BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF MORNING VIEW WATER COMPANY FOR AN ORDER AUTHORIZING INCREASES IN THE COMPANY'S RATES AND CHARGES FOR WATER SERVICE	)))))	**CASE NO. MNV-W-16-01** **ORDER NO. 33658**

On May 2, 2016, Morning View Water Company ("Morning View" or "Company") applied to the Commission for authority to increase its rates and charges. Morning View provides water service to more than 100 residential and commercial customers in and around Rigby, Idaho in Jefferson County. The Company last increased its basic rates and charges in September 2007. *See* Order No. 30420. With this Application, Morning View seeks to increase its revenues by $101,452 to cover $71,387 in annual operating expenses and a 7.41% rate of return on a $682,070 rate base. *See* Application Exh. Nos. 1-4.

We have thoroughly reviewed the record in this case, including written comments and analysis from the Company, Commission Staff, and the Company's customers, and testimony from customers given at public hearing. Based on that review, we find it fair, just, and reasonable to approve a new, total revenue requirement for the Company of $93,727. The Company's new rates and charges will take effect on December 1, 2016. Our decision is explained in detail below.

PROCEDURAL BACKGROUND

On June 2, 2016, the Commission issued Notices of Application, Modified Procedure, and Schedule that suspended the Company's proposed effective date, scheduled a July 12, 2016 public workshop, set an August 19, 2016 comment deadline, and a September 2, 2016 reply deadline. *See* Order No. 33531. The workshop and customer hearing occurred, Staff and members of the public filed written comments, and the Company filed written replies.

THE APPLICATION

Morning View's Application seeks to increase its revenues by $101,452 to cover $71,387 in annual operating expenses and a 7.41% rate of return on a $682,070 rate base. *See* Application Exh. Nos. 1-4. The Company primarily attributes the proposed increase to the cost of new plant, including a new well house, water mains, and payment on a new loan and inflation.

Application at 1. These and other expenditures led the Company to apply to raise rates and increase revenues.

The Company proposed to increase its charges according to the following rate design:

Lot Size	Current Minimum Charge (Monthly)	Company Proposed Minimum Charge	% Change
¼ Acre	$27.41 + 5.00 contingency account surcharge	$48.61	50%
½ Acre	$35.94 + 5.00 contingency account surcharge	$81.88	100%
1 Acre	$44.48 + 5.00 contingency account surcharge	$98.96	100%

First Application Addendum at 1. Although the Company installed meters over a year ago in anticipation of establishing a volumetric charge, it did not propose one in its Application. *Id.* The Company asked Commission Staff to help it develop a volumetric component to its rates. Staff Comments at 17.

PUBLIC COMMENTS AND TESTIMONY

Numerous customers submitted written comments or testified in this case. Generally speaking, customers opposed the magnitude of the Company's proposed rate increase to cover system upgrades that should have occurred over time. Customers noted that the Company should have gradually updated infrastructure so as not to inflict a sudden, extreme rate hike, and that the Company should not have spent so much on infrastructure without obtaining prior permission or input from the Commission and its customer base.

Customers also urged us to scrutinize the Company's management, including whether the Company was responsible in incurring so much debt and whether the Company could reasonably manage a dramatic increase in rates, including proper metering, accounting and collection practices. Relatedly, customers expressed concern about the cleanliness and organization of the Company's office and whether proper management and recordkeeping can take place in that space.

Customers further expressed concern that the contingency account surcharges were not being used responsibly and that proper notice of the Company action was not provided to all customers, including Spanish speaking customers. Numerous customers complained of more general concerns about the water system, including historical water pressure issues and concerns related to newly installed water meters. Customers were also worried about the effect that a large rate increase would have on fixed and low-income customers. Several customers testified that drastic increases in the cost of water might have a detrimental effect on property values and community aesthetics. Customers were also concerned about our regulatory authority and jurisdiction and general oversight of small water companies.

We appreciate the time that the Company's customers took to comment and testify in this case. We recognize that for some customers any rate increase will result in economic hardship. We also note that the Commission has an obligation to Morning View and its customers to set rates at a level sufficient to allow the Company to recover its reasonable expenses and receive a reasonable return on its investments. *See Idaho Code* § 61-622. Such rates enable the Company to remain financially sound and capable of providing adequate, safe water to its customers. The Idaho Supreme Court has held, "It is the duty of the Commission not only to fix just and reasonable, nondiscriminatory rates, but to see that adequate service is furnished and in fixing such rates to allow the utility furnishing the service to make a just and reasonable profit or return on its investment." *Application of Pacific Tel. & Tel. Co.*, 71 Idaho 476, 480, 233 P.2d 1024, 1026 (1951).

We also understand and appreciate that small water company utilities face a variety of overlapping regulatory and jurisdictional regimes. We note that Morning View is now in compliance with Idaho's safe drinking water standards. The Company has worked diligently with Idaho Department of Environmental Quality to that end. We appreciate this difficulty and have directed Staff to work closely with Idaho's small, regulated water utilities in order to improve the framework and ease the burden of this specialized regulatory environment.

We also note that customer notice and participation is of the utmost importance. Morning View must be available to communicate with its customers at all reasonable hours and in all reasonable manners. Morning View has pledged to do so. We direct Staff to work with the Company on policies and procedures that may alleviate its customer service and notice issues.

COMMENTS, REPLY AND FINDINGS

I. Revenue Requirement

The Company requested a $101,452 increase in revenues. *See* Application Exh. No. 4. The parties' subsequent comments about the Company's (A) test year; (B) expenses; (C) rate base; (D) rate of return; and (E) revenue requirement follow.

A. Test Year. The Company proposed a 2015 test year. *Id.* at 1. Staff accepted the Company's proposal. Staff Comments at 4.

Commission Finding – Test Year: Our policy is to set a public utility's annual revenue requirement and rates using a historical test year in which the utility's actual, booked costs and revenues are verified through auditing. *See e.g.*, Order No. 30342 at 8 (Case No. SWS-W-06-01). Based on our review of the record we find there is no dispute on the use of 2015 as the historical test year, and that a 2015 historical test year is reasonable and appropriate for this case.

Once we determine the historical test year, pro forma adjustments are made to the actual test year data for all known and measurable changes to the operating results of the test year. *Id.* The actual test year data and adjustments are discussed below.

B. Expenses. The Company's Application reports $100,838 in total expenses from operations, before interest, for the test year. Application Exh. No. 2, Sch. C, l. 16. This total consists of test year actual expenses of $55,473, plus pro forma adjustments for known and measurable expenses equaling $45,365.

Staff's recommendations further adjust the Company's total expenses by $22,688 to $78,150. Staff Comments; Atch. A. The individual known and measureable changes are as follows:

Labor Expense – Nolan Gneiting. The Company reported incurring $12,240 in expenses for Mr. Gneiting's managerial salary. Based on its analysis of local wages and Mr. Gneiting's duties, Staff did not dispute that the Company's overall expenses for Mr. Gneiting's services were reasonable. However, Staff recommended that the $12,240 be accounted for on the Company's books in a different way. Staff noted that 75% of Mr. Gneiting's salary ($9,180) is attributable to the time he spends operating and maintaining the water system. Therefore, this amount should be accounted for as an Operations and Maintenance expense. On the other hand, the remaining 25% of Mr. Gneiting's salary ($3,060) should be accounted for as an

Administrative and General expense because it is properly attributable to time spent performing managerial or administrative duties (e.g., approving payments, overseeing Company finances, etc.). The Company's reply comments did not address Staff's proposed adjustment.

Commission Findings – Labor Expense – Mr. Gneiting: Based on our review of the record and services provided by Mr. Gneiting, we find $12,240 in expenses reasonable and just. We further find it reasonable that the Company's books more accurately apportion the $12,240 in expenses for Mr. Gneiting's labor into categories that better reflect the duties being performed, with $9,180 being classified as an Operations and Maintenance expense and $3,060 being classified as an Administrative and General expense.

Labor Expense – Mr. Reading. The Company reported $16,800 in administrative costs related to 1,040 hours of bookkeeping and accounting labor provided by David Reading. *Id.* Based on its audit and a median pay rate for the area of $15.27 for the types of duties Mr. Reading performs, Staff recommended reducing the claimed hours to 500, which results in an expense of $7,635 at $15.27 per hour. This adjustment would also decrease payroll taxes by $1,402. In proposing this adjustment, Staff noted that Mr. Reading is a related party and the Company failed to meet its burden of providing sufficient data and information to prove the reasonableness of Mr. Reading's reported hours. *Id.* at 8. Staff stated that 500 annual hours should be sufficient, under normal operations, for Mr. Reading's services. *Id.*

The Company disagreed with Staff's adjustment and stated that Mr. Reading's duties are more expansive than recognized by Staff. Company Reply at 2. The Company thus requested Mr. Reading's current hours and pay not be reduced, stating that his responsibilities are integral to the Company's operation. *Id.* at 3.

Commission Findings – Labor Expense – Mr. Reading: We acknowledge the important role that Mr. Reading plays in the current and future success of the Company. However, Mr. Reading is directly affiliated with the Company's owners and, as such, his employment represents a related-party transaction subject to a heightened scrutiny in assessing whether expenses for Mr. Reading's services are reasonable.

In *Boise Water Corp. v. IPUC,* 97 Idaho 832, 555 P.2d 163 (1976), the Idaho Supreme Court noted that a utility's burden of proof is different depending on whether its claimed expenses arise from transactions with non-affiliated or affiliated parties. For *non-affiliates*, the pressures of a competitive market and the fact of arm's length bargaining for goods and services allow the Commission to assume, in absence of a showing to the contrary, that such operating expenditures are legitimate. Thus, a utility may establish a prima facie case for the reasonableness of its operating expenses to non-affiliates by producing evidence showing that the utility actually incurred the claimed expenses. *Boise Water Corp.*, 97 Idaho at 836 and 838, 555 P.2d at 167 and 169.

On the other hand, a utility claiming *affiliate* transaction expenses must prove that it actually incurred those expenses *and that they were reasonable*. If "there is an absence of data and information from which the reasonableness and propriety of the services rendered and the reasonable cost of rendering such services can be ascertained by the commission, allowance is properly refused." *Id.*

In this case, we find the Company failed to meet its burden of proof with respect to Mr. Reading's expenses. It is undisputed that Mr. Reading is a related party, and the Company did not provide evidence to substantiate Mr. Reading's work and/or wage. It is thus appropriate and reasonable to adjust the expenses claimed for Mr. Reading. We find Staff's analysis of annual hours based on normal operations and median pay rate for similarly situated employees persuasive. Accordingly, we find it reasonable and just to approve $7,635 in Administrative and General Labor expense for Mr. Reading's bookkeeping and accounting services.

We acknowledge that Mr. Reading is assisting the Company in updating and improving its water system, accounting systems and procedures, and customer service and billing. A new meter reading and billing program may alter Mr. Reading's duties and responsibilities. If, in a future rate case, the Company provides appropriate evidence that Mr. Reading's continuing labor expenses have been actually and reasonably incurred, we will re-evaluate the reasonable level of expense recovery through its rates.

<u>Rate Case Expenses</u>. The Company has stated that, like many small water companies, it lacks sufficient funds to hire outside attorneys, accountants or consultants to help it prepare and process a rate case. Reply Comments at 3. The Company thus asks to recover its expenses to prepare this case through the new rates. *See* Application Addendum 3 at 1.[1]

Commission Findings – Rate Case Expenses: As noted in footnote 1, the Company did not ask to recover its rate case expenses in its Application. Rather, it asked to recover those

[1] The Company made this request in Application Addendum 3, which it filed on August 26, 2016, which was before the Company's reply deadline but after the deadline for comments had closed and the public hearing in this case had occurred.

expenses after the comment deadline had closed and the public hearing had occurred. No one has objected to the Company's late request to recover its rate case expenses. Ordinarily, smaller utilities recover rate case expenses through bookkeeping and accounting wage expenses. However, we did not allow recovery of all wages in the ongoing revenue requirement. Moreover, there is reasonable evidence that Mr. Reading and the owners worked many hours on this case. Although there is not a specific formula due to the variances between small water utilities, we find it reasonable to allow the Company recovery of $5,000 in rate case expenses. This amount should be amortized and recovered over a three-year period resulting in $1,667 being added to annual expenses as rate case amortization.

The Commission does not want to discourage small water utilities from filing necessary and well-supported rate cases due to a belief that the utility will not be allowed to recover its rate case expenses. If the Company wishes to retain outside attorneys, accountants, and other consultants to help it prepare and process future rate cases, the Company should be sure to include those expenses in its rate case application. So long as those rate case expenses are actual, known, measurable, and reasonably and prudently incurred, the Commission will consider allowing recovery through rates.

<u>Purchase Power and Fuel Expense</u>. The Company reported actual purchase power and fuel expenses for the test year of $15,582, and known changes of $6,000, for a total pro forma adjusted expense of $21,582. *See* Staff Comments; Atch. A, col. A, l. 11. Staff recommended reducing this amount by $7,303 for a total recommended authorized fuel expense of $14,279. *See id.*; Atch. A, col. F & M.

Staff's proposed $7,303 adjustment to the total authorized fuel expense included:

- a $487 increase, reflecting the Company's increased costs to pump water due to a $0.002903 per kWh increase in the price of electricity sold by Rocky Mountain Power;

- a $2,046 decrease, reflecting abnormally high electricity use in November and December of the test year;

- a $255 increase, reflecting the net adjustment for both unnecessarily and necessarily incurred minimum charges and late fees[2]; and

[2] Staff's proposed adjustments related to minimum charges and late fees included: (1) a $116.11 and $69.12 decrease to reflect the removal of unnecessary minimum charges that the Company incurred on its May and September electric bills; (2) a $239.75 increase to reflect the addition of minimum charges that the Company necessarily incurred on its November and December electric bills due to abnormally high electricity use; and (3) a

- a $6,000 decrease, reflecting the Company's failure to sufficiently justify its proposed $6,000 adjustment for known changes to purchased power and fuel expenses.

See id. at 9-10.

In its reply, the Company noted that the abnormally high electricity costs in November and December of 2015 were due to well programming problems. *See* Company Reply at 3. The Company did not otherwise address Staff's points, but nevertheless maintains it cannot reduce its power costs by $7,303. *Id.*

Commission Findings – Power and Fuel Expenses: Based on our review of the record, we find that the Company reasonably incurred $14,279 in power and fuel expense. The Company could have avoided unnecessary minimum and late charges incurred on electric bills by strategically using its pumps. Staff noted the Company owns three pumps and receives three different electric bills. Its newest pump is served under a plan that requires the Company to pay a minimum charge if the total electric bill falls under a certain amount. It is reasonable and just for the Company to avoid unnecessary minimum and late charges on electric bills by using the new pump until the minimum bill threshold is met. "When the minimum threshold has not been met in a given month, splitting usage between two pumps can cause minimum bill charges that could have otherwise been avoided." *Id.* The inclusion of an additional $6,000 for "known changes" is not supported by the record.

<u>Operations and Maintenance (O&M) Expense – Materials and Supplies</u>. The Company reported $4,100 in O&M materials and supplies expenses, including accounting adjustments, payment for incidental labor, a security contract and two related-party transactions. *See* Staff Comments at 10.

Staff proposed removing $602 from O&M and capitalizing it as plant-in-service, Account 304, Structures and Improvements. This amount, rather than representing a regularly incurred O&M expense, represents the one-time cost of building a concrete pad at a well house. *See id.* In addition, Staff proposed removing another $573 from O&M Materials and Supplies expenses because the expense arose from a related-party transaction for which the Company has failed to satisfy its burden of proof. Specifically, on March 11, 2015, the Company transferred $572.95 to an entity called Landco. *See id.* Staff proposed adjusting this expense downward

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$39.00 decrease to reflect the removal of unnecessary late fees that the Company unnecessarily incurred on electric bills. *Id.*

because the Company and Landco share common ownership. Staff believed that the Company did not provide sufficient evidence to show that its payments to Landco were reasonable. Staff noted the Company provided one $430 invoice from Landco that evidenced one of the Company's Landco transactions, but the Company did not otherwise provide sufficient evidence of actual cost incurred supporting the related-party invoice, or that the payment amount was reasonably and appropriately incurred. For these reasons, Staff recommended that the Commission decrease the claimed O&M expenses for Materials and Supplies by $1,175 ($602 for the concrete pad reclassified to plant-in-service, plus $573 in claimed Landco expenses), from $4,100 to $2,925. *See id.*; Atch. A & F.

In its reply, the Company maintained it provided all requested invoices to Staff (and thus provided evidence that the Company actually incurred the claimed Landco expenses). *See* Company Reply at 4. The Company asserts that the necessary information related to this transaction was provided to Staff, and that Staff should re-assess compliance through documentation already provided. *See id.*

Commission Findings – O&M Expense for Materials & Supplies: We find it fair, just, and reasonable to decrease the Company's claimed O&M expenses for Materials and Supplies by $1,175 ($602 in reclassified concrete pad expenses, plus $573 in disallowed related-party expenses from Landco), from $4,100 to $2,925. The Company did not provide sufficient evidence of costs actually incurred or reasonableness of its $573 payment to an affiliated party.

<u>Administrative and General Expense – Materials and Supplies</u>. Staff noted that the Company booked certain training expenses as Administrative and General (A&G) instead of to an O&M account for the particular utility operating function that was the subject of the training for which the expense was incurred. While Staff did not make an adjustment because of this, Staff recommended that, in the future, the Company book training to the proper expense category. Staff also committed to making itself available to work with the Company on this issue. *See id.* at 11.

Commission Findings – A&G Expense for Materials & Supplies: We observe that Morning View struggles in keeping its expenses appropriately categorized and maintained. We direct Morning View to work with Commission Staff to properly identify and categorize expenses.

Water Testing Expense. The Company proposed $1,000 in pro forma water testing expenses. Staff recommended increasing water testing expenses by $952, to $1,952, based on a calculation of water quality testing requirements of the Company's three wells over a nine-year rotation. *Id.*; Atch. G.

Commission Findings – Water Testing Expense: Based on the requirements of the Idaho Department of Environmental Quality, we find it fair, just, and reasonable to increase the Company's water testing expense by $952 to $1,952 to allow the Company to meet its water quality testing requirements.

Regulatory Fee Expense. The Company claimed $630 in actual costs plus a known adjustment of $127 for regulatory fee expenses totaling $757. *See id.* at 14. However, Staff noted that the Company included $506 of property taxes in the regulatory fee amount. Staff also calculated the current regulatory fee assessment to be $130, as opposed to the $127 calculated by the Company. Staff thus, recommended that the Commission reclassify the $506 in taxes from the Company's claimed regulatory fee operating expenses and adjust for the current assessment rate. The $506 in taxes would then be properly booked as a property tax expense.

Commission Findings – Regulatory Fee Expense: Based on the evidence, we find it fair, just, and reasonable to approve a regulatory fee expense of $130. Property taxes of $506 will be removed from the Company's regulatory fee expenses and reclassified as a property tax expense.

Miscellaneous Expenses. Staff opined that the Company accurately accounted for miscellaneous expenses except as follows:

Bank Charges: Charges on the Company's Wells Fargo Bank account escalate along with transactions in the account. Staff noted that other banks do not charge this graduated fee, and it should not be placed in rates for recovery from customers. Staff recommended a reduction of $281. *See id.* at 12; Atch. H, l. 1.

Commission Findings – Bank Charges: Based on our review of the record, it appears that the Company actually incurred the graduated charges. However, we find that the graduated charges are not typically charged by other banks, and that the Company could have avoided them by switching to another bank. Accordingly, we find the Company did not prudently incur those charges. Charges that are not prudently incurred should not be passed on to customers. Therefore, we decline to authorize recovery of the graduated bank fees of $281 in rates.

Legal Fees: The Company requested that an additional $700 in annual legal fees, which are unrelated to rate case preparation, but instead stem from the Company's need to protect its water rights, be added to its allowed expenses. *See* Application Addendum 2. Staff stated that $700 is prudent and should be placed in rates because the Company needs to defend and protect the water rights it uses to serve customers. *See* Staff Comments at 12; Atch. H, l .8.

Commission Findings – Legal Fees: We find it fair, just, and reasonable to include an additional $700 in legal fees for a total of $800 in rates. The Company is a water utility, and prudence dictates that it be allowed to pass on to customers the reasonable legal expenses it incurs to protect the water rights it uses to serve customers.

Software Support: Staff adjusted the Company's reported total software support by $1,500 because, Staff asserts, these expenses relate to additional bill printing software that is not in use. *See id.* at 12. In discovery, Staff requested that the Company demonstrate the software's ability to print monthly invoices. Instead, the Company provided a sample water bill created using Excel. *See id.* However, the Company, in its reply comments, asserted that the additional $1,500 attached to software expenses is for the purpose of obtaining the bill printing portion of the software suite. *See* Company Reply at 3. The Company explained that "the sample invoices were not created by the billing software purchased in the construction loan, because the company did not have $1,500 to purchase support and completely set up the billing software . . . ." *Id.* The Company maintained that it must have an additional $1,500 to obtain the software, which "would show beginning and ending readings that show how the monthly usage was calculated." *Id.*

Commission Findings – Software Support: Based on our review of the record, it is reasonable and appropriate to include the additional $1,500 software expense so Morning View can upgrade its software and print bills. It is important for the Company to have an adequate system in place to meter and bill customers. We expect that having this software in place will reduce, and enable the Company to more quickly address, customer complaints related to meter reading, and will decrease the Company's costs related to accounting, billing and collections.

Mileage: Staff asserted that the Company did not document mileage for 2015 or explain how it estimated future mileage. *See* Staff Comments at 13. Therefore, there is no evidence suggesting the Company's requested mileage expense of $2,368 reflects a known and measurable change to test year mileage expense. Staff admitted, however, that some mileage is reasonable, given the nature of the Company's business and location. Staff recommended removing $2,000 from the claimed mileage expense, and placing $368 of mileage expense in rates. *See Id.*; Atch. H, l. 9.

Commission Findings – Mileage: Based on our review of the evidence, we find it reasonable to include $368 of mileage expenses in rates. Because the Company failed to document its test year mileage and substantiate known and measurable changes to that mileage, the Commission cannot make a finding that the expenses were prudently incurred. Accordingly, it is appropriate to disallow $2,000 in claimed but unsubstantiated expenses, while leaving $368 in rates as a reasonable mileage expense.

Rent: Although an affiliated transaction, Staff and the Company agree that the Company's $900 rent adjustment (*see id.* Atch. H, l. 10) is reasonable. As noted above, some customers have complained about the appearance and cleanliness of the office. However, while Staff noted that the building is aged and the exterior is rough, the location is significant because suitable small offices are not common in the area. *See id.* at 13.

Commission Findings – Rent: Based on our review, including availability of office space and the lack of dispute on the amount of the proposed rent adjustment, we find the Company's proposed $900 rent expense to be reasonable and appropriate. Although we are allowing this expense, we note that a customer described the Company's office as being in "shambles." The Company has a duty to provide safe and reliable water service to its customers. Ensuring its customers have a reasonable space to interact with the Company to pay bills, discuss Company-related matters, and make any complaints, is part of that duty.

Repairs and Maintenance: The Company claimed $1,000 in Repairs and Maintenance expenses. After separately analyzing "Repair Expenses" and "Maintenance Expenses," Staff recommended decreasing the Repairs and Maintenance expense to $150 to avoid misclassifying and double counting $850 in expenses that are accounted for elsewhere. *See Id.*; Atch. H, l. 11.

Commission Findings – Repairs and Maintenance: In regulatory terms, maintenance expenses are regular and predictable and usually include the cost of labor and materials. Repairs are generally unpredictable. Labor for repairs is usually performed by employees whose wages are reported in other accounts. Evidence provided through production requests and included in Staff's comments reveals that the Company included some expenses as both a "repair" and a "maintenance" expense. Labor costs were also inappropriately included. Proper documentation was not provided to determine the Company's average repair expenses. Consequently, we cannot find that $1,000 in repairs and maintenance expenses was prudently incurred. Based on its experience with other small water companies, Staff recommended inclusion of $150 as an appropriate annual allocation for repairs and maintenance. Without evidence to substantiate anything more, we find that $150 in annual repair and maintenance expenses is just and reasonable.

Rate Case Transcript: Staff believes that it is important that the Company purchase a physical copy of the hearing transcript in this case so the Company can properly address customer concerns. Therefore, Staff recommended increasing the Company's proposed miscellaneous expenses by $188 to cover the cost of the transcript. *See id.*; Atch. H, l. 13.

Commission Findings – Rate Case Transcript: Based on our personal observations of interaction between the Company and its customers and the parties' agreement on this issue, we find it reasonable and appropriate to include $188 in hearing transcript expense in rates.

C. Rate Base. The Company proposed a $682,070 rate base. Staff, on the other hand, recommended decreasing this amount to $465,874. Staff's recommended rate base includes $469,916 in plant-in-service, $10,411 in accumulated depreciation, and $6,369 in working capital. *See id.* at 15; Atch. L. Staff's recommended adjustments to rate base are discussed below.

a) *Plant-in-Service*

The Company proposed net plant-in-service of $608,265 be included in rate base. However, the Company lost most of its historical records in 2013, including those it would have used to establish plant-in-service. As a result, Staff recommended that the Company set its plant-in-service to an amount approved by the Commission through this case.

In considering how to establish the Company's plant-in-service, Staff recommended addressing several factors. To begin, three of the four items from the plant-in-service established in the Company's most recent rate case (Case No. MNV-W-06-01) are fully depreciated. Consequently, Staff recommended their removal from the plant-in-service schedule along with the applicable accumulated depreciation. The fourth item has an undepreciated value of $255.

Staff recommended that the remaining undepreciated value be removed from plant-in-service along with the applicable accumulated depreciation as an offset to contingency funds that were improperly utilized by the Company.

Staff further recommended that several expense items that should have been capitalized be added to the Company's plant-in-service. The remainder of existing plant-in-service items were installed in 2015 with funds obtained through the Idaho Drinking Water Revolving Loan program. Based on these adjustments and inclusions, Staff recommended gross plant-in-service of $532,104.

Staff recommended reducing the gross plant-in-service of $532,104 by the $62,188 remaining balance of the Company's contingency fund ($62,443 balance minus $255 offset in otherwise undepreciated value). Because of differing depreciation schedules, Staff recommended that the $62,188 be allocated to the various plant-in-service accounts based on percentage of the total. The result of these adjustments is a plant-in-service calculation of $469,916.

Based on $469,916 of plant-in-service, Staff recommended a depreciation expense of $20,822. Because all Staff-recommended plant-in-service items were placed in service in 2015, Staff recommended a half-year convention for the first year depreciation, which results in an accumulated depreciation of $10,411. Ultimately, Staff recommended net plant-in-service of $459,505. The Company did not reply to Staff's proposed adjustments to plant-in-service.

b) Working Capital

The Company equated working capital to its operating expenses in its Application. Staff disregarded this method as improper and recommended instead that working capital be calculated using the 1/8th rule, in which the appropriate amount of working capital equates to 1/8th (45 days' worth) of a utility's annual operating expenses.[3] Using this method, Staff recommended the Commission include $6,369 of working capital in rate base. *Id.* at 15. The Company did not reply to Staff's proposed adjustments to working capital.

Commission Findings – Rate Base: Based on our review of the record and our findings that increased allowable operating expenses to include the cost of billing software, we find it reasonable and appropriate to approve a working capital of $6,556. This results in a

[3] Staff states that the 1/8th rule is "common practice for small water utilities without the capability of performing a more complex analysis." *Id.*

Company rate base of $466,061 (which includes $459,505 in adjusted plant-in-service and $6,556 in working capital).

D. Rate of Return. The Company requested an overall rate of return of 7.41%. *See* Application Exh. No. 3. Staff, on the other hand, recommended an 11% return on equity (ROE), with a resulting overall rate of return of 2.15%. *See* Staff Comments at 16.

In its Application, the Company reported $550,654 in long-term debt at 8% interest. However, Staff noted that the only long-term debt outstanding is the Idaho Drinking Water Revolving Loan, which has a current balance of $531,502 at 1.25% interest.

The Company also reported $19,152 in short-term debt, consisting of loans to the Company from its owners. *Id.* Staff noted that *Idaho Code* § 61-901 requires loans be approved by the Commission. *Id.* Further, Staff noted that these "loans" are not likely to be paid back within 12 months and the payback period is too flexible to be considered loans under regular circumstances. *Id.* Staff therefore recommended that the Commission characterize these loans as equity investments. *Id.* As a result, Staff recommended a capital structure consisting of 90.77% long-term debt and 9.23% common equity. *See id.* at 16; Atch. M.

Staff noted the Company has expressed doubt about covering its debt payments. Staff estimated the payments on long-term debt at $22,000 per year and recommended a return on investment plus depreciation totaling $30,837. Therefore, Staff maintained that the loan payments will be covered. *Id.* The Company did not reply to Staff's comments on rate of return.

Commission Findings – Rate of Return: We find it just and reasonable to authorize the Company the opportunity to earn an 11% ROE with a corresponding overall rate of return of 2.15%. An 11% ROE reflects current market conditions. The Company's return on investment plus depreciation should adequately cover the Company's loan payments.

E. Revenue Requirement Amount. The Company requested an increase of revenues of $101,452 consisting of total annual expenses of $100,838 plus a return on a total rate base of $682,070 at an overall rate of return of 7.41%. *See* Application Exh. Nos. 2 & 4.

Staff, on the other hand, recommended that the Commission authorize the Company to recover a gross revenue requirement of $91,061. Staff's recommended revenue requirement reflects Staff's proposed adjustments (i.e., recommended total annual expense amount of $78,150; recommended rate base of $465,874; and recommended rate of return of 2.15%), along with the following changes:

1. Other Revenues: Staff recommended that "other revenues" (which include $125 in disconnection and $12 in returned check fees) be removed from the incremental revenue requirement calculation. *See* Staff Comments at 5; Atch. A, col. B.

2. Contingency Account Surcharge: The Company has been collecting $5 per month from customers in surcharge fees. Staff recommended reclassifying that amount from unmetered revenue to Commission-approved surcharges collected. *See id.*; Atch. A, col. C. Staff noted that the Commission attached four requirements to the surcharge authorization in Order No. 29104. However, the Company has failed to abide by the Commission's requirements in that Order and its last case (*see* Case No. MNV-W-06-01). *See id.* at 6. Staff audited the contingency reserve account. Between June 2006 and September 2016, $63,460 should have been deposited. Staff recommended that the Company account for $62,443 as contributed capital and use those funds to reduce plant-in-service. *See id.*; Atch. B, l. 17.

The Company has admitted, and Staff's audit verified, that the Company used surcharge funds to pay for day-to-day operations rather than for "extraordinary and unforeseen major repairs and replacements" as contemplated in Order No. 29104. *See id.* at 6. Staff thus recommended that the Commission discontinue the surcharge. In its reply comments, the Company did not dispute this recommendation. *See generally* Company Reply. Also, as already noted, customers expressed a great deal of dissatisfaction with the surcharge. Customers complained that the Company improperly used the surcharge to fund daily operations and that the surcharge is not tied to any concluding event or cap.

Commission Findings – Revenue Requirement Amount: Based on our findings regarding expenses, rate base and rate of return, we find it reasonable and appropriate to authorize the Company to recover $93,727 in revenue requirement. We direct the Company to immediately discontinue collection of the $5 Contingency Account Surcharge. The Company has consistently failed to properly maintain and utilize the Contingency Account funds. We cannot allow the Company to collect money for an emergency fund when, in reality, it is using the fund to subsidize normal operating expenses. Day-to-day needs of the Company must be met with revenues collected through rates.

II. Rate Design

The Company's current and proposed rate designs are summarized on page 2. Staff maintained that the Company's current rate design unfairly subsidizes high water users based on lot size. *See* Staff Comments at 17. The Company has, however, installed water meters for all of its current customers, and it desires to implement a new rate design that includes a volumetric (usage) charge. *See* Company Reply at 2. The Company asked Staff to help it add a volumetric element to its rates.[4]

Staff recommended that, if volumetric usage becomes part of the Company's rates, the Company should establish a meter reading and billing policy that complies with the Utility Customer Relations Rules (UCRR), specifically Rule 201.03. IDAPA 31.21.01.201.03. *See* Staff Comments at 23. Staff expressed a commitment to ensure that the Company's meter reading and billing practices comply with UCRR requirements.

In its proposal, Staff took into account the variable costs of providing volumetric water service to certain higher volume use customers and the corresponding increased costs to the Company based on this delivery. Staff thus proposed to minimize subsidization of high-use customers by low-use customers by implementing the following two-part rate structure that includes (a) minimum charges and (b) a two-tier volumetric charge:

Lot Size	**Proposed Minimum Charge**	**Size of 1st Tier (in 1,000 gallons)**	**1st Tier charge ($1,000 gallons)**	**2nd Tier charge ($/1,000 gallons**
¼ Acre	$49.00	10	$0.15	$0.45
½ Acre	$58.00	40	$0.15	$0.45
1 Acre	$63.00	45	$0.15	$0.45

In summary, Staff proposed an inclining block volumetric charge structure. The lower-priced first tier covers basic indoor needs and the higher-priced second tier would cover more discretionary water use. *See* Staff Comments at 18. Tier sizes were determined based on customer classes buying about 39% of water (based on historical use) within the lower-priced first tier. *Id.* The inclining block structure, Staff maintained, would allow mitigation of the rate increase through conservation. *Id.* Reducing consumption may also help the Company and its customers avoid future pressure problems. *Id.*

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[4] While customers expressed some doubt as to metering because of potential costs set by the Company and a lack of trust related to the Company's ability to properly monitor and operate the meters, at least one customer commented that a sole flat monthly rate, as the Company proposed, is unreasonable, but a minimum monthly amount, after which a usage rate kicks in, seems more fair because people will pay for what they use. *See generally* Comments of Martin Newton Sr., September 16, 2016. Other customers noted, and the Company acknowledged, that in the past customers have used excessive and unnecessary amounts of water and metering would help to prevent waste.

Finally, Staff indicated that its proposed rate design impacts each customer group in a substantially similar fashion (about a 72% increase), and allows for a 20% volumetric cost recovery. *Id.* Staff maintained its proposed rates would generate revenues approximating the revenue requirement target of $93,727. *See id.*; Atch. R. Because of the inherent uncertainty in future usage under this model, Staff also recommended that the Company include water sales, by rate group and customer, with its annual report so the Commission can monitor its financial condition and determine rate adjustments. *See id.* at 20.

In its reply, the Company stated: "[part of rates based on usage] of course is reasonable, based on the fact that new meters were installed, and that this would help curb excessing usage and usage aided by illegal booster pumps installed by at least one customer. We also recognized that the PUC would have a better idea of how to set up a rate structure based on usage." *See* Company Reply at 2. While the Company disagreed that a rate increase of 74% is sufficient, it does not dispute Staff's proposed volumetric rate structure.

Commission Findings – Rate Design: Based on our review of the record, we find it just and reasonable to approve a volumetric rate structure. Allowing a 20% recovery through the use of volumetric pricing allows the Company to transition to metered rates while attempting to mitigate the impact of rate shock on customers. As a result of this added complexity, we also order the Company to establish a meter-reading and billing policy that complies with the Utility Customer Relations Rules (IDAPA 31.21.01.000) and work with Staff to implement the policy. Finally, we direct the Company to include water sales, by rate group and customer, with its annual report so that we can stay apprised of its financial condition and possible future need for rate adjustments.

In summary, based on our above findings and pursuant to our authority granted under *Idaho Code* § 61-622, we find that the Company's existing rates are no longer reasonable, and we approve as just and reasonable the following rates:

Lot Size	**Proposed Minimum Charge**	**Size of 1st Tier (in 1,000 gallons)**	**1st Tier charge ($1,000 gallons)**	**2nd Tier charge ($/1,000 gallons**
¼ Acre	$50.00	10	$0.15	$0.49
½ Acre	$59.00	40	$0.15	$0.49
1 Acre	$64.00	45	$0.15	$0.49

III. Other Issues

A. <u>Accounting and Internal Controls</u>. Staff stated, and the Company acknowledged, that the Company is family-owned and the owners are closely affiliated with other business ventures that overlap with the Company's business. *Id.* at 3. Staff noted that since the Company's last rate case, the Company has created new accounting structures and hired a qualified bookkeeper. However, given the closely-related nature of the Company's business dealings, Staff strongly recommended that the Company institute further internal controls over accounting and finances. *Id.*

Staff noted the importance of creating a policy driven system of checks and balances in order to adequately ensure control over Company accounting and finances. *Id.* Staff recommended that the Company move further toward separation of duties and adequate controls by adopting a records retention and data backup policy. *Id.* Finally, Staff recommended that the Company work with Staff's auditors for further information and training on regulatory accounts classification. *Id.*

In its reply, the Company disputed Staff's characterizations, stating that the computer is accessible by remote network to all Company employees, all accounting files are reviewed weekly, and that on-line banking accounts are accessible to the owners. *See* Company Reply at 2; 5. However, the Company generally agreed with Staff's comments, and agreed to work with Staff in order to "tighten up our oversight and develop necessary policy and procedure." *See id.*

Commission Findings – Internal Controls: Based on past precedent and the parties' agreement on this issue, we direct the Company to work with Staff to create and implement accounting and internal controls policies in order to create a series of checks and balances that will ultimately benefit the Company and its customers.

The Company also struggles with liquidity problems. Staff noted that although the Company follows procedures related to, among other things, the filing of liens, termination of service and collections, it struggles with accounts receivable delinquency. *Id.* The Company routinely carries accounts receivable more than 90 days past due. It is in the Company's best interest to improve its handling of accounts receivable. We, therefore, direct the Company to work with Commission Staff to correct identified deficiencies in its policies.

B. <u>Infrastructure</u>. Morning View stated that it expects to add up to 20 customers to its water system over the next three to five years. According to Staff, while the refurbished system should be able to accommodate this growth, new customers may affect future rate design and the Company's underlying financial condition. *See* Staff Comments at 2. Some customer complaints were also directed toward the Company's infrastructure and how it handles new customers and increases in residential development served by the water system and new user effects on water pressure.

Commission Findings – Infrastructure: We find concerns about the Company's infrastructure and ability to add new customers reasonable. We direct the Company to identify new customers in its annual report and identify the date each customer was added to the system. This will facilitate the Commission's ability to monitor the impact of new customers on the system.

C. Miscellaneous Issues.

1. Water Pressure. The Company and Staff agree that historical water pressure problems have been substantially resolved and that some outside issues related to pressure, such as illegal pumping, have been curtailed. Staff commented that current water pressure issues are those normally found in radial water distribution systems. *See* Staff Comments at 2-3.

The Company replied to the various customer comments and complaints by stating that water pressure should no longer be an issue and that Company representatives are available during all waking hours (and off-hours for emergencies) to aid customers in determining the root cause of pressure issues. The Company cited one example where a customer's pressure issues were not a result of system pressure, but of calcification of water pipes within the home and, therefore, communication and cooperation related to diagnosis is of the utmost importance. *See* Company Reply at 6.

Commission Findings – Pressure: We sympathize with Morning View's customers, for whom water pressure issues have historically been a frustrating recurrence. However, as it is now configured, the Company's water system is providing more than adequate water pressure to serve the needs of its customers. Water pressure tests revealed pressure readings well above the minimum required by DEQ. We encourage the Company to continue to be proactive in addressing water pressure complaints according to system factors within its control.

2. Meter Reading. As part of implementing the use of the new meters, the Company attempted to quantify metered usage on a bill for informational purposes for each customer, as requested by Staff. Although customers were not being charged for usage at the time the sample

meter information was provided, the monthly volumetric breakout triggered complaints that meter readings were wildly inconsistent between months and that readings could not have existed for certain months because the meters had not been installed or had been manipulated. The Company countered that it can show through receipts, records and validation by the meter installation contractor that customers are misremembering. However, customers are concerned that future readings will be inaccurate if the Company cannot accurately meter water during a test period.

Staff has expressed a commitment to work with the Company to establish a meter reading and billing policy along with a written explanation of said policy for distribution to customers. *See* Staff Comments at 23.

Commission Findings – Meter Reading: We direct the Company to adopt and implement a meter-related policy. Customers must be able to trust and analyze metered rate information in a system where charges are based partly on metered volume. Inaccurate or undependable information breeds distrust and misunderstanding. As a corollary, we find that the development of policies and procedures related to water metering and billing also provides opportunity to educate customers on water conservation.

3. Workshop and Hearing Notice. Customers commented that notice was not sufficient in the case. However, based on its audit, Staff asserted that all notice requirements related to the case were sufficiently met. *See* Staff Comments at 20-21.

Commission Findings – Notice: It is critical that all customers are sufficiently notified of actions undertaken by the Company that may affect customer rates. The Company must make all reasonable attempts to notify all of its customers, regardless of language barriers or communicated interest in ratemaking, on matters affecting the water system.

4. Company Tariff. The Company's current tariff, including its Rate Schedules and the General Rules and Regulations for Small Water Utilities, was last updated in 2007 in Case No. MNV-W-06-01. Staff recommended that the Company update its tariff to reflect the UCRR's current requirements, and to incorporate the Uniform Main Extension Rule for Water Utilities based on Order No. 7830 (Case No. U-1500-22). Staff has expressed its willingness to work directly with the Company on these issues. *Id.*

Commission Findings – Tariffs: We order the Company to update its tariff to reflect changes as a result of this rate case as well as compliance with applicable UCRR and incorporate the Uniform Main Extension Rule for Water Utilities based on our Order No. 7830.

5. Non-Recurring Charges.

a) Reconnection Fee – Staff recommended that the Company revise its reconnection fee so that it is clear to customers and not applied to disconnections by Company employees. *Id.*

b) Late Payment Charge – The Company struggles with delinquent payments. Staff supports adoption of a late charge according to the UCRR (minimum of 15 days after the bill date before a payment becomes past due). Staff recommended that the Company be allowed to charge 1% on past due amounts at the time of the next billing statement. *Id.* at 24-25.

c) Insufficient Funds Charge – While the Company has incurred costs related to dishonored payments, it has not sought an insufficient funds charge. Staff recommended that the Company adopt $20 per dishonored check. *See Idaho Code* § 28-22-105. The Commission has allowed utility tariffs to include this charge in the past and Staff finds it to be a fair and reasonable way of avoiding a scenario where the Company (and therefore its customers generally) must bear the financial burden of returned checks. *Id.* at 25.

Commission Findings – Non-recurring Charges: We find the adoption of non-recurring charges to be reasonable. The Company is ordered to file its tariffs to: (a) revise its reconnection fee to make it clear to customers that disconnections do not trigger a fee; (b) include in its tariff a 1% charge on past due accounts at the time of the subsequent billing statement; and (c) adopt an insufficient funds fee of $20 in order to put financial burden more directly on customers with returned checks.

ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

Morning View is a water corporation. The Commission has jurisdiction and authority over Morning View and the issues raised in this case, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* Based on our review of the record, we find that Morning View's existing rates, charges, and practices are unreasonable to the extent described in the body of this Order, and that the rates do not afford sufficient revenue to the Company. *See Idaho Code* §§ 61-501 and -502. We also find it fair, just, and reasonable for the Company to change its rates, charges, and practices as described in this Order.

Accordingly, we approve an 11% ROE and an overall rate of return of 2.15% on a total rate base of $466,061, and we authorize the Company to increase its annual revenues by $41,509 to satisfy a total revenue requirement of $93,727. *See* Exhibit A and B to this Order, further detailing this decision.

ORDER

IT IS HEREBY ORDERED and the Commission in Case No. MNV-W-16-01 does hereby approve as just and reasonable a total revenue requirement of $93,727. We also approve as just and reasonable the detailed changes in revenue requirement, capital structure, return on rate base, and rate design, as more fully set out in the body of this Order.

IT IS FURTHER ORDERED that the Company submit tariffs in compliance with the rates and charges identified in this Order no later than 14 days from the service date of this Order. The rates and charges authorized by this Order shall become effective for services rendered on and after December 1, 2016.

IT IS FURTHER ORDERED that tariffs must conform with applicable Utility Customer Relations Rules, specifically Rule 201.03, IDAPA 31.21.01.201.03, and incorporate the Uniform Main Extension Rules for Water Utilities based on our Order No. 7830.

IT IS FURTHER ORDERED that the Company establish a 1% past due charge and a $20 returned check charge, as more fully set out in the body of this Order.

IT IS FURTHER ORDERED that the Company develop and implement policies, procedures and reports as more fully set out in the body of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of November 2016.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

O:MNV-W-16-01_sc

EXHIBIT A
Order No. 33658
Case No. MNV-W-16-01

Morning View Water Co.
Adjustments Summary
MNV-W-16-01

	Company Case A	B Remove One Time Revenue	C Transfer Contingency Surcharge	D Reclassify Salaries	E Labor-Admin & Gen	F Electricity Expense	G Materials & Supplies- Op& Mtnce	H Water Testing	I Misc Expenses	J PUC Fees	K Plant Adjustment	L Rate Case Amortization	Order M
Revenues													
1 Unmetered Sales	52,219		(6,310)										45,909
2 Commission-approved Surcharges collected			6,310										6,310
3 Other Revenue	137	(137)											-
4 Total Revenue	52,356	(137)	-	-	-	-	-	-	-	-	-	-	52,219
													-
Operating Expenses													-
5 Labor-Operation & Maintenance	-			9,180									9,180
6 Labor-Customer Accounts	-												-
7 Labor-Administrative & General	16,800				(9,165)								7,635
8 Salaries-Officers & Directors	12,240			(9,180)									3,060
9 Employee Pensions & Benefits	-												-
10 Purchased Water	-												-
11 Purchased Power & Fuel for Power	21,582					(7,303)							14,279
12 Chemicals	-												-
13 Materials & Supplies-Operation & Maintenance	4,100						(1,175)						2,925
14 Materials & Supplies-Admin & General	1,600												1,600
15 Contract Services-Professional	1,890												1,890
16 Contract Services-Water Testing	1,000							952					1,952
17 Contract Services-Other	-												-
18 Rentals-Property & Equipment	-												-
19 Transportation Expense	-												-
20 Insurance	126												126
21 Advertising	-												-
23 Regulatory Comm. Exp. (Other Except Taxes)	-												-
24 Bad Debt Expense	-												-
25 Miscellaneous Expenses	12,049								(2,243)				9,806
26 Total Operating Expense	71,388	-	-	-	(9,165)	(7,303)	(1,175)	952	(2,243)	-	-	-	52,452
27 Depreciation Expense	22,057										(1,235)		20,822
28 Rate Case Amortization												1,667	1,667
29 Regulatory Fees	758									(628)			130
30 Property Taxes	510									506			1,016
31 Payroll Taxes	5,596				(1,402)								4,194
32 DEQ Fees	530												530
33 Total Expenses	100,838	-	-	-	(10,567)	(7,303)	(1,175)	952	(2,243)	(122)	(1,235)	1,667	80,811
34 Net Income	(48,483)	(137)	-	-	10,567	7,303	1,175	(952)	2,243	122	1,235	(1,667)	(28,593)
35 Plant in Service	630,322						602				(161,008)		469,916
36 Accumulated Depreciation	22,057										(11,646)		10,411
37 Net Plant in Service	608,265	-	-	-		-	602	-	-	-	(149,362)	-	459,505

EXHIBIT B
Order No. 33658
Case No. MNV-W-16-01

Morning View Water Co.
Revenue Requirement
Case No. MNV-W-16-01

	Company Case		Staff Case		Order	
1 Rate Base		$ 682,070		$ 465,874		$ 466,061
2 Required Rate of Return		7.41%		2.15%		2.15%
3 Return on Investment		$ 50,551		$ 10,017		$ 10,021
4 Net Operating Income Realized		$ (50,901)		$ (25,932)		$ (28,593)
5 Net Operating Income Deficiency		$ 101,452		$ 35,949		$ 38,614
Revenue Requirement Increase						
9 Subject to Income Tax	$ 50,551		$ 10,017		$ 10,021	
10 Tax Gross Up Factor	128.0631%		128.8884%		128.8884%	
Tax Grossed Up Amount	$ 64,738		$ 12,911		$ 12,916	
11 Not Subject to Income Tax	$ 50,901		$ 25,932		$ 28,593	
12 Gross Up Factor not Subject to Income Taxes	100.1881%		100.6925%		100.6925%	
Not Subject to Income Taxes Amount	$ 50,996		$ 26,112		$ 28,791	
Revenue Requirement Increase		$ 115,734		$ 38,843		$ 41,509
13 Revenue Increase Required		$ 115,734		$ 38,843		$ 41,509
15 Total Revenue Increase Required		$ 115,734		$ 38,843		$ 41,509
16 Total Revenue Collected in Test year		$ 52,356		$ 52,219		$ 52,219
17 Revenue Increase %		221.05%		74.39%		79.49%
18 Total Gross Revenue Requirement		$ 168,090		$ 91,061		$ 93,727

Gross-up Factor Calculation	Subject to Income Taxes	Excluding Income Taxes	Subject to Income Taxes	Excluding Income Taxes	Subject to Income Taxes	Excluding Income Taxes
19 Net Deficiency	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20 PUC Fees	0.1877%	0.1877%	0.1877%	0.1877%	0.1877%	0.1877%
21 Bad Debts	0.0000%	0.0000%	0.5000%	0.5000%	0.5000%	0.5000%
	99.8123%	99.8123%	99.3123%	99.3123%	99.3123%	99.3123%
22 State Tax @ 8%	7.9601%	0.0000%	7.9601%	0.0000%	7.9601%	0.0000%
23 Federal Taxable	91.8522%	99.8123%	91.3522%	99.3123%	91.3522%	99.3123%
24 Federal Tax @ 15%	13.76570%	0.00000%	13.76570%	0.00000%	13.76570%	0.00000%
25 Net After Tax	78.08650%	99.81230%	77.58650%	99.31230%	77.58650%	99.31230%
26 Net to Gross Multiplier	128.06311%	100.18805%	128.88840%	100.69246%	128.88840%	100.69246%