR system because of early leak detection will be different. Perhaps the PUC should consider the AMR system as a type of insurance program for the customers. To illustrate this, the cost of the AMR system spread out over all customers is estimated to be $1.55/month for each user or $18.60 per year per customer (see attached calculation). If a leak that had begun shortly after the last reading in the fall was discovered in April on the first meter reading of the year (with a touch-read system), the leak would have gone undetected for six months. With an AMR system, that leak would have been detected after the first month for a reduction of 83 percent of the leak period, leak volume and cost of the leak to the customer. This has a potential to save the customer the financial loss of hundreds of dollars. The savings would justify many-fold the cost of the AMR system attributable to FWC's early identification of the leak. If a leak goes undetected for six months and afflicts a financially compromised household, the cost of the leak could be devastating compared to the annual cost of the AMR system built into the rate.

Fifth, in the publication titled Water Conservation Measures Fact Sheet[i] it states that low water charges encourage consumption and waste and puts pressure on O&M budgets which lead to poor water treatment and deterioration in water quality. Water rates can be used as a tool to encourage conservation. FWC should encourage conservation of the high quality groundwater provided to its customers. Manual read meters, touch-read meters and AMR meters all have an upward effect on the customer's water rates that may not be justifiable by financial metrics alone. This is especially true for systems like FWC that deliver high quality groundwater requiring little to no treatment. One government sponsored study showed that metered customers use 13-45 percent less water[i]. Attachment F of the PUC staff comments document shows an overall reduction of water use in the water system after the entire system became metered. Although metering every customer contributed to the reduction, cool weather and poor economic conditions probably contributed. Although it is conceded that the majority of water conservation gained by conversion to water meters may have already been realized by the water system through manual or touch-read meters, the environmental, managerial, and customer benefits due to the AMR technology remain:

- Year-round meter reading
- Early leak detection notification to customers experiencing a leak
- Decrease in wasted water

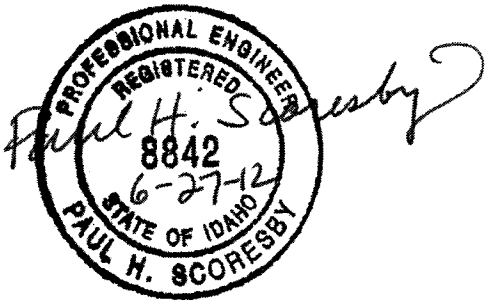
- Substantial reduction of meter reading time which will free staff to perform neglected maintenance tasks
- Additional drop in consumption due to added rate cost
- Less water consumption means more homes can be served from existing water rights. The high quality groundwater source is conserved.
- Less water consumption results in a reduction of power costs

In summary, the reasons why AMR technology should be allowed include:

- Broad government support
- A good fit for FWC and its mission to provide safe drinking water in this cold climate
- AMR is a superior technology that should be embraced, not discouraged. What is good for similar sized municipal systems in Idaho and Eastern Idaho should be allowed by the PUC
- The technology has direct cost protection benefits for the customer
- Metering technology of any kind is difficult for FWC to justify on financial metrics alone. Conservation, managerial and customer benefits that conserve the high quality groundwater must be weighted heavily to gain acceptance

We hope this information helps you as you provide your comments to the PUC. Thank you for allowing us to help you. Please let us know if you need clarification or additional support.

Sincerely,



Paul H. Scoresby, PE

Attachments: Memo Documenting Phone Calls to Nampa and Chubbuck
Brief Calculation of Rate Impact Due to AMR Metering System

[i] National Drinking Water Clearinghouse. 1998. Water Conservation Measures Fact Sheet. West Virginia University. (800)624-8301.

MEMORANDUM

To:	**File**
From:	**Paul Scoresby, Project Manager** PHS
Date:	**June 26, 2012**
Subject:	**Phone Calls to Nampa and Chubbuck Inquiring about AMR Installations**
Project:	**FWC Letter about PUC Rate Case**
No. of Pages:	**1**

I contacted the City of Nampa and the City of Chubbuck and spoke to Lenard Grady, City Engineer, (208-468-5409) and Steve Smart, Public Works Director (208-237-2430) respectively. This memo documents these conversations about the use of AMR metering.

Nampa

- Is in process of converting to AMR city wide. Goal is to be completed within five years.
- +/- 30,000 total connections
- Now reading every month instead of every other month
- Is not sure whether AMR will be a plateau technology for them. There is a meter on the market now that can be turned on or off remotely with a valve. This meter is desirable but very costly right now. These could be used on customers that have poor payment histories.
- Converting to Elster meters and the Datamatic reading system
- Meters now on the market are capable of detecting backflow and remotely opening and closing a valve installed ahead of the meter.

Chubbuck

- Entire system has been converted to AMR (excepting one or two meters which haven't been done yet). Conversion was completed 12-18 months ago
- +/- 4,000 connections
- Now reading every month instead of only the warm weather months
- Purchased a Neptune AMR system and using it with brass meters
- Can read all meters in less than four hours
- Considers the investment into AMR as a plateau investment. Chubbuck never fully embraced touch-read technology.
- Expressed his opinion that meters never pay for themselves when considering financial cost-benefit alone

Brief Rate Impact Calculation for FWC

AMR Related Investment:	$800,360
Rate of Return	7.50%
Depreciation Period	20 years

Yr	% Depreciation	Remaining Value	Profit
1	0	$800,360	$60,027
2	0.05	$760,342	$57,026
3	0.1	$720,324	$54,024
4	0.15	$680,306	$51,023
5	0.2	$640,288	$48,022
6	0.25	$600,270	$45,020
7	0.3	$560,252	$42,019
8	0.35	$520,234	$39,018
9	0.4	$480,216	$36,016
10	0.45	$440,198	$33,015
11	0.5	$400,180	$30,014
12	0.55	$360,162	$27,012
13	0.6	$320,144	$24,011
14	0.65	$280,126	$21,009
15	0.7	$240,108	$18,008
16	0.75	$200,090	$15,007
17	0.8	$160,072	$12,005
18	0.85	$120,054	$9,004
19	0.9	$80,036	$6,003
20	0.95	$40,018	$3,001

$630,284	Total estimated profit
$800,360	Initial investment
$1,430,644	Total
3,840	No. of customers
Rate impact:	**$1.55 /mo./customer**

Attachment 3

STATE OF IDAHO
DEPARTMENT OF
ENVIRONMENTAL QUALITY

900 North Skyline Dr., Suite B • Idaho Falls, Idaho 83402 • (208) 528-2650

C.L. "Butch" Otter, Governor
Curt Fransen, Director

June 19, 2012

Scott Bruce
General Manager
Falls Water Company, Inc.
2180 N Deborah Dr.
Idaho Falls, ID 83401

Re: Falls Water Company Water Conservation and Radio Read Metering Technology.

Dear Mr. Bruce

The Department of Environmental Quality (DEQ) is in support of your efforts at Falls Water Company to provide safe and reliable drinking water to your patrons. DEQ commends your efforts in upgrading your water system with current technology by providing your customers with the most reliable and accurate meter reading equipment available. DEQ recognizes the several benefits offered to the customers and to the environment by using radio read technology.

DEQ recognizes these benefits as listed below:

- There is better accounting of water use for every month of the year including winter months where meters can now be read during the winter season. This promotes for better water conservation thus minimizing the demands on the limited aquifer. It also allows for more accurate and equitable billings during the winter months were only estimates were made before. It allows earlier detection of leaks in service lines and in the homes, which help both the water company and the users to conserve water and save money in pumping and treatment costs. Any effort to reduce loss of water from the system is a direct benefit to your customers and to the environment.
- The remote radio meter reading process is more efficient and minimizes errors in manual reading. The radio read system also cuts man power and hours that would normally be needed because of manual reading. This again is a direct cost benefit to the customer.
- The reduced pumping and treatment will save on power and chemical costs and will prolong the service life of the well pumps, motors and other equipment. It will help in accounting for any loss of water throughout the system.
- Because water is ever more becoming a precious commodity the conservation of water is paramount. This conservation effort will also allow the best use of your minimal water rights which are now becoming more difficult to obtain.

Because of these direct benefits to the water company, customer and the environment DEQ has been supportive of radio read technology and has allowed these project cost to be eligible for our funding to make such system improvements. There are other several water systems in Idaho that are turning to remote radio meter reading technology because of the direct benefits derived.

If you have any questions pertaining to how we may help and support your water system improvements please call me at 528-2650.

Sincerely,

William Teuscher

William Teuscher PE
Water Quality Engineer
Idaho Falls Regional Office

Attachment 4

Rate Comparison of Falls Water vs. Local City Rates

Equalizing all cities to same water usage of 12,000 Gallons in Winter, 42,000 Gallons in Summer (20,000 Annual Average Usage)

	Flat Rate	Base	Included Gallons	$ per 1,000	$ for 12,000 Gal. Winter	$ for 31,000 Gal. Summer	Monthly Winter (7)	Monthly Summer(5)	Annual
Ammon	$37.25						$37.25	$37.25	$447.00
Ashton		$18.54	0	$1.00	$12.00	$31.00	$30.54	$49.54	$461.48
Blackfoot		$19.60	15,000	$1.46	$0.00	$23.36	$19.60	$42.96	$352.00
Challis		$13.45	0	$0.95	$11.40	$29.45	$24.85	$42.90	$388.45
Chubbuck		$24.00	0	$1.15	$13.80	$35.65	$37.80	$59.65	$562.85
Driggs		$27.00	10,000	$1.00	$2.00	$21.00	$29.00	$48.00	$443.00
Heyburn		$30.02	5,000	$0.75	$5.25	$19.50	$35.27	$49.52	$494.49
Idaho Falls	$21.00						$21.00	$21.00	$252.00
Iona	$23.00						$23.00	$23.00	$276.00
Malad		$43.00	5,000	$0.60	$4.20	$15.60	$47.20	$58.60	$623.40
McCammon	$36.00						$36.00	$36.00	$432.00
Montpelier	$28.60						$28.60	$28.60	$343.20
Pocatello		$7.79	0	$2.27	$27.24	$70.37	$35.03	$78.16	$636.01
Preston	$28.00						$28.00	$28.00	$336.00
Rexburg		$15.62	6,000	$0.80	$4.82	$20.08	$20.44	$35.70	$321.54
Salmon		$30.00	0	$0.78	$9.36	$24.18	$39.36	$54.18	$546.42
Shelly	$17.50						$17.50	$17.50	$210.00
Soda Springs	$26.80						$26.80	$26.80	$321.60
St. Anthony		$25.09	0	$0.51	$6.12	$15.81	$31.21	$40.90	$422.97
Sugar City		$13.24	0	$0.75	$9.00	$23.25	$22.24	$36.49	$338.13
Ucon		$24.00	5,000	$0.65	$4.55	$16.90	$28.55	$40.90	$404.35
Victor		$24.00	0	$1.75	$21.00	$54.25	$45.00	$78.25	$706.25
Falls Water Current		$16.10	12,000	$0.61	$0.00	$18.33	$16.10	$34.43	$284.85
Falls Water Proposed		$17.85	12,000	$0.75	$0.00	$22.50	$17.85	$40.35	$326.70
						Average Monthly and Annual Cost for the 22 Cities	**$30.19**	**$42.45**	**$423.60**

Falls Water Current Rates	% Less than the Average	33%	4th Lowest Cost Water Provider out of 23
Falls Water Proposed Rates	% Less than the Average	23%	6th Lowest Cost Water Provider out of 23

Attachment 5

Sensus Limited Warranty

G-500 R14

I. General Product Coverage

Sensus USA Inc. ("Sensus") warrants its products and parts to be free from defects in material and workmanship for one (1) year from the date of Sensus shipment and as set forth below. All products are sold to customer ("Customer") pursuant to Sensus' Terms of Sale, available at: http://na.sensus.com/TC/TermsConditions.pdf ("Terms of Sale").

II. SR II® and accuSTREAM™ 5/8", 3/4" & 1" Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for five (5) years from the date of Sensus shipment or until the registration shown below, whichever occurs first. Sensus further warrants that the SR II meter will perform to at least AWWA Repaired Meter Accuracy Standards for fifteen (15) years from the date of Sensus shipment or until the registration shown below, whichever occurs first:

	New Meter Accuracy	Repair Meter Accuracy
5/8" SR II Meter and accuSTREAM Meter	500,000 gallons	1,500,000 gallons
✱ 3/4" SR II Meter and accuSTREAM Meter	750,000 gallons	2,250,000 gallons
✱ 1" SR II Meter and accuSTREAM Meter	1,000,000 gallons	3,000,000 gallons

III. SR® 5/8", 3/4" & 1" Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for one (1) year from the date of Sensus shipment. Sensus further warrants that the 5/8", 3/4" and 1" SR meter will perform to at least AWWA Repaired Meter Accuracy Standards for fifteen (15) years from the date of Sensus shipment or until the registration shown below, whichever occurs first:

	Repair Meter Accuracy
5/8" SR Meter	1,500,000 gallons
3/4" SR Meter	2,250,000 gallons
1" SR Meter	3,000,000 gallons

IV. SR 1-1/2" & 2" Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for one (1) year from the date of Sensus shipment. Sensus further warrants that the 1-1/2" and 2" SR meter will perform to at least AWWA Repaired Meter Accuracy Standards for ten (10) years from the date of Sensus shipment or until the registration shown below, whichever occurs first:

	Repair Meter Accuracy
1-1/2" SR Meter	5,000,000 gallons
2" SR Meter	8,000,000 gallons

V. PMM® 5/8", 3/4", 1" Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for one (1) year from the date of Sensus shipment. Sensus further warrants that the 5/8", 3/4", and 1" PMM meter will perform to at least AWWA Repaired Meter Accuracy Standards for fifteen (15) years from the date of Sensus shipment or until the registration shown below, whichever occurs first:

	Repair Meter Accuracy
5/8" PMM	1,500,000 gallons
3/4" PMM	2,000,000 gallons
1" PMM	3,000,000 gallons

VI. PMM 1-1/2", 2" Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for one (1) year from the date of Sensus shipment. Sensus further warrants that the 1-1/2", and 2" PMM meter will perform to at least AWWA Repaired Meter Accuracy Standards for ten (10) years from the date of Sensus shipment or until the registration shown below, whichever occurs first:

	Repair Meter Accuracy
1-1/2" PMM	5,000,000 gallons
2" PMM	8,000,000 gallons

VII. iPERL™ Water Management Systems...

that register water flow are warranted to perform to the accuracy levels set forth in the iPERL Water Management System Data Sheet (IPL-110), available at www.sensus.com/iperl or by request from 1-800-METER-IT, for twenty (20) years from the date of Sensus shipment. The iPERL System warranty does not include the external housing.

VIII. Maincase...

of the SR, SR II and PMM in both standard and low lead alloy meters are warranted to be free from defects in material and workmanship for twenty-five (25) years from the date of Sensus shipment. Composite and E-coated maincases will be free from defects in material and workmanship for fifteen (15) years from the date of Sensus shipment.

IX. Sensus "W" Series Turbo Meters, OMNI™ Meters and Propeller Meters...

are warranted to perform to AWWA New Meter Accuracy Standards for one (1) year from the date of Sensus shipment.

X. Sensus accuMAG™ Meters...

are warranted to be free from defects in material and workmanship, under normal use and service, for 18 months from the date of Sensus shipment or 12 months from startup, whichever occurs first.

XI. Sensus Registers...

are warranted to be free from defects in material and workmanship from the date of Sensus shipment for the periods stated below or until the applicable registration for AWWA Repaired Meter Accuracy Standards, as set forth above, are surpassed, whichever occurs first:

5/8" thru 2" SR, SR II, PMM, accuSTREAM Standard Registers	25 years
5/8" thru 2" SR, SR II, PMM, accuSTREAM Encoder Registers	10 years
Electronic Communication Index (ECI)	10 years
All HSPU, IMP Contactor, R.E.R. Elec. ROFI	1 year
Standard and Encoder Registers for: "W" Turbo and Propeller Meters	1 year
OMNI Register with Battery	10 years

XII. Sensus Electric Meters...

are warranted to be free from defects in material and workmanship for one (1) year from the date of Sensus shipment. Spare parts and components are warranted to be free from defects in material and workmanship for one (1) year from the date of Sensus shipment.

Repaired or refurbished equipment repaired by Sensus is warranted to be free from defects in material and workmanship for ninety (90) days from the date of Sensus shipment or for the time remaining on the original warranty period, whichever is longer.

XIII. Batteries, iPERL System Components, AMR and FlexNet™ System AMI Interface Devices...

are warranted to be free from defects in material and workmanship from the date of Sensus shipment for the period stated below:

Electronic TouchPad	10 years
RadioRead® MXU (Model 505C, 510R or 520R) and Batteries	20 years*
Act-Pak® Instrumentation	1 year
TouchRead® Coupler and AMR Equipment	1 year
✱ FlexNet Water or Gas SmartPoint™ Modules and Batteries	20 years*
Tower Gateway Base Station	1 year
FlexNet Network Portal	1 year
iConA and FlexNet Electricity SmartPoint Module	1 year
✱ iPERL System Battery and iPERL System Components	20 years*

(continued on reverse)

sensus

Sensus Limited Warranty

* Sensus will repair or replace non-performing:
- RadioRead® MXU (Model 505C, 510R and 520R) and Batteries,
- FlexNet Water or Gas SmartPoint Modules (configured to the factory setting of six transmissions per day) and batteries,
- iPERL System Batteries, and/or the iPERL System flowtube, the flow sensing and data processing assemblies, and the register ("iPERL System Components") at no cost for the first ten (10) years from the date of Sensus ship¬ment, and for the remaining ten (10) years, at a prorated percentage, applied towards the published list prices in effect for the year product is accepted by Sensus under warranty conditions according to the following schedule:

Years	Replacement Price	Years	Replacement Price
1 – 10	0%	16	55%
11	30%	17	60%
12	35%	18	65%
13	40%	19	70%
14	45%	20	75%
15	50%	>20	100%

Note: Software supplied and licensed by Sensus is warranted accord¬ing to the terms of the applicable software license agreement. Sensus warrants that network and monitoring services shall be performed in a professional and workmanlike manner.

XIV. Return...

Sensus' obligation, and Customer's exclusive remedy, under this Sensus Limited Warranty is, at Sensus' option, to either repair or replace the product, provided the Customer (i) returns the product to the location designated by Sensus within the warranty period; and (ii) prepays the freight costs both to and from such location.

The return of products for warranty claims must follow Sensus' Returned Materials Authorization (RMA) procedures. Water meter returns must include documentation of the Customer's test results. Test results must be obtained according to AWWA standards and must specify the meter serial number. The test results will not be valid if the meter is found to contain foreign materials. If Customer chooses not to test a Sensus water meter prior to returning it to Sen¬sus, Sensus will repair or replace the meter, at Sensus' option, after the meter has been tested by Sensus. The Customer will be charged Sensus' then current testing fee. Sensus SmartPoints modules and MXU's returned must be affixed with a completed return evaluation label. For all returns, Sensus reserves the right to request meter read¬ing records by serial number to validate warranty claims.

For products that have become discontinued or obsolete ("Obsolete Product"), Sensus may, at its discretion, replace such Obsolete Product with a different product model ("New Product"), provided that the New Product has substantially similar features as the Obsolete Product. The New Product shall be warranted as set forth in this Sensus Limited Warranty.

THIS SECTION XIV SETS FORTH CUSTOMER'S SOLE REMEDY FOR THE FAILURE OF THE PRODUCTS, SERVICES OR LICENSED SOFT¬WARE TO CONFORM TO THEIR RESPECTIVE WAR¬RANTIES.

XV. Warranty Exceptions and No Implied Warranties...

This Sensus Limited Warranty does not include costs for removal or instal¬lation of products, or costs for replacement labor or materials, which are the responsibility of the Customer. The warranties in this Sensus Limited Warranty do not apply to goods that have been: installed improperly or in non-recommended installations; tampered with; modified or repaired with parts or assemblies not certified in writing by Sensus, including without limitation, communication parts and assemblies; converted; altered; damaged; read by equipment not approved by Sensus; subjected to misuse, improper storage, improper care, improper maintenance, or improper periodic testing (collectively, "Exceptions."). If Sensus identifies any Exceptions during examination, troubleshooting or performing any type of support on behalf of Customer, then Customer shall pay for and/or reimburse Sensus for all expenses incurred by Sensus in examining, troubleshooting, performing support activities, repairing or replacing any Equipment that satisfies any of the Exceptions defined above. The above warranties do not apply in the event of Force Majeure, as defined in the Terms of Sale.

THE WARRANTIES SET FORTH IN THIS SENSUS LIMITED WARRANTY ARE THE ONLY WARRANTIES GIVEN WITH RESPECT TO THE GOODS, SOFTWARE LICENSES AND SERVICES SOLD OR OTHERWISE PROVIDED BY SENSUS. SENSUS EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING WITHOUT LIMITATION, WARRANTIES AS TO FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY, NON-INFRINGEMENT AND TITLE.

SENSUS ASSUMES NO LIABILITY FOR COSTS OR EXPENSES ASSOCIATED WITH LOST REVENUE OR WITH THE REMOVAL OR INSTALLATION OF EQUIPMENT. THE FOREGOING REMEDIES ARE CUSTOMER'S SOLE AND EXCLUSIVE REMEDIES FOR THE FAILURE OF EQUIPMENT, LICENSED SOFTWARE OR SERVICES TO CONFORM TO THEIR RESPECTIVE WARRANTIES.

XVI. Limitation of Liability...

SENSUS' AGGREGATE LIABILITY IN ANY AND ALL CAUSES OF ACTION ARISING UNDER, OUT OF OR IN RELATION TO THIS AGREEMENT, ITS NEGOTIATION, PERFORMANCE, BREACH OR TERMINATION (COLLECTIVELY "CAUSES OF ACTION") SHALL NOT EXCEED THE TOTAL AMOUNT PAID BY CUSTOMER TO SENSUS UNDER THIS AGREEMENT. THIS IS SO WHETHER THE CAUSES OF ACTION ARE IN TORT, INCLUDING, WITHOUT LIMITATION, NEGLIGENCE OR STRICT LIABILITY, IN CONTRACT, UNDER STATUTE OR OTHERWISE.

AS A SEPARATE AND INDEPENDENT LIMITATION ON LIABILITY, SENSUS' LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES. SENSUS SHALL NOT BE LIABLE FOR: (I) ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES; NOR (II) ANY REVENUE OR PROFITS LOST BY CUSTOMER OR ITS AFFILIATES FROM ANY END USER(S), IRRESPECTIVE OF WHETHER SUCH LOST REVENUE OR PROFITS IS CATEGORIZED AS DIRECT DAMAGES OR OTHERWISE; NOR (III) ANY IN/OUT COSTS; NOR (IV) MANUAL METER READ COSTS AND EXPENSES; NOR (V) DAMAGES ARISING FROM MAINCASE OR BOTTOM PLATE BREAKAGE CAUSED BY FREEZING TERMPERATURES, WATER HAMMER CONDITIONS, OR EXCESSIVE WATER PRESSURE. "IN/OUT COSTS" MEANS ANY COSTS AND EXPENSES INCURRED BY CUSTOMER IN TRANSPORTING GOODS BETWEEN ITS WAREHOUSE AND ITS END USER'S PREMISES AND ANY COSTS AND EXPENSES INCURRED BY CUSTOMER IN INSTALLING, UNINSTALLING AND REMOVING GOODS. "END USER" MEANS ANY END USER OF ELECTRICITY/WATER/GAS THAT PAYS CUSTOMER FOR THE CONSUMPTION OF ELECTRICITY/WATER/GAS, AS APPLICABLE.

The limitations on liability set forth in this Agreement are fundamental inducements to Sensus entering into this Agreement. They apply unconditionally and in all respects. They are to be interpreted broadly so as to give Sensus the maximum protection permitted under law.

To the maximum extent permitted by law, no Cause of Action may be instituted by Customer against Sensus more than TWELVE (12) MONTHS after the Cause of Action first arose. In the calculation of any damages in any Cause of Action, no damages incurred more than TWELVE (12) MONTHS prior to the filing of the Cause of Action shall be recoverable.

8601 Six Forks Road, Suite 700
Raleigh, NC 27615
1-800-638-3748

SENSUS

Attachment 6

MEMORANDUM

DATE: 21 April 2000 **(revised March 1, 2001)**

TO: UTILITIES DIVISION

FROM: Steve Olea, Chief
Engineering

RE: Typical Annual Depreciation Rates For Water Companies

Attached are general guidelines for annual water company depreciation rates by NARUC Account Number. These rates represent a typical and customary value within a range of anticipated equipment life.

Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water. For rate making purposes, the actual values used to calculate an annual depreciation expense should reflect, as closely as possible, the actual retirement rates experienced by the water company. However, faster depreciation rates should not be used if they are the result of imprudence, poor maintenance, or negligence by the water company.

Staff Engineering recommends these depreciation rates be used for all water companies unless Engineering states otherwise.

Attachment

TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.

2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

Introduction to the System Inventory Worksheet

The following System Inventory Worksheet will help you:

- Identify all of your system's assets;
- Record the condition of your assets;
- Record the service history of your assets;
- Determine your assets' adjusted useful lives;
- Record your assets' ages; and,
- Estimate the remaining useful life of each of your assets. Usually, there are two steps to estimating useful life:

    1. Determine the expected useful life by using the manufacturer's recommendations or the estimates provided in the box to the right. Adjust these numbers based on the specific conditions and experiences of your system.

    2. Calculate an adjusted useful life by taking into account the service history and current condition of your asset.

Two copies of the worksheet are provided. The first copy is followed by instructions that will help you understand how to complete it. The second worksheet is an example. Appendix A has blank worksheets that you can photocopy and use.

Estimated Useful Lives

Asset	Expected Useful Life (in years)
Intake Structures	35-45
Wells and Springs	25-35
Galleries and Tunnels	30-40
Chlorination Equipment	10-15
Other Treatment Equipment	10-15
Storage Tanks	30-60
Pumps	10-15
Buildings	30-60
Electrical Systems	7-10
Transmission Mains	35-40
Distribution Pipes	35-40
Valves	35-40
Blow-off Valves	35-40
Backflow Prevention	35-40
Meters	10-15
Service Lines	30-50
Hydrants	40-60
Lab/Monitoring Equipment	5-7
Tools and Shop Equipment	10-15
Landscaping/Grading	40-60
Office Furniture/Supplies	10
Computers	5
Transportation Equipment	10

Note: These numbers are ranges of expected useful lives drawn from a variety of sources. The ranges assume that assets have been properly maintained.

Falls Water Co., Inc.
Company Adjustments to Staff Recommendations of Asset Adjustments

	Units	$/Unit	Total	Staff Adjustment	Totals After Staff Adjustment	Company Adjustment	Totals After Company Adjustment
Proforma additions to Plant (Radio Read Mtr Project started 2011 ending 2012):							
Project to replace manual read meters and install radio transmitters throughout system.							
Meters:							
3/4" 1000 Gal. Read Sensus IPERL	600	$ 185.00	$111,000.00		$111,000.00		$111,000.00
1" 1000 Gal. Read Sensus IPERL	4	$ 210.00	$ 840.00		$ 840.00		$ 840.00
520M MXU 1 Port T Coupler w/ Leak Detection	3,300	$ 168.00	$554,400.00	$(554,400.00)	$ -	$554,400.00	$554,400.00
Upgrade Sensus Handhelds from AR5002 to AR 5502	2	$ 7,500.00	$ 15,000.00	$ (15,000.00)	$ -	$ 15,000.00	$ 15,000.00
Sensus Unipro 100A - Device to program IPERL Meters	1	$ 424.00	$ 424.00	$ (424.00)	$ -	$ 424.00	$ 424.00
Sensus VGB (Vehicle Gateway Base Station) Equipment	1	$42,500.00	$ 42,500.00	$ (42,500.00)	$ -	$ 42,500.00	$ 42,500.00
Labor:							
Remove old manual read meters and install new meter	604	$ 24.00	$ 14,496.00		$ 14,496.00		$ 14,496.00
Install MXU, GPS Location, Program with meter	3,300	$ 17.00	$ 56,100.00	$ (56,100.00)	$ -	$ 56,100.00	$ 56,100.00
Move MXU 520R to other locations to consolidate reading areas	175	$ 32.00	$ 5,600.00	$ (5,600.00)	$ -	$ 5,600.00	$ 5,600.00
Temporary Office worker hired to handle extra paperwork	1	$12,852.35	$ 12,852.35	$ (12,852.35)	$ -		$ -
Financing of project through January 2012			$ 26,666.00	$ (26,666.00)	$ -		$ -
Total Cost of Proforma addition of Radio Read Meter Project to Rate Base			$839,878.35	$(713,542.35)	$126,336.00	$674,024.00	$800,360.00

	Asset Value	Depreciation Period	Straight Line Depreciation for 1 Year
Proforma additions to Plant (2012 Radio Read Mtr Project)	$800,360.00	25	$ 32,014.40

Proforma reduction to Plant (Account 303 - Land & Land Rights):		
1/2 the purchase price of Well #9 wellsite		(80,000.00)
Engineering costs associated with water right.		
Engineering Services from 9/2/2009	(7,251.30)	
Engineering Services from 9/2/2009	(5,268.00)	
Total of Engineering Services relating to Water Right Purchase		(12,519.30)
Total of Proforma reductions to Plant Account 303 - Land & Land Rights		(92,519.30)

Attachment 8

Attachment 9

Falls Water Company
Comparison of Staff Adjusted Depreciation Expenses
2012 Meter Project

Item	Staff Adjust	Company Adj	Difference
Cost	126,336.00	800,360.00	674,024.00
Salvage Value	12,634.00	-	(12,634.00)
Net Depreciable Amt	113,702.00	800,360.00	686,658.00
Depreciable Life	35	25	
Depr Expense Adjustment	3,248.63	32,014.40	28,765.77

FALLS WATER COMPANY
CALCULATION OF REVENUE REQUIREMENT

		(A)	(B)	(C)	(D)	(E)
1	Rate Base	2,416,051.13				
2	Required Rate of Return	7.23%				
3	Net Operating Income Requirement	174,719.14				174,719.14
4	Net Operating Income Realized	(45,439.74)				
5	Net Operating Income Deficiency	129,279.40				
6	Taxable and Non-Taxable					
7	Equity	51.38%	66,417.90	1.419702	94,293.63	
8	Debt	48.62%	62,861.49	1.110207	69,789.26	
9			129,279.40		164,082.89	34,803.49
10						
11	Total Expenses					1,072,322.31
12	Total Revenue Requirement					1,281,844.94
13						
14	Revenue increase percentage					15.21%

Falls Water Company, Inc.
Net to Gross Multiplier

	Company	Staff Adjust
Total Gross Revenues	1.000000	1.000000
Less Uncollectibles (percentage)	0.009816	0.096970
Less 2011 Regulatory Fees (percentage)	0.002297	0.002297
Less Bank Service Charge Fees (percentage)	0.011697	-
Net Revenue	0.976190	0.900733
State Income Tax Rate - 8%	0.078095	0.072059
Federal Income Tax Base	0.898094	0.828674
Federal Income Tax Rate - 15%	0.134714	0.124301
Net Operating Revenue	0.763380	0.704373
Net to Gross Multiplier Equity Return	1.30996	1.419702
Gross up Non-Taxable Debt Return	1.02439	1.110207

Attachment 10

Attachment 11

Falls Water Co., Inc
Proforma Results of Operations

		(A) Jan - Dec 2011	(B) Adjustment for Non-Recurring Items	(C) Increased Labor Costs	(D) Increased Miscellaneous Operating Costs	(E) Increased Source Production Costs	(F) Increased Property Rental Revenue	(G) Increased Depreciation Costs	(H) Adjusted Totals	(I) Staff Adjustments	(J) Totals After Staff Adjustments	(K) Company Adjustments	(L) Totals After Company Adjustments
	Ordinary Income/Expense												
	Income												
	400 · Operating Revenue												
1	461.1 · Metered Residential	1,030,460.52							1,030,460.52		1,030,460.52		1,030,460.52
2	461.2 · Commercial Revenue	41,778.43							41,778.43		41,778.43		41,778.43
3	461.5 · Multiple Family Cust Revenue	32,740.07							32,740.07		32,740.07		32,740.07
4	470 · Late Payment Fee Revenues	4,508.44							4,508.44		4,508.44		4,508.44
5	471 · Misc Service Revenues	3,123.90							3,123.90		3,123.90		3,123.90
6	Total 400 · Operating Revenue	1,112,611.36	-	-	-	-	-	-	1,112,611.36	-	1,112,611.36	-	1,112,611.36
7	414 · Gain (Loss) on Property	-158.33	158.33						0.00	-	-	-	-
8	Total Income	1,112,453.03	158.33	0.00	0.00	0.00	0.00	0.00	1,112,611.36	-	1,112,611.36	-	1,112,611.36
9	Expense												
10	601.5 · Labor Field	154,166.08		12,953.92					167,120.00		167,120.00		167,120.00
11	601.8 · Labor Office	21,036.10		8,603.90					29,640.00		29,640.00		29,640.00
12	601.9 · Admin - Labor	167,100.12		6,899.88					174,000.00		174,000.00		174,000.00
13	604 · Employee Benefits	76,057.33	(4,191.00)	1,568.31					73,434.64		73,434.64		73,434.64
14	610 · Purchased Water	3,300.38							3,300.38		3,300.38		3,300.38
15	615 · Electrical Power	119,395.66				31,010.45			150,406.11	(18,535.00)	131,871.11		131,871.11
16	618 · Chemicals	4,548.40				2,503.70			7,052.10	(427.00)	6,625.10		6,625.10
17	620.2 · Source M&S	9,950.75							9,950.75		9,950.75		9,950.75
18	620.6 · Distribution M&S	28,491.48							28,491.48		28,491.48		28,491.48
19	620.7 · Postage	20,393.40							20,393.40		20,393.40		20,393.40
20	620.8 · Office	26,592.17							26,592.17		26,592.17		26,592.17
21	620.81 · Telephone Expense	10,992.18							10,992.18		10,992.18		10,992.18
22	620.82 · Bank service charges	9,276.83			3,737.75				13,014.58		13,014.58		13,014.58
23	620.83 · Office Utilites Expense	4,774.19			2,234.98				7,009.17		7,009.17		7,009.17
24	631.1 · Engineering	330.00							330.00		330.00		330.00
25	631.2 · Accounting	2,785.00							2,785.00		2,785.00		2,785.00
26	631.4 · Payroll Services	255.00							255.00		255.00		255.00
27	635 · Testing	3,428.00				2,725.39			6,153.39		6,153.39		6,153.39
28	636.2 · Source Contract Repairs	965.22							965.22		965.22		965.22
29	636.3 · Trash	1,061.49			1,041.55				2,103.04		2,103.04		2,103.04
30	636.4 · Outsourced Bad Debt Collection	314.64							314.64		314.64		314.64
31	636.6 · Distribution Contract Repairs	9,932.38							9,932.38		9,932.38		9,932.38
32	636.7 · Data Processing	4,745.00			1,317.00				6,062.00		6,062.00		6,062.00
33	641 · Rental of Property	49,696.70			4,255.30				53,952.00	(11,957.33)	41,994.67	8,992.00	50,986.67
34	642 · Rental of Equipment	31,474.28							31,474.28	(11,474.00)	20,000.28	3,999.72	24,000.00
35	650 · Transportation Expense	37,815.78							37,815.78		37,815.78		37,815.78
36	656 · Insurance Expense	18,993.00							18,993.00		18,993.00		18,993.00
37	656.1 · Workers Compensation Ins	8,361.90		1,222.79					9,584.69		9,584.69		9,584.69
38	660 · Advertising Expense	683.47							683.47		683.47		683.47
39	666 · Rate Case Amortization	-	1,054.19						1,054.19		1,054.19		1,054.19
40	670 · Bad Debt Expense	10,921.47							10,921.47		10,921.47		10,921.47
41	675.1 · Training Expenses	522.00							522.00		522.00		522.00
42	675.2 · Dues & Publications	1,180.06							1,180.06		1,180.06		1,180.06
43	675.4 · IDHW Fee Expense	16,872.50							16,872.50		16,872.50		16,872.50
44	Total Expense	856,412.96	(3,136.81)	31,248.80	12,586.57	36,239.54	-	-	933,351.06	(42,393.33)	890,957.73	12,991.72	903,949.45
45	Net Ordinary Income	256,040.07	3,295.14	(31,248.80)	(12,586.57)	(36,239.54)	-	-	179,260.30	42,393.33	221,653.63	(12,991.72)	208,661.91
46	Other Income/Expense												
47	Other Income												
48	419 · Interest Earned	38.69							38.69		38.69		38.69
49	421 · Non-Utility Income	8,305.41	(3,619.41)				426.00		5,112.00		5,112.00		5,112.00
50	Total Other Income	8,344.10	(3,619.41)	-	-	-	426.00	-	5,150.69	-	5,150.69	-	5,150.69
51	Other Expense										-		-
52	403 · Depreciation Expense	71,682.02						84,210.10	155,892.12	(80,739.00)	75,153.12	28,765.77	103,918.89
53	408 · Taxes										-		-
54	408.11 · Property Taxes	24,552.11							24,552.11		24,552.11		24,552.11
55	408.12 · Payroll Taxes	31,392.76		7,817.10					39,209.86		39,209.86		39,209.86
56	409.11 · State Income Tax	20.00							20.00		20.00		20.00
57	Total 408 · Taxes	55,964.87	-	7,817.10	-	-	-	-	63,781.97	0.00	63,781.97	0.00	63,781.97
58	408.10 · Regulatory Fee	0.00							0.00		-		-
59	426 · Misc. Non-Utility Expenses	20,551.53	(19,879.53)						672.00		672.00		672.00
60	426.1 · Donations - Tax Deductible	0.00							0.00		-		-
61	427.3 · Interest Expense	0.00							0.00		-		-
62	Total Other Expense	148,198.42	(19,879.53)	7,817.10	-	-	-	84,210.10	220,346.09	(80,739.00)	139,607.09	28,765.77	168,372.86
63	Net Other Income	-139,854.32	16,260.12	(7,817.10)	-	-	426.00	(84,210.10)	-215,195.40	80,739.00	(134,456.40)	-28,765.77	(163,222.17)
64	Net Income	116,185.75	19,555.26	(39,065.90)	(12,586.57)	(36,239.54)	426.00	(84,210.10)	-35,935.10	123,132.33	87,197.23	-41,757.49	45,439.74

Falls Water Co., Inc.
Calculation of Proposed Rates

Proposed Rates and Usage Allowances

	Rates	(A) Current Allowed Gallons (in 1,000's)	(B) Current Cycle Minimum Charge	(C) Current Commodity Charge per 1,000 gallons over Allowed	(D) Current Allowance in 1,000's of Gallons	(E) Usage Conversion Rate	(F) Proposed Allowed Gallons (in 1,000's)	(G) Minimum Charge Conversion Rate	(H) Proposed Cycle Minimum Charge	(I) Proposed Commodity Charge per 1,000 gallons over Allowed	(J) Minimum Charge Percentage Increase	(K) Avg Monthly Bill at the Proposed Rate	(L) Avg Monthly Bill at the Current Rate	(M) Avg Monthly Billing Percentage Increase from Current Rate	(N) Percentage of Total Customers
1	Residential 5/8 in. & 3/4 in. Meters	12	$ 16.10	$ 0.611	12	1.000000	12	1.000000	$ 17.85	$ 0.75	10.87%	$ 26.39	$ 23.00	14.8%	93.67%
2	Residential 1 in. Meters	17	$ 22.54	$ 0.611	17	1.41666667	17	1.400000	$ 24.99	$ 0.75	10.87%	$ 42.40	$ 36.23	17.0%	1.95%
3	Residential 1 1/2 in. Meters	22	$ 28.98	$ 0.611	22	1.83333333	22	1.800000	$ 32.13	$ 0.75	10.87%	$ 70.40	$ 62.97	11.8%	0.18%
4	Residential 2 in. Meters	28	$ 37.03	$ 0.611	28	2.33333333	28	2.300000	$ 41.06	$ 0.75	10.88%	$ -	$ -	0.0%	0.00%
5	Commercial 5/8 in. & 3/4 in. Meters	12	$ 16.10	$ 0.611	12	1.000000	12	1.000000	$ 17.85	$ 0.75	10.87%	$ 23.50	$ 21.24	10.6%	1.09%
6	Commercial 1 in. Meters	17	$ 22.54	$ 0.611	17	1.41666667	17	1.400000	$ 24.99	$ 0.75	10.87%	$ 45.87	$ 41.11	11.6%	0.16%
7	Commercial 1 1/2 in. Meters	22	$ 28.98	$ 0.611	22	1.83333333	22	1.800000	$ 32.13	$ 0.75	10.87%	$ 96.87	$ 88.36	9.6%	0.23%
8	Commercial 2 in. Meters	28	$ 37.03	$ 0.611	28	2.33333333	28	2.300000	$ 41.06	$ 0.75	10.88%	$ 86.53	$ 67.38	28.4%	0.55%
9	Commercial 4 in. Meters	49	$ 66.01	$ 0.611	49	4.08333333	49	4.100000	$ 73.19	$ 0.75	10.88%	$ 73.35	$ 66.14	10.9%	0.05%
10	MultiFam 5/8 & 3/4 in. Meters	12	$ 16.10	$ 0.611	12	1.000000	12	1.000000	$ 17.85	$ 0.75	10.87%	$ 29.12	$ 25.32	15.0%	1.04%
11	MultiFam 1 in. Meters	17	$ 22.54	$ 0.611	17	1.41666667	17	1.400000	$ 24.99	$ 0.75	10.87%	$ 39.70	$ 34.59	14.8%	0.73%
12	MultiFam 1 1/2 in. Meters	22	$ 28.98	$ 0.611	22	1.83333333	22	1.800000	$ 32.13	$ 0.75	10.87%	$ 82.13	$ 69.71	17.8%	0.03%
13	MultiFam 2 in. Meters	28	$ 37.03	$ 0.611	28	2.33333333	28	2.300000	$ 41.06	$ 0.75	10.88%	$ 64.28	$ 56.46	13.8%	0.31%
14	MultiFam 4 in. Meters.	49	$ 66.01	$ 0.611	49	4.08333333	49	4.100000	$ 73.19	$ 0.75	10.88%	$ -	$ -	0.0%	0.00%

Calculation of Revenues using Proposed Rates

	Rates	(A) Active Customers	(B) Proposed Cycle Minimum Charge	(C) Proposed Monthly Revenues from Minimum Charge	(D) January	(E) February	(F) March	(G) April	(H) May	(I) June	(J) July	(K) August	(L) September	(M) October	(N) November	(O) December	
					Proposed Revenues from Commodity Charge												
15	Residential 5/8 in. & 3/4 in. Meters	3,597	$ 17.85	$ 64,206.45	$ 1,498.50	$ 1,498.50	$ 1,498.50	$ 1,498.50	$ 2,532.75	$ 20,051.25	$ 99,410.25	$ 98,535.00	$ 98,624.25	$ 40,913.25	$ 1,235.25	$ 1,235.25	
16	Residential 1 in. Meters	75	$ 24.99	$ 1,874.25	$ 55.50	$ 55.50	$ 55.50	$ 55.50	$ 744.00	$ 480.00	$ 4,208.25	$ 3,541.50	$ 4,587.00	$ 1,791.00	$ 49.50	$ 49.50	
17	Residential 1 1/2 in. Meters	7	$ 32.13	$ 224.91	$ -	$ -	$ -	$ -	$ -	$ 205.50	$ 753.75	$ 754.50	$ 676.50	$ 822.75	$ 0.75	$ 0.75	
18	Residential 2 in. Meters	-	$ 41.06	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
19	Commercial 5/8 in. & 3/4 in. Meters	42	$ 17.85	$ 749.70	$ 27.00	$ 24.00	$ 14.25	$ 12.00	$ 41.25	$ 129.00	$ 752.25	$ 572.25	$ 707.25	$ 387.00	$ 86.25	$ 93.75	
20	Commercial 1 in. Meters	6	$ 24.99	$ 149.94	$ 66.00	$ 65.25	$ 50.25	$ 80.25	$ 121.50	$ 76.50	$ 269.25	$ 189.00	$ 269.25	$ 177.00	$ 81.00	$ 57.75	
21	Commercial 1 1/2 in. Meters	9	$ 32.13	$ 289.17	$ 161.25	$ 236.25	$ 208.50	$ 179.25	$ 146.25	$ 217.50	$ 1,788.75	$ 1,123.50	$ 1,790.25	$ 997.50	$ 68.25	$ 75.00	
22	Commercial 2 in. Meters	21	$ 41.06	$ 862.26	$ 219.75	$ 352.50	$ 295.50	$ 257.25	$ 262.50	$ 491.25	$ 3,030.00	$ 2,129.25	$ 2,652.00	$ 1,491.75	$ 145.50	$ 132.00	
23	Commercial 4 in. Meters	2	$ 73.19	$ 146.38	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.75	$ -	$ -	
24	MultiFam 5/8 & 3/4 in. Meters	40	$ 17.85	$ 714.00	$ 89.25	$ 104.25	$ 49.50	$ 68.25	$ 90.75	$ 368.25	$ 1,242.75	$ 910.50	$ 1,317.00	$ 926.25	$ 150.75	$ 92.25	
25	MultiFam 1 in. Meters	28	$ 24.99	$ 699.72	$ 85.50	$ 156.75	$ 87.75	$ 65.25	$ 91.50	$ 351.75	$ 1,169.25	$ 1,137.75	$ 947.25	$ 553.50	$ 192.00	$ 102.75	
26	MultiFam 1 1/2 in. Meters	1	$ 32.13	$ 32.13	$ 9.00	$ 17.25	$ 11.25	$ 7.50	$ 29.25	$ 70.50	$ 112.50	$ 80.25	$ 85.50	$ 98.25	$ 58.50	$ 20.25	
27	MultiFam 2 in. Meters	12	$ 41.06	$ 492.72	$ 146.25	$ 45.75	$ 21.00	$ 18.75	$ 87.75	$ 357.75	$ 633.75	$ 606.00	$ 611.25	$ 620.25	$ 159.00	$ 36.75	
28	MultiFam 4 in. Meters.	-	$ 73.19	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
29	Total of Commodity Charges				$ 2,358.00	$ 2,556.00	$ 2,292.00	$ 2,242.50	$ 4,147.50	$ 22,799.25	$ 113,370.75	$ 109,579.50	$ 112,267.50	$ 48,782.25	$ 2,226.75	$ 1,896.00	$ 424,518.00
30	Field Collection Fees*				$ 105.00	$ 60.00	$ 75.00	$ 90.00	$ 15.00	$ 30.00	$ 60.00	$ 30.00	$ 30.00	$ 45.00	$ 120.00	$ -	$ 660.00
31	Reconnect Fee*				$ 120.00	$ 40.00	$ 80.00	$ 160.00	$ 220.00	$ 103.90	$ 60.00	$ 180.00	$ 140.00	$ 300.00	$ 100.00	$ 80.00	$ 1,583.90
32	Returned Check Fee*				$ 80.00	$ 20.00	$ 100.00	$ 80.00	$ 120.00	$ 20.00	$ -	$ -	$ 180.00	$ 100.00	$ 100.00	$ 80.00	$ 880.00
33	Late Payment Fee*				$ 278.56	$ 246.75	$ 241.84	$ 234.92	$ 264.85	$ 282.00	$ 286.71	$ 474.73	$ 624.92	$ 651.30	$ 480.60	$ 441.26	$ 4,508.44
		3,840															
34	Total of Non-Recurring Fees				$ 2,941.56	$ 2,922.75	$ 2,788.84	$ 2,807.42	$ 4,767.35	$ 23,235.15	$ 113,777.46	$ 110,264.23	$ 113,242.42	$ 49,878.55	$ 3,027.35	$ 2,497.26	
35	Total of Commodity Charges and Non Recurring Fees				$ 73,383.19	$ 73,364.38	$ 73,230.47	$ 73,249.05	$ 75,208.98	$ 93,676.78	$ 184,219.09	$ 180,705.86	$ 183,684.05	$ 120,320.18	$ 73,468.98	$ 72,938.89	
36	Total Monthly Revenue			$ 70,441.63													
37	Number of Months to Annualize Monthly Minimum Revenue			12													
38	Annual Revenue from Base Charges			$ 845,299.56													
39	Annual Revenue from Commodity Charges		$ 424,518.00														
40	New Cust Excess Usage (x1,000 gals)	7,014	$ 5,260.50														
41	Total Adjusted Revenue from Commodity Chrgs			$ 429,778.50													
42	Field Collection Fees*			$ 660.00													
43	Reconnect Fee*			$ 1,583.90													
44	Returned Check Fee*			$ 880.00													
45	Late Payment Fee*			$ 4,508.44													
46	Total Annual Revenues from Proposed Rates			$ 1,282,710.40													
47	Total Gross Revenue Requested			$ 1,281,844.94													
48	Variance of Gross Revenue from Proposed Rates Over/(Under)			$ 865.46													

66% Percentage of Proposed Revenue from Base Charge (Fixed)

34% Percentage of Proposed Revenue from Commodity Charge (Variable)

* Revenues shown are those collected in 2011 test year.

Attachment 12

Excess Use above Allowed based on 2011 Actuals and adjusted to proposed allowances

	2011	January	February	March	April	May	June	July	August	September	October	November	December	Total Annual Usage by Rate Class
49	Residential 5/8 in. & 3/4 in. Meters *	1,998	1,998	1,998	1,998	3,377	26,735	132,547	131,380	131,499	54,551	1,647	1,647	491,375
50	Residential 1 in. Meters *	74	74	74	74	992	640	5,611	4,722	6,116	2,388	66	66	20,897
51	Residential 1 1/2 in. Meters *	-	-	-	-	-	274	1,005	1,006	902	1,097	1	1	4,286
52	Residential 2 in. Meters *	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Commercial 5/8 in. & 3/4 in. Meters	36	32	19	16	55	172	1,003	763	943	516	115	125	3,795
54	Commercial 1 in. Meters	88	87	67	107	162	102	359	252	359	236	108	77	2,004
55	Commercial 1 1/2 in. Meters	215	315	278	239	195	290	2,385	1,498	2,387	1,330	91	100	9,323
56	Commercial 2 in. Meters	293	470	394	343	350	655	4,040	2,839	3,536	1,989	194	176	15,279
57	Commercial 4 in. Meters	-	-	-	-	-	-	-	-	-	5	-	-	5
58	MultiFam 5/8 & 3/4 in. Meters	119	139	66	91	121	491	1,657	1,214	1,756	1,235	201	123	7,213
59	MultiFam 1 in. Meters	114	209	117	87	122	469	1,559	1,517	1,263	738	256	137	6,588
60	MultiFam 1 1/2 in. Meters	12	23	15	10	39	94	150	107	114	131	78	27	800
61	MultiFam 2 in. Meters	195	61	28	25	117	477	845	808	815	827	212	49	4,459
62	MultiFam 4 in. Meters.	-	-	-	-	-	-	-	-	-	-	-	-	-
63													Annual Excess Usage	566,024

* November to April excess usages are an average of the total of residential excess usages for the 6 month period.

Number of Active Customers as of January 24, 2012:

64	Residential 5/8 in. & 3/4 in. Meters	3597	
65	Residential 1 in. Meters	75	
66	Residential 1 1/2 in. Meters	7	
67	Residential 2 in. Meters	0	3,679
68	Commercial 5/8 in. & 3/4 in. Meters	42	
69	Commercial 1 in. Meters	6	
70	Commercial 1 1/2 in. Meters	9	
71	Commercial 2 in. Meters	21	
72	Commercial 4 in. Meters	2	80
73	MultiFam 5/8 & 3/4 in. Meters	40	
74	MultiFam 1 in. Meters	28	
75	MultiFam 1 1/2 in. Meters	1	
76	MultiFam 2 in. Meters	12	
77	MultiFam 4 in. Meters.	0	81
78	Active customers	3840	

Calculation of Excess Usage Adjustment for New Customers Added during 2011:

79	Total Active Customers as of January 24, 2012	3840
80	Less Customers added in January 2012	7
81	Subtotal	3833
82	Active Customers at the beginning of 2011	3753
83	Active Customers Added during 2011	80
84	Avg of New Active Customers during 2011	40
85	Average Number of Active Customers in 2011	3793
86	Average Excess Usage per Avg Active Customers in 2011 (x 1,000 gals)	149
87	Total Active customers used for rate design	3840
88	Estimated Additional Excess usage for New Active Cust. (x1,000 gals)	573,038
89	Actual 2011 Excess Usage (x 1,000 gals)	566,024
90	Difference in Excess Usage over/(under) (x1,000 gals)	7,014

Attachment 13

Falls Water Co., Inc.
Revenue Collected at Present Rate Using 2011 Test Year Number of Customers

Calculated Metered Service Revenue Collected (see below)	$ 1,112,551.38
2011 Non-Recurring Fee Revenue*	$ 7,632.34
Total of Calc Rev and 2011 Non-Recurring Fee Revenue	$ 1,120,183.72
Company Proposed Revenue Requirement	$ 1,281,844.94
Revenue Collected over/(under) Revenue Requirement	$ (161,661.22)

Total Number of Customers 3840

Minimum Customer Charge				
Service Meter Size	# of Customers	Minimum Volume-Gals	Minimum Charge	Total Annual Revenue from Minimum Chrg
3/4"	3679	12,000	$ 16.10	$ 710,782.80
1"	109	17,000	$ 22.54	$ 29,482.32
1 1/2"	17	22,000	$ 28.98	$ 5,911.92
2"	33	28,000	$ 37.03	$ 14,663.88
4"	2	49,000	$ 66.01	$ 1,584.24
Total	3840			$ 762,425.16

Commodity Charges		
Total 2011 Annual Excess Volume for All meter Sizes (x1000)	573,038	**
Commodity charges for all meter sizes ($/1,000 gallons)	$ 0.611	
Total Commodity Revenue	$ 350,126.22	

Revenue from Rates (base and Commodity Charges) $ 1,112,551.38

Revenue Collected over/(under) Revenue Requirement $ (161,661.22)

Various Charges as a % of Gross Revenue

Minimum Charge	69%
Commodity Charge	31%

* Total 2011 Non-Recurring Fee Revenue.

** Adjusted annual excess volume 573,038=566,024 (actual 2011 excess usage)+7,014 (adjustment normalize for 3,840 customers)

Attachment 14

Falls Water Co., Inc.
Revenue Collected at Proposed Rate Using 2011 Test Year Number of Customers

Calculated Metered Service Revenue Collected (see below)	$ 1,275,078.06
2011 Non-Recurring Fee Revenue*	$ 7,632.34
Total of Calc Rev and 2011 Non-Recurring Fee Revenue	$ 1,282,710.40
Company Proposed Revenue Requirement	$ 1,281,844.94
Revenue Collected over/(under) Revenue Requirement	$ 865.46

Total Number of Customers 3840

Minimum Customer Charge				
Service Meter Size	# of Customers	Minimum Volume-Gals	Minimum Charge	Total Annual Revenue from Minimum Chrg
3/4"	3679	12,000	$ 17.85	$ 788,041.80
1"	109	17,000	$ 24.99	$ 32,686.92
1 1/2"	17	22,000	$ 32.13	$ 6,554.52
2"	33	28,000	$ 41.06	$ 16,259.76
4"	2	49,000	$ 73.19	$ 1,756.56
Total	3840			$ 845,299.56

Commodity Charges		
Total 2011 Annual Excess Volume for All meter Sizes (x1000)	573,038	**
Commodity charges for all meter sizes ($/1,000 gallons)	$ 0.750	
Total Commodity Revenue	$ 429,778.50	

Revenue from Rates (base and Commodity Charges) $ 1,275,078.06

Revenue Collected over/(under) Revenue Requirement $ 865.46

Various Charges as a % of Gross Revenue

Minimum Charge	66%
Commodity Charge	34%

* Total 2011 Non-Recurring Fee Revenue.

** Adjusted annual excess volume 573,038=566,024 (actual 2011 excess usage)+7,014 (adjustment normalize for 3,840 customers)

Falls Water Co., Inc
Calculation of Average Monthly Bill Based on Actual Metered Service Revenue (Present Rate)
for 2011

	(A) Rate Descriptions	(B) Active Customers	(C) 2011 January	(D) 2011 February	(E) 2011 March	(F) 2011 April	(G) 2011 May	(H) 2011 June	(I) 2011 July	(J) 2011 August	(K) 2011 September	(L) 2011 October	(M) 2011 November	(N) 2011 December	(O) Total Monthly Revenues	(P) Avg Mnthly Bill per Customer
1	Residential 5/8 in. & 3/4 in. Meters	3597	$56,729.91	$56,912.37	$ 57,227.96	$ 63,766.03	$ 59,372.51	$ 73,870.66	$138,982.47	$ 138,544.14	$138,496.01	$ 92,048.78	$58,413.46	$58,201.51	$ 992,565.81	$ 23.00
2	Residential 1 in. Meters	75	$ 1,690.50	$ 1,690.50	$ 1,690.50	$ 2,544.62	$ 1,210.12	$ 2,126.67	$ 5,141.36	$ 4,508.03	$ 5,427.41	$ 3,172.17	$ 1,713.04	$ 1,690.50	$ 32,605.42	$ 36.23
3	Residential 1 1/2 in. Meters	7	$ 231.84	$ 231.84	$ 231.84	$ 275.44	$ 231.84	$ 428.23	$ 874.86	$ 811.95	$ 931.07	$ 576.70	$ 231.84	$ 231.84	$ 5,289.29	$ 62.97
4	Residential 2 in. Meters	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Commercial 5/8 in. & 3/4 in. Meters	42	$ 762.59	$ 760.15	$ 671.71	$ 702.07	$ 742.00	$ 813.49	$ 1,305.13	$ 1,142.62	$ 1,252.39	$ 1,007.56	$ 762.58	$ 784.77	$ 10,707.06	$ 21.24
6	Commercial 1 in. Meters	6	$ 189.00	$ 188.40	$ 176.18	$ 200.62	$ 234.23	$ 220.11	$ 377.12	$ 311.74	$ 377.13	$ 301.98	$ 201.23	$ 182.29	$ 2,960.03	$ 41.11
7	Commercial 1 1/2 in. Meters	9	$ 421.17	$ 482.27	$ 459.66	$ 435.83	$ 408.96	$ 466.99	$ 1,747.04	$ 1,632.16	$ 1,748.24	$ 1,102.43	$ 316.43	$ 321.91	$ 9,543.09	$ 88.36
8	Commercial 2 in. Meters	21	$ 771.50	$ 879.65	$ 833.23	$ 802.06	$ 843.36	$ 1,029.72	$ 3,209.05	$ 2,085.17	$ 2,827.03	$ 1,955.88	$ 859.14	$ 885.16	$ 16,980.95	$ 67.38
9	Commercial 4 in. Meters	2	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 132.02	$ 135.08	$ 132.02	$ 132.02	$ 1,587.30	$ 66.14
10	MultiFam 5/8 & 3/4 in. Meters	40	$ 716.71	$ 728.92	$ 668.23	$ 699.59	$ 717.93	$ 944.01	$ 1,656.42	$ 1,418.00	$ 1,716.97	$ 1,398.56	$ 766.80	$ 719.16	$ 12,151.30	$ 25.32
11	MultiFam 1 in. Meters	28	$ 700.78	$ 758.84	$ 702.60	$ 684.27	$ 705.66	$ 917.70	$ 1,583.69	$ 1,558.00	$ 1,402.85	$ 1,082.06	$ 787.53	$ 737.38	$ 11,621.36	$ 34.59
12	MultiFam 1 1/2 in. Meters	1	$ 36.31	$ 43.03	$ 38.15	$ 35.09	$ 52.81	$ 86.41	$ 120.63	$ 94.36	$ 98.63	$ 109.02	$ 76.64	$ 45.48	$ 836.56	$ 69.71
13	MultiFam 2 in. Meters	12	$ 563.51	$ 518.66	$ 461.47	$ 459.63	$ 515.85	$ 735.80	$ 960.67	$ 975.08	$ 942.34	$ 949.65	$ 573.89	$ 474.30	$ 8,130.85	$ 56.46
14	MultiFam 4 in. Meters.	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15															$1,104,979.02	
16																
17		3840	$62,945.84	$63,326.65	$ 63,293.55	$ 70,737.27	$ 65,167.29	$ 81,771.81	$156,090.46	$ 153,213.27	$155,352.09	$103,839.87	$64,834.60	$64,406.32	$1,104,979.02	

Calculation of Average Monthly Bill by Meter Size:

	Meter Size	Number of Customers	Proposed Base Rates	Proposed Commodity Rate	2011 Excess Usage (x 1,000 Gals)	Excess Usage Charges based on Proposed Rate	Minimum Charges (Proposed Rate)	Avg. Monthly Customer Bill (Proposed Rate)	Avg. Monthly Customer Bill (Present Rate)	Increase For Average Monthly Billing	Percentage Increase
30	5/8 and 3/4 inch	3679	$ 17.85	$ 0.75	502,383	$ 376,787.25	$788,041.80	$ 26.38	$ 23.00	$ 3.38	14.71%
31	1 inch	109	$ 24.99	$ 0.75	29,489	$ 22,116.75	$ 32,686.92	$ 41.90	$ 36.08	$ 5.82	16.14%
32	1 1/2 inc	17	$ 32.13	$ 0.75	14,409	$ 10,806.75	$ 6,554.52	$ 85.10	$ 76.81	$ 8.30	10.80%
33	2 inch	33	$ 41.06	$ 0.75	19,738	$ 14,803.50	$ 16,259.76	$ 78.44	$ 63.41	$ 15.03	23.70%
34	4 inch	2	$ 73.19	$ 0.75	5	$ 3.75	$ 1,756.56	$ 73.35	$ 66.14	$ 7.21	10.90%
35											
36	Totals	3840			566,024	$ 424,518.00	$845,299.56				

Attachment 15

Falls Water Co., Inc.
Calculation of Building and Property Rent
CYE 2011

Staff's Proposed Adjustment

L#	Description	Year	Monthly	SqFt	Cost per SqFt	Allowed Leased SqFt	Months	Total Staff Adjustment
1	**Rockwell Lease**							
2	Base Rent	2011	$ 3,000.00	4000	0.7500	4000	12	$ 36,000
3	Escalators	2011	$ 811.91	4000	0.2030	0	12	0
4								
5	**Triple Net Lease**	2011	$ 4,496.00	9000	0.4996	1000	12	$ 5,995
6	Total							$ 41,995
7	Reported Expense							$ 53,952
8	Staff Adjustment							$ (11,957)
9								
10	Company's Proposed Adjustment							
11								
12	**Rockwell Lease**							
13	Base Rent	2011	$ 3,000.00	4000	0.7500	4000	12	$ 36,000
14	Escalators	2011	$ 811.91	4000	0.2030	0	12	0
15								
16	**Triple Net Lease**	2011	$ 4,496.00	9000	0.4996	2500	12	$ 14,987
17	Total							$ 50,987
18	Reported Expense							$ 53,952
19	Company Adjustment							**$ (2,965)**
20								
21	Adjustment to Staff Adjustment							$ 8,992

Attachment XXX
Item # 10

16

Attachment 16

Attachment 17

Falls Water Company
Brent Johnson

Equipment Lease vs. Purchase

Purchase New

	Backhoe John Deere 310 SC With Compactor	**Dump Truck Peterbilt 379**
Purchase Price	$87,500.00	$90,000.00
Return on Investment	$10,500.00	$10,800.00
10 yr Depreciation	$8,750.00	$9,000.00
Annual Tire Fund	$1,000.00	$690.00
Estimated Annual Repair	$750.00	$750.00
Annual Cost	$21,000.00	$21,240.00
Monthly Cost	$1,750.00	$1,770.00
Monthly Insurance	$75.00	$225.00
Total Monthly Cost	**$1,825.00**	**$1,995.00**
Combined Monthly Cost	**$3,820.00**	

Purchase Used

	Backhoe John Deere 310 SC With Compactor	**Dump Truck Peterbilt 379**
Purchase Price	$39,000.00	$42,000.00
Return on Investment	$4,680.00	$5,040.00
5 yr Depreciation	$7,800.00	$8,400.00
Annual Tire Fund	$1,000.00	$690.00
Estimated Annual Repair	$1,500.00	$1,500.00
Annual Cost	$14,980.00	$15,630.00
Monthly Cost	$1,248.33	$1,302.50
Monthly Insurance	$50.00	$150.00
Total Monthly Cost	**$1,298.33**	**$1,452.50**
Combined Monthly Cost	**$2,750.83**	

Lease

	Backhoe John Deere 310 SC With Compactor	**Dump Truck Peterbilt 379**
Monthly Cost	**$1,200.00**	**$800.00**
Total Cost	**$2,000.00**	

Note: Insurance and Major Repairs Paid by Leasor, Minor Repairs and Fluids Paid by Leasee.