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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF COUNTRY CLUB HILL UTILITIES, INC. FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE.	**CASE NO. CCH-W-12-01** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Neil Price, Deputy Attorney General, in response to the Notice of Modified Procedure, Notice of Intervention Deadline and Notice of Public Workshop, issued on August 8, 2012, Order No. 32610, submits the following comments.

BACKGROUND

On March 22, 2012, Country Club Hills Utilities (Country Club Hills, CCH, Company) filed an Application requesting authority to increase its rates and charges for water service. Country Club Hills requests the following changes regarding rate design and structure:

- Increase flat rate residential/commercial rates from $17 per month to $25 per month.
- Increase metered residential/commercial rates from $0.60 per 1,000 gallons for all consumption in excess of 30,000 gallons per month to $0.60 per 1,000 gallons for

all consumption in excess of 15,000 gallons to 25,000 gallons and $0.70 per 1,000 gallons for all consumption in excess of 25,000 gallons.

- Increase the condo with no landscape flat rate from $15.75 to $23.75 per month.
- Increase metered landscape rates for condos from $20.00 per month to $23.75 per month during the months of use. Increase metered landscape rates for condos from $0.60 per 1,000 gallons for all consumption in excess of 30,000 gallons per month to $0.60 per 1,000 for all consumption in excess of 15,000 gallons to 25,000 gallons and $0.70 per 1,000 gallons for all consumption in excess of 25,000 gallons.
- Increase the hook up fee from $500 to $750 per hook up.
- Increase reconnection fee from $14 per reconnection during normal business hours and $28 of all other times to $50 per reconnection during normal business hours and all other times.

In its Application, the Company did not include the amount of revenue desired, although it requests that the Commission authorize a general increase of 32% in water rates. This is also the amount of requested increase the Company communicated to its customers via customer notice. Based on the requested changes in the rate design and structure, Staff later calculated that the overall rate increase is approximately 49.1% compared to the actual revenue reported by the Company in 2011. This discrepancy appears to be due to the Company's inability to calculate the exact impact of its proposed rate design.

STAFF ANALYSIS

System Description

Country Club Hills provides water service to 147 residential customers and one commercial customer in Bonneville County, Idaho. The Company's water supply sources consist of two production wells equipped with submersible pumps. The water system has an elevated concrete storage tank with a capacity of 150,000 gallons. All customers are metered with the exception of eight condo customers. Water is delivered to all metered residential customers with one-inch service lines and meters.

Pump Replacements

The major capital investments made by the Company since its last general rate case in 2005 are the replacement of pumps and motors for Well Nos. 1 and 2 as shown in the following tabulation.

Year	Description of Replacements	Costs
2005	Pump and motor replacement, Well No. 2	N/A[1]
2006	Pump and motor replacement, Well No. 1	$11,749
2008	Pump and motor replacement, Well No. 2	$7,265
2011	Pump and motor replacement, Well No. 1	$7,755
Total		$26,769

As noted in the table above, the Company replaced the Well No. 2 pump and 30-hp motor unit that failed in February 2005. No Company maintenance record exists nor could the Company explain why that particular pumping unit failed. The cost of pump replacement at that time was $7,370. In August 2008, the same pumping unit in Well No. 2 failed again. It happened during the peak of the summer season and was immediately replaced by the Company. Pumping units properly designed and operating in normal conditions are expected to operate about 15 to 20 years. Staff queried the Company why the pumping unit failed again after being replaced within a span of only three years. The Company could not provide explanation as to why the pumping unit failed after three years of operation except to say that not replacing it is not an option, particularly when it fails in summer. The Company paid $7,265 for the replacement of the pump and motor. Staff does not disagree with the Company in replacing the failed pumping unit. The pumping unit became inoperable and should be restored to provide adequate water supply to the customers.

Staff also compared the cost of replacement to the cost of similar projects and obtained cost estimates from independent vendors in the area. Staff believes that the replacement cost is reasonable. However, Staff questions the Company's neglecting to try to determine the cause of the pump failure so the Company can implement precautionary measures in case such cause(s) can be controlled or avoided. Staff expects the Company to apply reasonable management practices to protect its investments and avoid future rate increases if such occurrence can be avoided. Vendors/contractors who install pumping units are generally experts in their field and

[1] N/A-not applicable as a new investment for Well No. 2 in this rate case since this was included in Case No. CCH-W-05-01. It is included in the table as a point of reference for replacing the same unit in 2008.

should be able to provide this analysis as part of their services. Staff recommends that if similar events occur in the future, the contractor should be asked to analyze the cause(s) when a unit is restored. In addition, the Company should maintain a good maintenance record.

The Company also replaced a failed pump and motor unit for Well No. 1 in 2006 with a total cost of $11,749. Again, the Company replaced the same pumping unit in 2011 – a span of five years. As in the case of Well No. 2, the Company could not explain why the pumping unit failed, and there is no maintenance record kept by the Company that indicates the cause of failure. The Company paid the vendor $7,755 to replace the failed pump in August 2011. The cost paid in 2006 was higher than the cost in 2011 because the drop pipe broke and extra labor was required in fishing and retrieving the pump unit from the bottom of the well.

Staff believes it was necessary to restore the pumping unit to resume service and provide adequate water supply, especially during the peak season. Staff reviewed the cost of replacement and believes it is reasonable based on comparison with similar projects and with independent cost estimates obtained by Staff from vendors in the area.

Staff Audit

In Case No. CCH-W-05-01, Staff recommended adjustments totaling $10,972 for the test year 2004. Among the adjustments, $1,500 was added to repair expenses for ongoing repairs or replacements of abandoned service lines. All Plant in Service, except $12,697, was determined to be contributed capital. The Revenue Requirement, $42,718, equaled a 32.0% increase in rates. Normally, return on equity is one source of funds to purchase additions to Plant in Service. Earning only a small return on equity, necessary additions to Plant in Service were funded by personal debt. Recognizing this necessity, the Commission authorized certain interest charges to be included in the revenue requirement as a surrogate for return on equity. As shown in Order No. 29794, the Company agreed to all adjustments, the contributed capital valuation and the $12,697 of additions to Plant in Service.

In CCH-W-12-01, Country Club Hills reported revenues and expenses for the calendar year end (CYE) 2011 on a cash basis. During this case, the designated channel for financial documentation was through Mr. Jeff Freiberg. Mr. Freiberg is admittedly unfamiliar with the audit process, documentation needs and accounting terminology. With certain exceptions, documents supporting reported amounts were inadequate or not available. Staff notes that reported labor expenses for operations and maintenance have decreased since the CYE 2004.

Staff's audit showed this occurred in part, because no salary was claimed in 2011 for Mr. Groth. Also, Staff found two of the six largest categories of reported expenses included transactions with related parties. Staff audited Repairs Expenses and the annual provision of repairs to abandoned service lines, concurrently. Finally, in its current application, Country Club Hills did not request a special fund for capital replacements. Consequently, Staff did not include amounts for a capital replacement fund in its recommendations or adjustments.

Related Party Transactions: During this audit, Staff found payments to related parties included in reported expenses. Related party transactions are not arms length transactions. Therefore, additional documentation comparing the recorded cost to market or comparable cost is required to prove the expenditures are reasonable. The Idaho Supreme Court has defined the standards for related party transactions. In this standard, all related party transactions are subject to closer scrutiny and the regulated utility bears an increased burden to prove the reasonableness of these transactions. The burden of proof includes the need to show the costs in these transactions are reasonable and benefit customers of the utility. In this audit, documentation provided by the Company included records of payments to Pembroke Corporation, a related party. These payment records did not include any arms length comparisons from an unrelated party. Therefore, the Company did not meet the burden of proof required for related party transactions.

Plant in Service records: The documents provided by the Company lacked the most basic details such as asset descriptions, dates of service and historical cost. Because historical cost information was absent, these records did not support the Plant in Service detail shown on the Balance Sheet.

Service Line Repair Expenses: In CCH-W-05-01, Staff recommended an annual provision of $1,500 for repairs to abandoned service lines. Anticipating a periodic accounting for this repair provision, Order No. 29794, included 2004 data for, average repair cost, average annual completion rate and the estimated number of uncompleted repairs. Staff's Audit of payment records showed payment for service line repairs during 2011. They were recorded in Materials and Supplies Expense for Operations and Maintenance. In CCH-W-12-01, the supporting documentation for these expenses included copies of original source documents. However, the source documents did not differentiate repairs expenses for older, abandoned service lines, from repairs expenses for newer service lines. Staff requested clarifying information for 2005 through 2011 but none was provided. Staff believes an analysis and comparison of these two types of repair expenses cannot be made using this documentation.

Also, Staff does not believe the available information is definitive enough to support Company's statement that average repair costs for older service lines is increasing. Staff recognizes repair costs vary from year to year and our analysis of the most current information shows the average cost for all service line repairs is decreasing. The reported expense total did not include items that should have been capitalized. Staff concludes total repairs expenses reported in Materials and Supplies for Operations and Maintenance are correctly reported for the CYE 2011. Staff recommends no change to the annual provision for service line repairs.

Staff Adjustments

Revenues: Staff examined the record of collections identifying several sources of collections including sewer services, several fees, owner contributions of capital and water sales. Water Sales Revenues equaled $43,707, DEQ Fees equaled $725 and Hook Up Fees totaled $323. Total collections reported equal $44,755.

Adjustment 1-DEQ Fees

These fee collections are equal to the DEQ fees expense. Since they offset each other, they are not part of the incremental revenue requirement or incremental base rate design. Attachment A reclassifies both the $725 of total revenues and reported DEQ Fees Expense.

Adjustment 2- Hook Up Fees

These fees are collected when new water service lines are established. Consequently, the fees are Contributions in Aid of Construction and used to reduce the recorded cost of Hook Up connections. Attachment B shows Staff's recommended adjustment to reclassify Hook Up fees totaling $323.

Adjustment 3 - Purchased Power Expense

The reported cost of power shown in the Company's 2011 Annual Report is $11,015. The purchased power cost for water production is the largest reported operational expense for the 2011 test year.

The Company did not submit an annualized cost of purchased power for the two well pumps. Staff believes it would be more appropriate to normalize the test year purchased power cost based on average water usage. The cost of purchased power is affected directly by the total volume of water pumped and the power rates applied during the time of use. Staff calculated normalized purchased power expense by applying current electric rates to a five-year average of water sales volumes.[2] Staff calculated the normalized cost of purchased power to be $11,845. Attachment C shows Staff's calculation of normalized purchased power cost equaling $11,845 and the recommended increase in Purchased Power Expense equaling $830.

Adjustment 4-Water Testing Expense

The Company did not submit the cost of water testing as part of its Application. Because different testing cycles are required by the IDEQ for various regulated water contaminants, Staff believes it is necessary to normalize water testing costs over several years. In consultation with IDEQ, a complete list of required tests was provided to Staff with a water testing cycle of nine years. The annualized water testing cost calculated by Staff is $738.78. *See* Attachment D for the list of various water quality tests required and the annualized cost of $739. Staff recommends an increase of $409.

Adjustment 5 - Rental Expense – Property and Equipment

The annual Rental Expense for the CYE 2004 was $3,850. The annual rental expense for 2011 equals $8,400. This is the second largest annual expense. The increase in annual rental expense equals a compound annual growth rate (CAGR) of 11.79% for seven years. Staff does not believe increases of this magnitude are justified by current economic conditions. The payment record shows Country Club Hills rents its office from Pembroke Corporation, a related entity. These records did not meet the requirements for related party transactions as it did not contain evidence of arms length bargaining or the reasonableness of the expense(s). There was no apparent attempt to demonstrate the owner's underlying cost. The Bonneville County Assessor's Office confirms Pembroke Corporation is the owner. Additional requests for documentation resulted in responses that no written contracts exist and an arm's length transaction equivalent was not available. During the on site visit, Staff was informed that the reported $8,400 included rental of office space and storage space. This office space includes a dedicated office of approximately 180 square feet and the use of common areas, such as bathrooms and the reception area. Use of equipment and furnishings are also included. Utilities are paid separately. Staff

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[2] The Company has flow meters installed in both Well Nos. 1 and 2 but neither are working. Since the volume of water pumped was not available, the total volume of water sold was used to derive the cost of power.

believes a compound annual growth rate of 3.0 percent is more reasonable. A 3.0% CAGR would equal a total cost of $4,735 for 2011. Staff believes this total is a reasonable amount for office, common and storage spaces, including their furnishings and equipment. Attachment E shows the growth calculation and comparison, plus the recommended adjustment, reducing these rental expenses by $3,665.

Adjustment 6 - Bad Debt Expenses

Country Club Hills reports on a cash basis. Bad Debt Expense is allowed only when the revenue was previously accrued and reported or collection expenses were paid. No supporting documents were supplied and Staff's inquiry on the use of collection services received no reply. Attachment F illustrates Staff's recommendation to reduce Bad Debt Expense by $337.

Adjustment 7 – Depreciation Expense

Staff's audit of depreciation expenses included a request for property records, a depreciation schedule and a schedule of Contributions in Aid of Construction. The only information supplied was a list of values based on estimates or other valuations assigned to asset groups. Required details, such as historical cost, year of service depreciation rates, and salvage values were absent. No depreciation schedules were submitted. Similarly, the data on Contributions in Aid of Construction and the related amortization was absent. Staff's analysis of the documentation presented showed the $7,912 included depreciation on plant which was previously determined in Case CCH-W-05-01 to be contributed capital. As stated in Order No. 29794, the Company accepted this valuation. Consequently, Staff recalculated depreciation expense using the $12,697 in Plant in Service determined in the prior case plus changes during the interim period of 2005 through 2011. Attachment G shows the plant changes, the Depreciation Expense calculation and Staff's recommended adjustment reducing depreciation by $6,622.

Adjustment 8- Property Taxes

The documents provided showing the annual property taxes are summarized in Attachment H. The reported property taxes exceed the annualized billing by $77. Staff recommends a reduction of $77.

Adjustment 9 – Interest Expense

Country Club Hills reported interest expenses of $3,784 for 2011. During the current audit, Staff examined payment records and account statements, including those on credit card accounts. Normally, interest is not included as an expense in the revenue requirement. Instead, it is included in revenue requirement with the debt portion of the overall rate of return calculation. In CCH-W-05-01, interest expense was used as a surrogate for Return on Rate Base. In CCH-W-12-01, Staff recalculated interest expense associated with water utility operations as a surrogate return compared to the normal Return on Rate Base. Staff found the normal return on rate base calculation (Attachment M) to be reasonable in this case as it is more advantageous to Country Club Hills. An overall rate of return of 12% is included in the Total Revenue Requirement. Attachment I shows the recommended removal of Interest Expense, totaling $3,784.

Adjustment 10 – Rate Base

The Company's accounting records and reports do not contain accounts for recording amortization of Contributions in Aid of Construction. Consequently, the Company has reported the same unamortized amount, $275,200, for Contributions in Aid of Construction on its Balance Sheet, since the previous audit and rate case. Country Club Hills did not provide a calculation of Rate Base in its Application. Attachment J shows Staff's calculation of Rate Base and does not include assets acquired as Contributions in Aid of Construction for ease of understanding and computation. A chronological list of changes in assets since the previous audit and rate case is shown in Attachment K. The calculation of Accumulated Depreciation is shown in Attachment L. Staff recommends a Rate Base of $23,534.

Adjustment 11 – Total Revenue Requirement

Staff recommends a return on rate base of $2,824 grossed up for taxes plus audited expenses of $49,375, as shown in Attachment M. Staff recommends a Total Revenue Requirement totaling $52,425, as shown in Attachment N. This equals a revenue increase of $9,358, or 21.7%.

CAPITAL REPLACEMENT FUND

The Company did not request the establishment of a Capital Replacement Fund to pay for system deficiencies and water service problems in its original Application. However, in response to Staff production requests, the Company indicated that it is seeking the rate increase to offset yearly operating losses for the past several years and hopes to establish a Capital Replacement Fund. In addition, the Company claims that IDEQ requires all Public Water Systems to maintain a Capital Replacement Fund and that the Company does not have such a fund because of the negative income range where it currently operates.[3] The Company further claims that if major components in the water system fail, Country Club Hills has no method to pay for the repairs other than the owner's personal credit.

The establishment of a Capital Replacement Fund (Depreciation Reserve Account, Sinking Fund, Emergency Reserve Fund, or similar funds) has been authorized by the Commission for small water utilities in some cases. Establishment of a Capital Replacement Fund may also be appropriate for Country Club Hills Utilities in the future. However, Staff does not recommend the establishment of a Capital Replacement Fund as part of this rate case for three reasons. First, the Company has provided no support to justify the size of the fund or describe under what condition it would actually be used. Second, the Company did not specifically request the establishment of a Capital Replacement Fund as part of its Application for a rate increase. Finally, the total overall percent revenue requirement increase recommended by Staff is approximately 21.7%. Any additional increase of the revenue requirement for the establishment of a Capital Replacement Fund will be a significant burden to the customers at this time. The Company, in the future, may file a separate case for the establishment of such fund.

[3] Staff checked with IDEQ and it confirmed that the establishment of Capital Replacement Fund for Public Water Systems in Idaho is only a <u>recommendation</u> and <u>not required</u> by its Rules and Regulations.

RATE DESIGN

The Company proposes the following rate design:

Base Customer Charge						
					Base Charge	
Customer Class	Present Monthly Base Charge	Present Volume Allowance (gallons)	Proposed Monthly Base Charge	Proposed Volume Allowance (gallons)	Diff. in Dollars	Diff. In Percent
Metered Residential and Commercial	$17.00	30,000	$25.00	15,000	$8.00	47.1%
Non-metered residential-Condo (flat rate)	$15.75	N/A	$23.75	N/A	$8.00	50.8%
Metered Landscaping (condo)	20.00	30,000	$23.75	15,000	$3.75	18.8%

The Company is proposing to change its rate structure from single block uniform commodity rate design with 30,000 gallons minimum charge volume allowance to an inverted (increasing) two-block rate design with a minimum volume allowance of 15,000 gallons. The Company states that it is proposing to use an inverted block rate design to promote water conservation and reduce power consumption.

Commodity Charge

Customer Class	Present Commodity Charge-over 30,000 gal.	Proposed Commodity Charge (1st Blk.) 15,001-25,000 gal.	Proposed Commodity Charge (2nd Blk.) over 25,000 gal.
Metered Residential and Commercial	$0.60/1,000 gal	$0.60/1,000 gal	$0.70/1,000 gal
Non-metered residential-Condo	N/A	N/A	N/A
Metered Landscaping (condo)	$0.60/1,000 gal	$0.60/1,000 gal	$0.70/1,000 gal

Volume Allowance for Base Charge

Staff does not generally support a large volume allowance as part of the base charge, particularly for water systems that are fully metered. Country Club Hills, with a base charge volume allowance of 30,000 gallons, has the highest allowance of all the 30 water utilities regulated by the Commission. Staff sees no continuing justification to maintain such a high volume allowance and believes that it is appropriate to reduce it to a more reasonable level. As a point of reference, Staff calculates the average residential monthly winter usage to be approximately 6,500 gallons per customer.

The Company proposes to reduce the volume allowance to 15,000 gallons per month. The Company explains that with the new rate structure in place, this will encourage the customers to conserve water, thereby reducing power consumption for Country Club Hills.

Staff concurs with the Company that reducing the volume allowance would send a strong conservation signal to its customers. Staff does not oppose the Company's proposal to set the volume allowance to 15,000 gallons for metered customers. This amount is about twice as much as the current average winter monthly usage but a reduction of one-half the current volume allowance.

Staff calculated the impact of decreasing the volume allowance from 30,000 gallons to 15,000 gallons using the current rates for base and commodity charges. A customer with an average summer usage of 67,000 gallons would experience a rate increase of 23%. The average 67,000-gallon water usage was estimated using the summer months of June, July and August for two years (2010 and 2011).

Inverted Two-Block Rate Design

The Company proposes an inverted (increasing) two-block rate design to encourage conservation. Staff generally supports a rate design that would encourage conservation. However, in this particular case, Staff does not support the Company's proposal to change the single block rate design to a two-block inverted rate design for several reasons. First, using the current single block rate design with a minimum volume allowance is simpler to administer, and is already understood by the Company's customers. Second, as explained earlier, using the current single block rate design and reducing the volume allowance for a minimum charge from 30,000 gallons to 15,000 gallons already incorporates a strong conservation element in the rate design. Third, a two-tiered rate design is unnecessarily complicated for a small water company such as Country Club Hills with only 136 residential metered customers. Finally, the Company's residential and commercial meters are not read monthly throughout the season. Staff believes that the application of an inclining, two-block rate design becomes ineffective during the winter season or even during the shoulder months when meter readings are either delayed or lumped into one reading such as the case for meter readings done in 2010 (later part of June covering May and June usage) and in 2011 (readings in early July covering May and June usage).

For the above reasons, Staff recommends maintaining the single block rate design with a reduced allowance from 30,000 gallons to 15,000 gallons.

Number of Active Customers

Staff reviewed the process of how the Company applies the current tariffs approved by the Commission in the last rate case.[4] For the 136 residential metered customers, the Company simply applies the current tariff for "Residential and Commercial Metered Year Round Customers." For residential non-metered condo customers using domestic water only, the Company applies the tariff "Flat Rate Condo Rate" for eight condo customers. However, there are two other duplex units with no meters. The Company bills these units separately but applies the base charge of the tariff for "Residential and Commercial Metered Year Round Customers." Staff believes the Company is applying the wrong tariff because the two units (customers) are not metered.

There is only one metered commercial account and the Company simply applies the tariff for "Residential and Commercial Metered Year Round Customers." However, the same commercial meter is being used to record year round domestic consumption of another residential building (owned by the commercial customer). The Company charges this additional customer using the base charge under the tariff for "Residential and Commercial Metered Year-Round Customers." Technically, this customer should not be billed because its consumption is already being billed in conjunction with another metered account. Because the Company maintains the service line going to the residential building, Staff believes it would still be appropriate to meter and bill this account as an individual residential customer. However, Staff believes that since this is not a currently metered residential customer, the Company should apply the current tariff for "Flat Rate Condo Rate." For condo customers using water for outdoor use only, the Company charges one customer by applying the current tariff on "Metered Landscaping Rate for Condo Customers." The Company only applies the base charge for five months when water is generally used for watering lawns and landscapes.

[4] Case No. CCH-W-05-01, Order No. 29794

The Company has submitted different conflicting number of customers for each customer class as follows:

Customer Class	2011 An. Report	Application & PR#2 a/	Resp. to Staff Email c/	Applicable Schedule Current Tariff
Residential-metered	136	147 b/	146	Res. & Com. Metered Rates
Res.- unmetered (Condo)	10		1 (8 units)	Flat Rate Condo Rate
Commercial-metered	1	1	1	Res. & Com. Metered Rates
Landscaping-metered			1	Metered Landscaping Rate
Total No. of Customers	147	148	149	

a/ Company response to Staff Production Request No. 2.
b/ Includes condo units.
c/ Company response to Staff email on 8/8/12.

For the purpose of calculating the expected revenues to be collected by the Company under the Staff proposed rate design, and the pro forma revenue under the current rate, the total number of customer used is 149 with the following breakdown:

- Residential customers-metered year-round- 136
- Unmetered customers – Flat rate (Residential, condos and other buildings using domestic water only year round) - 11
- Commercial customers-metered year-round - 1
- Landscaping customers-metered – 1

Staff recommends that the current tariff classification and description be maintained with the exception of the "Flat Rate Condo Rate." To make it clearer to customers and easier for the Company to administer, Staff recommends that this rate be referred to as "Unmetered Customers – Flat Rate." This rate will apply to all customers without meters and using only domestic water year-round, and include residential, condos and other building units served by the Company.

Staff Rate Design Proposal

As noted earlier, Staff recommends an annual revenue requirement of $52,425. The Staff proposed rate design is to maintain the single block rate structure with a minimum volume allowance of 15,000 gallons for all metered residential, commercial and landscaping customers. Using two years of customer billing records (2010 and 2011), Staff estimated the average annual pro forma excess usage for various metered customers as follows:

- Residential-metered - 29,000,000 gallons per year
- Commercial-metered – 801,000 gallons per year
- Landscaping-metered – 802,000 gallons per year

Before exploring various rate design elements to meet the Staff-recommended revenue requirement, the projected Company revenue under current rates was calculated using the reduced volume allowance of 15,000 gallons. Using the estimated volume of excess usage, the projected annual revenue is $48,489, which is insufficient to cover the Staff recommended revenue requirement of $52,425, a difference of $3,936. *See* Attachment O.

Staff then investigated other design options to meet the Staff recommended revenue requirement. There are many combinations possible using the basic rate structure to satisfy the revenue requirement. To emphasize the conservation element of the rate design for metered customers, Staff recommends increasing the commodity charge and leaving the customer charge at the current level. Using the various design elements as noted above, Staff proposes the following rate design:

Base Customer Charges

Customer Class	Proposed Base Charge	Prop. Volume Allow.(gallons)
Metered Residential and Commercial	$17.00	15,000
Unmetered Customers-Flat Rate	$20.25	N/A
Metered Landscaping (condo) Rate	$20.00	15,000

Commodity Charges

Customer Class	Proposed Commodity Charge (over 15,000 gals.)
Metered Residential and Commercial Rate	$0.71 per 1,000 gallons
Unmetered Customers - Flat Rate	N/A
Metered Landscaping (condo) Rate	$0.71 per 1,000 gallons

With the Staff-recommended rate design shown above, the proposed allowance decreases but there is no increase in the monthly base customer charge for metered residential and commercial customers. There is an increase in commodity charge from $0.60 to $0.71 per 1,000 gallons of water usage, a difference of $0.11 per 1,000 gallons or 18.3%. The non-metered flat rate for condo customers is increased from $15.75 to $22.25, a 28.6% increase close to the general overall increase in revenue requirements. For the metered landscaping rates, the base charge remains at the same rate. The total annual revenue generated from rates is $52,449 ($30,721 from base + $21,728 from commodity). The basic customer charge still generates about 59% of the total gross revenue. The rate proof for the Staff-proposed rate design is presented in Attachment P.

With the Staff-recommended rate structure, the average monthly bill for a metered residential customer is approximately $35.46, an increase of $7.36 or 18.8% above current rates. The average bill was calculated by taking the average water usage during winter season and the average usage during the summer season as shown in the following tabulation:

Season	Ave. Usage-gals.	Current Monthly Bill	Proposed Monthly Bill	Amount of increase in $	Percent Increase
Winter	6,500	$17.00	$17.00	$ 0.00	0.0%
Summer	67,000	$39.20	$53.92	$14.72	37.6%
Average increase in dollars and %			$35.46	$ 7.36	18.8%

The rate impacts for metered residential customers using various monthly water volumes are presented in Attachment Q. A bill frequency analysis for metered residential customers broken down into various usage levels in July 2011was also prepared by Staff. As shown in the Attachment R, 84 out of 127 residential metered customers or 66% used water between 48,000 gallons to 100,000 gallons in July 2011.

HOOK-UP FEE

The Company proposes to increase the hook-up fee for new service from $500 to $750. The Company states that there are 31 undeveloped residential lots and three undeveloped commercial lots in the subdivision currently served by Country Club Hills and anticipates that one to two residential developments will take place annually with no commercial developments in two to three years.

As justification for its request to increase the hook-up fee, the Company with a detailed estimate of the costs including a typical plan for a new hook-up installation. However, the

Company's estimated hook-up cost of $1,179 was considered higher than the original request of $750. The Company explains that when the Application was made a very rough estimate for installing a new hook-up was included without making a detailed estimate.

When the subdivision was developed there was no meter base installed in the undeveloped lots. A one-inch service line was previously installed from the mainline to the lot and capped. To provide a new customer hook-up, a meter base must be installed, as well as the new meter and other fittings. For small water utilities regulated by the Commission, the hook-up fee is generally defined as a non-recurring charge paid by a customer requesting service for partial or full recovery of the Company's cost of providing a new service connection. Sometimes, it includes the cost of usual circumstances such as a service line crossing a road.

Staff does not oppose the Company's request to increase the hook-up fee for new customers from $500 to $750. The requested amount is comparable to the hook-up fee charged by Falls Water Company, a neighboring small water utility in Idaho Falls regulated by the Commission which charges a $600 hook-up fee for a one-inch meter.

NON-RECURRING CHARGES

Reconnection Charge

In its Application the Company requested an increase in its reconnection charge from $14.00 during normal business hours and $28.00 for all other times to $50.00 for all times. No reason was given for the requested increase or an explanation for why the requested charge is the same for normal business hours, evenings, weekends and holidays. The system is located about ten (10) miles from the Company's office location. In the case of a reconnection requested after hours, someone would have to be dispatched to the system. Staff disagrees with the amount of the proposed increase and with the Company's request for a charge that does not vary regardless of when the customer requests reconnection.

During normal business hours, reconnections can be scheduled as part of an employee's regular workload. However, the need to dispatch an employee after hours is an additional duty and expense that justifies a differential in the charge for normal business hours and after hours. The amount of the charge should allow the Company to recover a portion of the cost to perform the service and encourage customers who are involuntarily disconnected to request reconnection during normal business hours or avoid disconnection altogether by making payment arrangements. An excessive reconnection charge places a further financial burden on customers.

Both the customers and the Company would be better served by the Company's implementation of an improved collections policy. Staff recommends a $20.00 reconnection charge during normal business hours (Monday – Friday, 8:00 am to 5:00 pm, excluding State holidays) and a $40.00 charge for other than normal business hours. Recent orders approving such charges include Order No. 30668 (ISL-W-08-01), Order No. 30703 (ROC-W-08-01) and Order No. 32152 (TRH-W-10-01).

Late Payment Charge

The Company does not have a late payment charge and did not request one in its Application. The Company stated in discussions with Staff that it has a problem with past due accounts. While the Company has not submitted an Accounts Receivable Aging Report, its balance sheet indicates that over the past seven years the percentage of past due accounts has increased to almost nine percent of the total amount owed to the Company.

A late payment charge is intended to encourage prompt payment of bills. The Company benefits from implementation of a late payment charge in two ways: 1) when customers pay on time, the Company's cash flow improves; and 2) the late payment charge collected from customers who pay late helps to cover the cost of additional collection efforts. Staff believes that a late payment charge along with a revised collections procedure as mentioned below will help to encourage customers to pay in a timely manner, decrease the dollar amount and aging of arrearages, and reduce the Company's Accounts Receivable to a more acceptable level.

The typical late payment charge previously approved by the Commission has been 1% per month (12% annually) of the unpaid balance at the time of the next billing. Staff recommends approval of such a charge. Recent orders approving a one-percent (1%) late payment charge include Order No. 30567 (AWS-W-07-01), Order No. 30628 (MSW-W-08-01), Order No. 30938 (SPL-W-09-01), Order No. 31022 (FLS-W-10-01), and Order No. 32324 (BRN-W-11-01).

Company Tariff

The Company's existing tariff was submitted prior to the Commission's adoption of the Model Tariff for Small Water Utilities, which was implemented in 2008. The Company's tariff does not include the Uniform Main Extension Rules. The rate schedule portion of the Company tariff includes a public drinking water fee which is no longer effective according to the tariff page itself. Staff recommends that the Company update its tariff to include the revised and updated

General Rules and Regulations for Small Water Utilities (2008 version) and the Uniform Main Extension Rule. Staff will assist the Company in revising its tariff by providing it an electronic copy of the 2008 Model Tariff and the updated Uniform Main Extension.

Billing Documentation

Country Club Hills Utilities operates both the water system regulated by the Commission and a sewer system providing service to the same customers. The Company bills customers for both services utilizing a postcard-sized billing format. While the current billing format restricts the amount and placement of information required by the Utility Customer Relations Rules (UCRR – IDAPA 31.21.01), the billing samples provided included all required information in accordance with the UCRR.

The Company applies a $20.00 "collection fee" on bills for past due sewer charges but is not authorized to collect a late payment charge under its current water tariff. The Company should clarify on its bills that this charge applies only to past due sewer charges. Alternatively, if the Commission authorizes a late payment charge on water service as recommended by Staff, the Company may wish to change its sewer charge to be consistent with the authorized late payment charge for water service.

Summary of Rules

Rule 701 (UCRR) requires that the Company provide a Summary of Rules to all customers at least once a year and provide a copy to new customers upon commencement of service. The Company mails a copy of its summary to new customers, but Staff does not know whether it is mailed to all customers on an annual basis. The Company's Summary of Rules does not meet the requirements of the UCRR. The Commission has samples of the Summary of Rules available on its website and Staff is willing to provide assistance to the Company in revising this document. Staff recommends that the Company update its Summary of Rules to comply with the UCRR and make it available to new customers and provide all customers a copy on an annual basis.

Rate Schedule Explanation

Rule 702 (UCRR) requires that the Company send an Explanation of Rate Schedules to its customers annually and provide a copy to new customers upon initiation of service. In response to production requests the Company states that historically it has never sent a copy of the rate schedule explanation as required by the rule. Typically a Company will combine the information from its tariff schedules with the Summary of Rules and provide both to customers in a single document. Staff is willing to provide assistance to the Company in the creation of such a document and recommends that the Company mail its customers a copy of its Explanation of Rate Schedule annually.

Collection Procedure and Termination Notices

Rule 304 (UCRR) describes the requirements a Company must follow prior to termination of a customer's service. The UCRR states that the Company shall send an initial notice giving a minimum of seven days notice and may send a final notice at least three days prior to the termination date. The UCRR also requires the Company to make a diligent attempt to contact the customer either in person or by telephone at least 24 hours prior to termination. The Company's procedures and notice do not follow the UCRR. The Company's termination notice is labeled as a Final Notice; however, review of the language indicates that it is an Initial Notice. The Company stated that it initially calls the customer and then sends the final notice. Staff recommends that the Company revise its termination policy and modify its notices to confirm to the UCRR. The Commission has sample forms of the termination notices available on its website and Staff is willing to assist the Company in revision of its notice and procedures.

Customer Notification and Press Releases

The Company's Application did not include a copy of the customer notice that is to be provided to the customers or a copy of the press release as required by the Commission's Rules of Procedure, Rule 125 (IDAPA 31.01.01). Staff contacted the Company by telephone and by email regarding the need for a notice to customers and a press release. Staff also sent a draft copy of a customer notice along with reference to Rule 125. On May 18, 2012, the Commission received a copy of the notice as it was sent to the customers. The notice did not include a reason for the requested increase as required by the rule. It is not known if the Company sent a press release to the local newspaper.

Public notification for a customer workshop was accomplished by the Commission through a Press Release dated August 9, 2012. The workshop was held on Tuesday, August 21, 2012, with 25 people in attendance.

CUSTOMER RELATIONS

Customer Comments

As of September 7, 2012, the Commission has received comments from five customers regarding this case. The majority of comments reflect concerns about the high percentage of the requested increase, and the effect that the change in rate design would have for large water users on the system.

Complaint Records

The Company maintains that it has received no written complaints or requests for a conference from customers. The Commission's Consumer Assistance Staff has received three complaint and one inquiry regarding the Company from 2009 – 2012 to date. One of the complaints concerned the Company's disconnection procedure. The Company was found at fault for failing to provide proper notice to the customer as required by Rule 304 (UCRR).

STAFF RECOMMENDATIONS

Staff makes the following recommendations:

1. Staff recommends use of a 2011 test year.
2. Staff recommends a 12.0% return on equity and an overall rate of return on rate base of 12.0%.
3. Staff recommends a rate base of $23,534.
4. Staff recommends an increase in Working Capital of $6,011.
5. Staff recommends a revenue requirement of $52,425. This represents additional revenue of $9,358, or a 21.7% increase in revenues.
6. Staff recommends the Commission approve the new rates proposed by Staff maintaining the single block rate design with a base charge volume allowance of 15,000 gallons for metered residential and commercial customers.
7. Staff recommends the Commission approve the new rates proposed by Staff for other customer classes: a) Unmetered Customers - Flat Rate; and b) Metered Landscaping (Condo) Rates.
8. Staff recommends the Commission approve a new hook-up fee of $750.

9. Staff recommends a late payment charge of 1% of the unpaid balance at the time of the next monthly billing (12 percent annually).
10. Staff recommends a reconnection charge of $20.00 for normal business hours (8:00 am to 5:00 pm Monday through Friday, excluding State holidays) and a reconnection charge of $40 for other than normal business hours.
11. Staff recommends the Company revise its collections and termination procedure to conform with Commission Rules.
12. Staff recommends the Company revise its Termination Notice and its Summary of Rules to conform with Commission Rules.
13. Staff recommends the Company create an Explanation of Rate Schedules and mail to new customers upon initiation of service and annually to existing customers to conform with Commission Rules.
14. Staff recommends the Company revise its Tariff, deleting obsolete rate schedules and including the updated General Rules and Regulations for Small Water Utilities and the Main Extension Rules.

Respectfully submitted this 17th day of September 2012.

Neil Price
Deputy Attorney General

Technical Staff: John Nobbs
Gerry Galinato
Chris Hecht

i:umisc:comments/cchw12.1npjncwhgdg comments

Country Club Hills Utilities, Inc.
Adjustment of DEQ Fees & Expense
CYE 2011

		Reported	Audit Adjustment	Totals
1	DEQ Fees Collected from Customers	($725)	725	$0
2	DEQ Fees Expense	$725	(725)	$0

Country Club Hills Utilities, Inc.
Adjustment of Hook-Up Fees
CYE 2011

		Reported
1	Hook Up Fees Collected	(323)
2	**Audit Adjustment**	323
3	Total	$0

Country Club Hills Utilities, Inc.
Analysis of Purchased Power Expenses
CYE 2011

1	**Year**	**Well No. 1**	**Well No. 2**	**Total**	**Total Power**	**Volume**
2	2,011	**kWh Used**	**kWh Used**	**kWh Used**	**Cost**	**Sold (Gals)**
3	2010	38,758	83421	122,179	$11,015	45,987,678
4	2009	59,173	83557	142,730	$11,027	46,965,430
5	2008	46,835	104564	151,399	$10,615	47,329,128
6	2007	41,111	99459	140,570	$9,808	51,362,371
7	Total	52,481	103289	155,770	$10,460	55,614,423
8	Average	238,358	474,290	712,648	52,925	247,259,030
9		47,672	94,858	142,530	10,585	49,451,806
10						
11	**$ per 1,000 gallons:**					
12	$ for average water usage			$0.24		
13	Total			$11,845		
14	Reported			11,015		
15	**Audit Adjustment**			$830		

Attachment C
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Utilities, Inc.
Analysis of Water Testing Expenses
CYE 2011

Well #1

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Well #1	Gross Alpha	1 in 3 Years	3	$ 95.00	$ 285.00	$ 31.67
Well #1	Radium 226	1 in 9 Years	1	$ 165.00	$ 165.00	$ 18.33
Well #1	Radium 228	1 in 9 Years	1	$ 165.00	$ 165.00	$ 18.33
Well #1	Uranium	1 in 6 Years	1.5	$ 125.00	$ 187.50	$ 20.83
Well #1	Arsenic	1 in 9 Years	1	$ 27.00	$ 27.00	$ 3.00
Well #1	Sodium	1 in 3 Years	3	$ 25.00	$ 75.00	$ 8.33
Well #1	IOC's**	1 in 9 Years	1	$ 210.00	$ 210.00	$ 23.33
Well #1	Fluoride	1 in 9 Years	1	$ 15.00	$ 15.00	$ 1.67
Well #1	VOC's**	1 in 6 Years	1.5	$ 185.00	$ 277.50	$ 30.83
Well #1	SOC's**	1 in 9 Years	1	$ 225.00	$ 225.00	$ 25.00
Well #1	Nitrate	Annual	9	$ 35.00	$ 315.00	$ 35.00
Well #1	Nitrite	1 in 9 Years	1	$ 35.00	$ 35.00	$ 3.89
Sub-total						$ 220.22

Well #2

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Well #2	Gross Alpha	1 in 3 Years	3	$ 95.00	$ 285.00	$ 31.67
Well #2	Radium 226	1 in 9 Years	1	$ 165.00	$ 165.00	$ 18.33
Well #2	Radium 228	1 in 9 Years	1	$ 165.00	$ 165.00	$ 18.33
Well #2	Uranium	1 in 6 Years	1.5	$ 125.00	$ 187.50	$ 20.83
Well #2	Arsenic	1 in 9 Years	1	$ 27.00	$ 27.00	$ 3.00
Well #2	Sodium	1 in 3 Years	3	$ 25.00	$ 75.00	$ 8.33
Well #2	IOC's**	1 in 9 Years	1	$ 210.00	$ 210.00	$ 23.33
Well #2	Fluoride	1 in 9 Years	1	$ 15.00	$ 15.00	$ 1.67
Well #2	VOC's**	1 in 6 Years	1.5	$ 185.00	$ 277.50	$ 30.83
Well #2	SOC's**	1 in 9 Years	1	$ 225.00	$ 225.00	$ 25.00
Well #2	Nitrate	Annual	9	$ 35.00	$ 315.00	$ 35.00
Well #2	Nitrite	1 in 9 Years	1	$ 35.00	$ 35.00	$ 3.89
Subtotal						$ 220.22

Distribution	Lead & Copper	5 samples/3 yea	15	$ 35.00	$ 525.00	$ 58.33
Distribution	Total Coliform	Monthly	108	$ 20.00	$ 2,160.00	$ 240.00
Grand Total						$ 738.78

* Total number of tests in 9-year cycle.

** IOC = Inorganic Contaminants

VOC = Volatile Organic Contaminants

SOC = Synthetic Organic Contaminants

Annualized Water Testing Expenses	739
Reported Testing Expenses	330
Audit Adjustment	$409

Attachment D
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills
Analysis of Lease/Rental Expenses and
Comparison of Compound Annual Growth Rates (CAGR)
CYE 2011

1	**Description**	**3.00% CAGR**	**11.79% CAGR**	**Difference**
2	2004 Audited Rental Expense	$3,850	$3,850	$0
3	2005 Rent	$3,966	$4,304	$338
4	2006 Rent	$4,084	$4,811	$727
5	2007 Rent	$4,207	$5,379	$1,172
6	2008 Rent	$4,333	$6,013	$1,680
7	2009 Rent	$4,463	$6,722	$2,258
8	2010 Rent	$4,597	$7,514	$2,917
9	2011 Rent Expense	$4,735	$8,400	$3,665
10				
11	Office & Storage Rent for 2011	$4,735		
12	Reported Rent for 2011	($8,400)		
13	**Audit Adjustment**	($3,665)		

Attachment E
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Utilities
Analysis of Bad Debts Expenses
Cash Basis Reporting
CYE 2011

1	Reported Bad debts Expense	$337
2	Allowed for Cash Basis reporting	0
3	**Audit Adjustment**	**($337)**

Country Club Hills Utilities
Schedule of Depreciation Expense
CYE 2011

	Plant in Service		Audited								
1	**Description**	**Date**	**Cost**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
2	CCH-W-05-1 Additions	Dec-04	$5,327	178	178	178	178	178	178	178	178
3	to incl Feb 2005 Adds	Dec-04	$7,370	246	246	246	246	143			
4	25HP Pump; Well 1	Aug-06	$11,749			245	587	587	587	587	587
5	30HP Pump;Well 2	Aug-08	$7,265					151	363	363	363
6	Remove - Well 2	Aug-08	($7,370)								
7	30HP Pump; Well 1	Aug-11	$7,755								162
8	Remv Pump - Well 1	Aug-11	($11,749)								
9	Total Annual Depr Expense		$20,347	$423	$423	$668	$1,011	$1,060	$1,128	$1,128	$1,290
10	Reported Depr Exp										7,912
11	**Audit Adjustment**										($6,622)

Country Club Hills Utilities
Analysis of Property Taxes
CYE 2011

1	Description	TaxYr	Bill No.	Half	For	Amount
2	Bonneville	2011	154717	2nd	Pipeline Miles	121
3	Bonneville	2011	154348	2nd	Pipeline Miles	114
4	SemiAnnual subtotal					$234
5	Annualizing factor					2.0
6	Total Annual Property Tax					$469
7	Reported Expense					546
8	**Audit Adjustment**					($77)

Country Club Hills Utilities
Analysis of Interest Expense
CYE 2011

1	**Accounts**	**WFgo VISA**	**WFgo VISA**	**USB**	**Total**
2	Account Numbers - last 4	6906	9627	2198	
3	Statement Closing dates	12/28/11	12/28/11	01/11/12	
4					
5	Reported Interest Expense - 2011	1,537	2,247		$3,784
6	**Audit Adjustment**				($3,784)
7	Total Interest Expense				$0.00

Calculation of Interest Surrogate	**Amount**	**Interest Rate**	**Interest**
Plant Purchased (Attachment K)	$7,755	9.24%	$717
Working Capital Supplied (Attachment J)	$6,011	21.99%	$1,322
Total			**$2,038**

Attachment I
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Utilities
Rate Base Calculation
as of CYE 2011

L#	Description	Staff	Reported	Difference
1	Plant In Service	20,347	314,852	294,505
2	Accumulated Depreciation	(2,823)	(241,747)	(238,924)
3	CIAC	0	(275,200)	(275,200)
4	Net Plant In Service	17,524	(202,095)	(219,619)
5	Working Capital - 1/8th Rule	6,011	0	6,011
6	**Total Rate Base**	**$23,534**	**($202,095)**	**($213,608)**
7				
8				
9				
10	**Working Capital Calculation**			
11	Expenses	49,375	63,346	13,971
12	less: Depreciation	(1,290)	(7,912)	(6,622)
13	Less: Bad Debts	0	(337)	(337)
14	Subtotal	$48,085	$55,097	$7,012
15	1/8 Rule	$6,011	$0	$6,011

Country Club Hills Utilities
Schedule of Additions to Plant in Service
Subaccount 311.00 - Pumping
CYE 2004 thru 2011

	Date	Items	Cost
1	2004 Audit Bals*	Various	5,327
2	2004 Audit Bals*	Pump - Well 2	7,370
3	2005 Adds		
4	2005 Audit Adj		
5	2006 Adds	25 HP Pump Well 1	11,749
6	2006 Audit Adj		
7	2007 Adds		
8	2007 Audit Adj		
9	2008 Adds	30 HP Pump Well 2	7,265
10	2008 Remove	Old Pump Well 2	(7,370)
11	2009 Adds		
12	2009 Audit Adj		
13	2010 Adds		
14	2010 Audit Adj		
15	2011 Adds	30 HP Pump Well1	7,755
16	2011 Remove	Old Pump Well1	(11,749)
17	2011 Audit Adj		
18	**2011 Total Cost**		**$20,347**

*2004 Audit found all Plant in Service prior to 2004 was contributed.

The 2004 audited balance for acct #311.0, of $12,697 includes $5,327 reclassified from Materials and Supplies, plus $7,370 for Well 2, which was added in early 2005

Country Club Hills Utilities
Calculation of Accumulated Depreciation
Subaccount 311.00 - Pumping
CYE 2004 thru 2011

L#	Description	SvcDat	HistCost	2004	2005	2006	2007	2008	2009	2010	2011	Accum
1	2004 Additions	Jan-04	$5,327	178	178	178	178	178	178	178	178	1,421
2	incl Feb 2005 Adds	Jan-04	$7,370	246	246	246	246	143				1,126
3	25HP Pump	Aug-06	$11,749			245	587	587	587	587	343	2,937
4	30HP Pump;Well 2	Aug-08	$7,265					151	363	363	363	1,241
5	Removal - Well 2	Aug-08	($7,370)									(1,126)
6	30HP Pump; Well 1	Aug-11	$7,755								162	162
7	Remove - Well 1	Aug-11	($11,749)									(2,937)
	Totals		$20,347	$423	$423	$668	$1,011	$1,060	$1,128	$1,128	$1,045	**$2,823**

Attachment L
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills
Summary
CYE 2011

L#		Reported 2011	Audit Adjustmts	Audited Balances	Attachment
1	**Water Revenues**				
2	Unmetered Sales	(1,920)		(1,920)	
3	Metered Sales- Residential	(39,118)		(39,118)	
4	Metered Sales-Com & Ind	(1,621)		(1,621)	
5	Other water sales	(1,048)		(1,048)	
6	**Total Water Sales**	**($43,707)**	**$0**	**($43,707)**	
7	DEQ fees-billed to customers	(725)	725	0	A
8	Hookup or Connection fees	(323)	323	0	B
9	**GrTotal Collected**	**($44,755)**	**$1,048**	**($43,707)**	
10	Labor-O&M	5,273		5,273	
11	Labor-Customer Accts	600		600	
12	Purchased Power	11,015	830	11,845	C
13	Mat&Suppl-O&M	7,641		7,641	
14	Mat&Suppl-A&G	1,384		1,384	
15	Contr Svs-Professional	3,428		3,428	
16	Contr Svs-water testing	330	409	739	D
17	Contr Svs-Other	1,649		1,649	
18	Rentals-Property & Eqpt	8,400	($3,665)	4,735	E
19	Transportation	4,800		4,800	
20	Insurance	315		315	
21	Rate Case Amtz	0		0	
22	Bad Debts Expense	337	(337)	0	F
23	Miscellaneous	4,808		4,808	
24	Depreciation Expense	7,912	(6,622)	1,290	g
25	Reg fees-PUC	101		101	
26	Property Taxes	546	(77)	469	H
27	DEQ fees	725	(725)	0	A
28	Water Assesment fee	243		243	
29	Licenses	35		35	
30	State Income Taxes	20		20	
31	Interest Charges	3,784	(3,784)	0	I
32	**Total Op Expenses**	**$63,346**	**(13,971)**	**$49,375**	
31	**Net Income (Loss)**	**18,591**	**(12,923)**	**5,668**	

Attachment M
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Utilities
Total Revenue Requirement
Case # CCH-W-12-1
CYE 2011

		RateBase	Rate	Return	
1	Return on Rate Base	23,534	12.00%	$2,824	
2	Gross Up Factor			1.08	
3	Grossed up Return				$3,050
4	Audited Expenses				$49,375
5	**Total Revenue Required**				**$52,425**
6					
7	Proforma Water Sales Revenues				$43,067
8	**Additonal Revenue Increase**				**$9,358**
9					
10	Percent Revenue Increase				21.7%

Attachment N
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Water Co.
Case No. CCH-W-12-01
Calculated Revenue - *Present rate with 15,000 gallons volume allowance.*

Present Metered Rates

Customer Charge:	$	17.00	(Residential & Commercial)
Volume Allowance (Metered):		15,000	gallons
Commodity Charge:	$	0.60	First Block (remaining volume in excess of 15,000 gallons)
Staff-Proposed Revenue Requirement:	$	52,425	

Customer Class	No. of Cust.	Customer Charge	Base Revenue	Com. Charge 1st Block	Com. Charge 2nd Block	Commodity Revenue	Total Calc. Revenue
Residential - Metered							
1-inch meter	136	$ 17.00	$ 27,744	$ 0.60	$ -	$ 17,400.00	$ 45,144
Excess Volume (x 1000 gal)				29,000			
Residential - Unmetered Customers							
Flat rate	11	15.75	$ 2,079	0	$ -	0	$ 2,079
Commercial - Metered							
2-inch meter	1	$ 17.00	$ 204	$ 0.60	$ -	$ 480.60	$ 685
Excess Volume (x 1000 gal)				801			
Landscaping - Metered (Condo Units)							
Meter size - not applicable	1	$ 20.00	$ 100	$ 0.60	$ -	$ 481.20	$ 581
Excess Volume (x 1000 gal)				802			
Total Expected Revenue			**$ 30,127**			**$ 18,362**	**$ 48,489**

Revenue from Rates (base and commodity charges)	**$ 48,489**
Revenue collected over (under) Revenue Requirement	$ (3,936)
Various Charges as a % of Gross Revenue:	
Base (Customer Charge)	**62.1%**
Commodity Charge	**37.9%**

Country Club Hills Water Co.

Case No. CCH-W-12-01

Calculated Revenue - *Present Rate (Pro forma) and Staff Proposed Rates*

	Present Rates	Proposed Rates	
Customer Charge:	$ 17.00	$ 17.00	
Volume Allowance (Metered):	30,000	15,000	gallons
Commodity Charge:	$ 0.60	$ 0.71	per 1,000 gallons
Staff Proposed Revenue Requirement:		$52,425	

Customer Class	No. of Customers No. of Cust.	Present Customer Charge	Present Base Revenue	Present C ommodity Revenue	Present Total Revenue	Proposed Customer Charge	Proposed Base Revenue	Estimated Commodity Revenue	Estimated Total Revenue
Residential - Metered									
1-inch meter	136	$ 17.00	$ 27,744	$ 12,115	$ 39,859	$ 17.00	$ 27,744	$ 20,590	$ 48,334
Excess Volume (x 1000 gal)				20,192				29,000	
Residential - Unmetered Customers									
Flat Rate	11	$ 15.75	$ 2,079	$ -	$ 2,079	$ 20.25	$ 2,673	$ -	$ 2,673
Commercial - Metered									
2-inch meter	1	$ 17.00	$ 204	$ 385	$ 589	$ 17.00	$ 204	$ 569	$ 773
Excess Volume (x 1000 gal)				642				801	
Landscaping - Metered (Condo Units)									
Meter size - N/A	1	$ 20.00	$ 100	$ 439	$ 539	$ 20.00	$ 100	$ 569	$ 669
Excess Volume (x 1000 gal)				732				802	
Total Revenue	**149**		**$ 30,127**	**$ 12,940**	**$ 43,067**		**$ 30,721**	**$ 21,728**	$ 52,449

Revenue from Rates (base and commodity charges)	**$ 52,449**
Revenue collected over (under) Revenue Requirement	**$ 24**
Various Charges as a % of Gross Revenue:	
Base (Customer Charge)	**59%**
Commodity Charge	**41%**
Total Percent	**100%**

Attachment P
Case No. CCH-W-12-01
Staff Comments
09/17/12

Country Club Hills Case No. CCH-W-12-01

Rate Impacts - Current Rates Vs. Staff- Proposed Rates for Metered Residential Customers

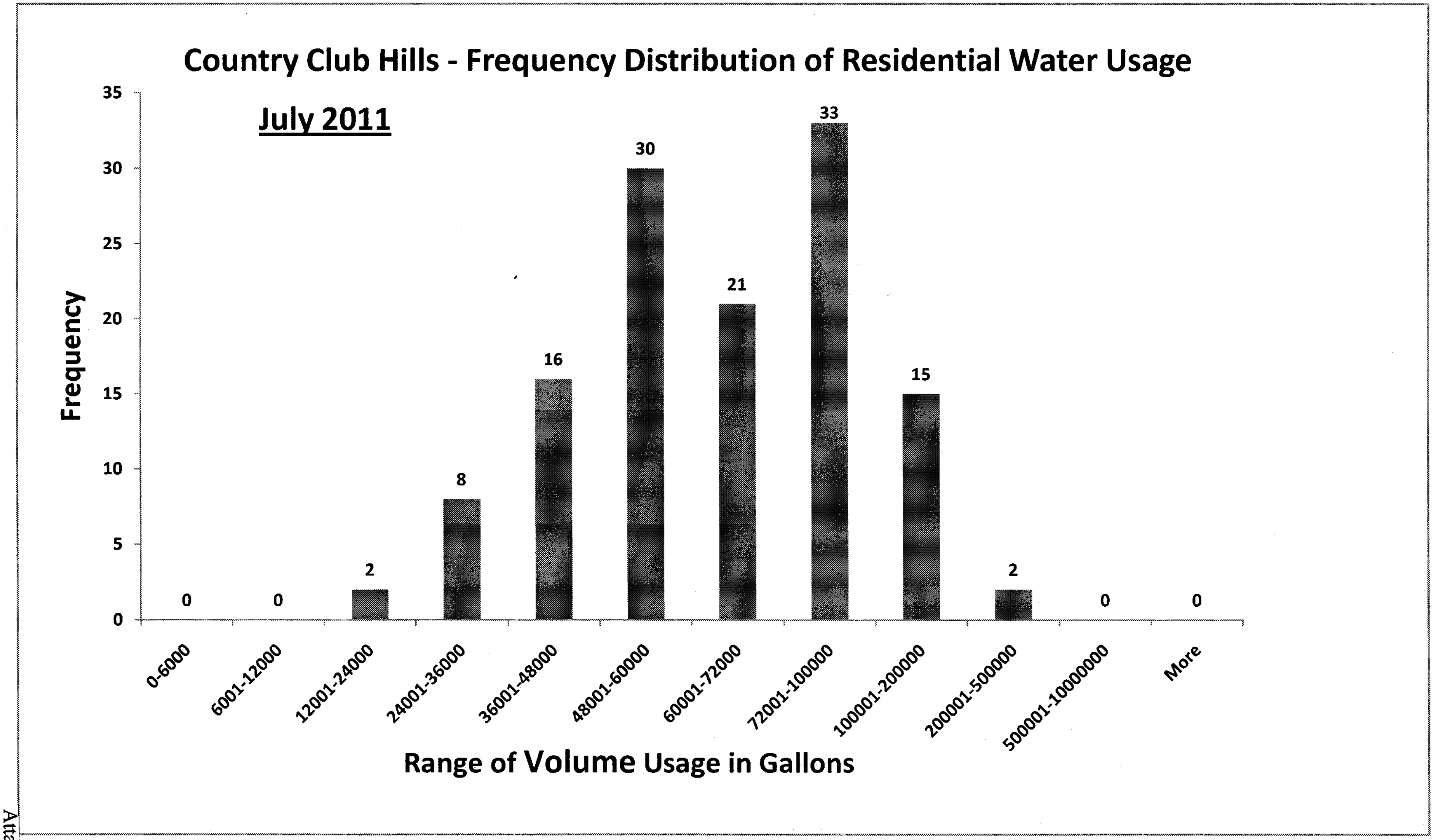
Rate Elements	Current	Proposed
Monthly Base Rate:	$ 17.00	$ 17.00
Commodity Rate (per 1,000 gallons)	$ 0.60	$ 0.71
Volume Allowance (gallons)	30,000	15,000

Monthly Usage Gallons	Current Base Rate	Volume Allow. Gallons	Com. Rate $/1000 gal	Current Monthly Billing	Company Poposed Base Rate	Volume Allowance Base Rate	Com. Rate $/1000 gal	Total Monthly Billing	Difference per Month	Percent Difference per month
0	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
2,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
4,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
5,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
6,500	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0% a/
10,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
12,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
14,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
15,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 17.00	$ -	0.0%
17,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 18.42	$ 1.42	8.4%
20,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 20.55	$ 3.55	20.9%
25,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 24.10	$ 7.10	41.8%
29,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 26.94	$ 9.94	58.5%
30,000	$ 17.00	30,000	$ 0.60	$ 17.00	$ 17.00	15,000	$ 0.71	$ 27.65	$ 10.65	62.6%
40,000	$ 17.00	30,000	$ 0.60	$ 23.00	$ 17.00	15,000	$ 0.71	$ 34.75	$ 11.75	51.1%
50,000	$ 17.00	30,000	$ 0.60	$ 29.00	$ 17.00	15,000	$ 0.71	$ 41.85	$ 12.85	44.3%
60,000	$ 17.00	30,000	$ 0.60	$ 35.00	$ 17.00	15,000	$ 0.71	$ 48.95	$ 13.95	39.9%
67,000	$ 17.00	30,000	$ 0.60	$ 39.20	$ 17.00	15,000	$ 0.71	$ 53.92	$ 14.72	37.6% b/
80,000	$ 17.00	30,000	$ 0.60	$ 47.00	$ 17.00	15,000	$ 0.71	$ 63.15	$ 16.15	34.4%
90,000	$ 17.00	30,000	$ 0.60	$ 53.00	$ 17.00	15,000	$ 0.71	$ 70.25	$ 17.25	32.5%
100,000	$ 17.00	30,000	$ 0.60	$ 59.00	$ 17.00	15,000	$ 0.71	$ 77.35	$ 18.35	31.1%

a/ average usage during winter period..

b/ average usage during summer period.

Attachment Q
Case No. CCH-W-12-01
Staff Comments
09/17/12



Attachment R
Case No. CCH-W-12-01
Staff Comments
09/17/12

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17TH DAY OF SEPTEMBER 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. CCH-W-12-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MIKE GROTH
COUNTRY CLUB HILLS UTILITIES
570 S. YELLOWSTONE AVE.
IDAHO FALLS, ID 83402

Jo Nelson
SECRETARY