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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for SUEZ Water Idaho Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT
APPLICATION OF EAGLE WATER
COMPANY, INC. AND SUEZ WATER
IDAHO INC. FOR APPROVAL OF SALE
AND ACQUISITION OF EAGLE WATER
COMPANY, INC. ASSETS BY SUEZ
WATER IDAHO INC. AND AMENDMENT
OF CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY NO.
143, AND APPROVAL OF RATES AND
CHARGES

Case Nos. SUZ-W-18-02
EAG W-18-01

DIRECT TESTIMONY OF JARMILA CARY

ON BEHALF OF SUEZ WATER IDAHO INC.

NOVEMBER 2018

1 **Q. Please state your name and business address.**

2 A. My name is Jarmila Cary. My business address is 8248 West Victory Road,
3 Boise, Idaho 83709.

4 **Q. By whom are you employed, and in what capacity?**

5 A. I am the Director of Finance for SUEZ Water Idaho Inc. ("SUEZ" or
6 "Company").

7 **Q. Please summarize your professional experience and educational background.**

8 A. I was granted a Bachelor of Science in Business, with a major in Accounting,
9 from the University of Idaho in December 1996. I have been employed by SUEZ
10 since June 1997 as Senior Accountant and later as Manager of Accounting except
11 for a brief leave of absence from June 2008 through August 2009. I became
12 Director of Finance in September 2015.

13 **Q. Please describe your duties as Director of Finance.**

14 A. I have oversight over the Company's financial activities including planning,
15 variance analysis, operational reporting, payroll, accounts payable, and
16 development and monitoring of business metrics. I participate in rate filings,
17 monitor capital expenditure investment, and define and implement changes in
18 management initiatives. I am also the key contact person within SUEZ's Idaho
19 Division for centralized functions such as Accounting, Audit, Tax, Treasury and
20 Procurement. In March 2018, my role expanded to include oversight of the
21 Customer Service Department. Additionally, I provided testimony before the
22 Idaho Public Utilities Commission in the Company's 2011 and 2014 general rate
23 cases.

1 **Q. What is the scope of your testimony?**

2 A. My testimony describes my analysis of the planned capital investments and
3 operating cost projections for the Eagle Water Company (“Eagle Water”) water
4 system, a phased-in tariff increase for Eagle Water customers if the proposed
5 asset acquisition is approved, and analysis supporting the acquisition purchase
6 price.

7 **Q. Have you prepared an Exhibit that shows your analysis conclusions?**

8 A. Yes. I am sponsoring Exhibit 1 consisting of Schedules 1 through 5. **Schedule**
9 **1a** shows the projected three-year capital investment that would benefit Eagle
10 Water customers. This schedule also includes Eagle Water’s projected operating
11 costs (including recommended maintenance) and the resulting revenue deficiency.
12 **Schedule 1b** summarizes the projected impact to the average Eagle Water
13 residential and commercial customer as a result of the revenue deficiency
14 calculated in Schedule 1a. The resulting percentage increase is then applied to the
15 average calculated Eagle Water customer bill in Schedule 2, using the existing
16 Eagle Water tariff rate structure.
17 **Schedule 2** is an analysis of rate impacts to Eagle Water customers of the
18 proposed three-year phase-in to SUEZ rates assuming the acquisition is approved.
19 The analysis uses an average bill calculation that approximates 2017 reported
20 revenues. **Schedule 3** summarizes the proposed phased-in tariff rates. **Schedule**
21 **4** shows the calculation of Eagle Water customers’ winter vs. summer
22 consumption and **Schedule 5** summarizes Eagle Water’s 2017 year end average
23 bill and consumption per customer calculation.

1 **Q. Please discuss your financial analysis supporting the purchase price.**

2 A. As derived from the most recent Eagle Water annual report to the Commission,
3 Eagle Water's calculated level of rate base as of December 31, 2017 was
4 (\$1,208,792). This represented the Eagle Water Plant In Service of \$3,131,715,
5 less Accumulated Depreciation & Amortization of \$1,263,450, less \$3,155,195
6 booked as Contributions in Aid of Construction ("CIAC"), plus a working capital
7 amount of \$78,138 representing one-eighth of \$625,102 Operating and
8 Maintenance expenses (includes \$13,239 of regulatory commission fees).

9 The Company is aware from discussions with Commission Staff and its own
10 review of past Eagle Water filings with this Commission, that Eagle Water books
11 and records may not accurately reflect its current rate base and capitalized assets
12 due to prior accounting inconsistencies. The Company's assumption for purposes
13 of analysis discussed in my testimony is that the Eagle Water rate base would be
14 set to zero.

15 SUEZ is asking the Commission to recognize the full \$10M purchase price plus
16 SUEZ's acquisition costs as an acquisition adjustment for rate making purposes.

17 This treatment will allow SUEZ to recover the full purchase price and transaction
18 and closing costs in rates. Furthermore, this treatment will allow SUEZ to make
19 the capital improvements necessary to meet existing regulatory requirements.

20 The asset purchase agreement makes SUEZ's obligation to close the purchase
21 contingent upon, among other things, a favorable rate treatment of the purchase
22 price.

1 The \$10M purchase price represents an approximate investment per customer of
2 \$2,380 based on a projected 4,200 Eagle Water customers at closing. In Case No.
3 UWI-W-15-01, SUEZ's rate base was approximately \$173,322,068, which
4 represented an approximate investment per customer of \$1,924 based on
5 approximately 90,072 active service agreements as of Nov. 2015. Additional
6 justification for the purchase price is based on an estimated capital cost
7 investment avoidance of \$11.7M as described in Ms. Cooper's testimony.

8 **Q. Please discuss the anticipated acquisition closing costs and why they should be**
9 **included in recovery?**

10 A. The Company is requesting that all of its acquisition costs through closing of the
11 purchase be capitalized and amortized as part of the requested acquisition
12 adjustment. These costs would include legal fees, costs for obtaining ALTA
13 surveys and extended coverage title insurance for the acquired real property
14 assets, preparation and prosecution of the Joint Application and SUEZ's share of
15 closing/escrow costs. The requested cost recovery includes legal costs incurred in
16 negotiation and documentation of the transaction, coordination and assistance to
17 SUEZ in performing due diligence, coordinating and directing survey work and
18 resolving title issues identified in preliminary title commitments for real
19 properties and easements that would be acquired by SUEZ. These legal costs and
20 costs for surveys and title insurance are customary and necessary components of
21 commercial real estate transactions to protect the buyer's interests and ensure the
22 properties are acquired free and clear of any potential liens, and adverse
23 encumbrances or encroachments. The surveys and extended coverage policies

1 serve to ensure the Company acquires clear title to the properties and easements
2 together with rights of ingress, egress and access to operate and maintain
3 underground assets and facilities. SUEZ's costs as of the date of filing the Joint
4 Application includes approximately \$35,000 in legal fees, \$50,000 for ALTA
5 surveys and \$6,000 estimated for extended coverage title insurance for the
6 acquired real property assets. The Commission has previously allowed recovery
7 of such prudent acquisition costs in prior case filings.

8 **Q. Please discuss the projected capital investment that will directly benefit the**
9 **Eagle Water system customers.**

10 A. Ms. Cooper's testimony includes the projected capital investment that SUEZ
11 believes will need to be made to the Eagle Water system over the next three years.
12 These investments would address disinfection needs, would provide for
13 Supervisory Control and Data Acquisition (SCADA), Meter & Service
14 replacements, pressure valve installations (PRV), and GIS mapping & hydraulic
15 modeling. SUEZ also believes certain water right issues should be addressed
16 along with construction of a storage tank to comply with IDEQ peak hour, fire
17 flow supply and redundancy requirements. Other proposed investments are for
18 pipeline replacements, safety and security and production roll-up work including
19 pump replacements, sampling stations and generators, etc. These capital
20 investment dollars total an estimated \$13.4 million over the next three years with
21 \$2,700,000 proposed in year one, \$6,708,000 in year two and \$3,950,000 in year
22 three. These investments are included in Exhibit 1, Schedule 1a at line 43 at
23 column F.

1 **Q. Please discuss the projected operating costs that SUEZ expects Eagle Water**
2 **would incur as a result of the projected capital investment.**

3 A. My financial analysis Exhibit 1 Schedule 1a projects that with the \$13.4M
4 proposed capital investment for system upgrades and associated recommended
5 maintenance that would directly benefit Eagle Water customers, Eagle Water's
6 operating costs would increase by \$158,750 over its 2017 year-end figure. This
7 projected operating cost increase would include \$60,000 in additional payroll
8 expense for Eagle Water to add a dedicated SCADA Operator and \$30,000 to
9 provide enhanced employee benefits and other wage adjustments. SUEZ
10 estimates that Eagle Water would incur \$2,000 in additional power expense for
11 SCADA monitoring equipment, chemical feed pumps, analyzers, RTU's and
12 pressure regulating valves.

13 Eagle Water currently does not disinfect its water. Although Eagle Water's
14 supply source is groundwater, chlorination treatment is a recommended practice
15 to make water safe for consumption, and is something that SUEZ would
16 implement for this system. Chlorination treatment of water delivered through the
17 Eagle Water system is estimated to increase Eagle Water's annual expense by
18 approximately \$24,000 based on SUEZ's disinfection chemical cost of \$26.50 per
19 MG (million gallons) of water produced with an estimated annual production of
20 895 million gallons based on Eagle Water's data.

21 Eagle Water cost of materials and supplies are estimated to increase by \$2,250 for
22 chlorine detector CL-17 reagents and maintenance, \$2,500 for air conditioning
23 maintenance, filters, building maintenance including painting, and \$13,000 for

1 recommended well cleaning maintenance. Based on SUEZ's own experience
2 with similar equipment and system operations requirements, Eagle Water
3 subcontractor costs are projected to increase by \$5,000 for SCADA & GIS
4 support, licenses & maintenance fees, \$15,000 for the five generators'
5 maintenance needs and recommended testing, and \$5,000 for low maintenance
6 landscaping upkeep – gravel, weed control and pre-emergent applications and
7 backflow device testing.

8 **Q. Please discuss the projected operating costs and savings for the Eagle Water**
9 **system under SUEZ operations?**

10 A. The anticipated maintenance costs described above would cover the current Eagle
11 Water system and the planned capital improvements over three years. These costs
12 are prudent and reasonable and would be the same regardless of system
13 ownership.

14 Eagle Water's 2017 annual Public Utilities Commission report shows annual
15 operating expenses totaling \$611,863. Based on due diligence information
16 provided by Eagle Water and the Company's analysis, operating and maintenance
17 expenses are projected to decrease at a minimum by \$54,603 under SUEZ
18 operation.

19 Eagle Water rents office space for its operations headquarters. SUEZ would serve
20 the Eagle Water system and customers through its existing company office
21 location at 8248 West Victory Road, which would produce an operating cost
22 savings of \$10,450 per year.

1 SUEZ anticipates it would require a staff of three additional employees to operate
2 the Eagle Water system and serve the customers. This would include the addition
3 of an Operator, Meter Reader and a Customer Service Representative over and
4 above SUEZ's existing staffing level. SUEZ intends to evaluate qualified and
5 interested Eagle Water employees as candidates for these positions. Eagle Water
6 records show it has six individuals on payroll. Eliminating Eagle Water owner's
7 salary together with the aforementioned staffing changes would save an estimated
8 \$44,153 per year in salaries and benefit costs.

9 Additional operational savings would be achieved by leveraging SUEZ's buying
10 power in reducing material & supply costs, utilizing existing SUEZ equipment
11 and employees to perform various general and administrative duties, customer
12 billing, maintenance activities, and field functions and eliminating certain outside
13 professional services such as accounting and legal fees, which would be
14 performed in-house by SUEZ. These cost savings are projected to offset
15 additional unforeseeable expenses SUEZ would likely incur after operating the
16 Eagle Water system.

17 **Q. Please discuss the cost per customer at current rates for Eagle Water and**
18 **SUEZ.**

19 A. Eagle Water's 2017 year-end Commission annual report data for Residential and
20 Commercial revenue, shows a year-end customer count of 3,835 and water sold
21 quantity of 470,737,003 labeled as thousand gallons. Eagle Water also has
22 provided SUEZ with billing reports for 2017 that were used as the basis for the per
23 customer cost calculation rather than the annual report because I have determined

1 the billing report consumption numbers and customer counts are more accurate
2 based on reported revenue. This data is summarized in Exhibit 1, Schedule 5. The
3 average Eagle Water Residential customer used 218ccf (hundred cubic feet of
4 water) for the 2017 year or approximately 163 thousand gallons (using a conversion
5 rate of 1cf or cubic foot = 7.48 gallons), at an annual cost of \$152 per Eagle Water
6 customer. During 2017 Eagle Water Commercial customers averaged 642ccf or
7 approximately 480 thousand gallons of water usage at an annual cost of \$478 per
8 customer.

9 For the same 2017 year-end time period, SUEZ Residential customers used an
10 average of 145ccf or approximately 108 thousand gallons at an annual cost of \$402
11 per customer. SUEZ Commercial customers used an average of 722ccf during 2017
12 or approximately 540 thousand gallons at a cost of \$1,590 per customer for the year.
13 Depending on consumption level and time of year usage, Eagle Water's existing
14 rates and average bill are between one-half and one-third of SUEZ's existing
15 approved tariff rates and average residential and commercial customer bills.

16 While SUEZ's rates are currently higher than Eagle Water's, they allow the
17 Company to invest in infrastructure replacement needs, to operate the system
18 utilizing SCADA & GIS technology for monitoring and responding 24-hours a day,
19 to provide service enhancements such as a customer website portal, with a variety
20 of payment and billing options, conservation education and materials, and the
21 ability to perform recommended maintenance to ensure continued service
22 reliability. With SUEZ's acquisition of Eagle Water Company, these benefits
23 would extend to those customers as well.

1 **Q. Based on the projected capital investment and Eagle Water operating costs,**
2 **what would Eagle Water's revenue requirement and the impact on Eagle**
3 **Water Customer tariff rates be assuming those investments were made and**
4 **costs were incurred by Eagle Water?**

5 A. SUEZ believes that regardless of the proposed acquisition, the Eagle Water system
6 will require substantial new capital investment over the next three years and will
7 experience increased operating costs to address the issues discussed above and in
8 Ms. Cooper's testimony. Exhibit 1, Schedule 1a to my testimony details my
9 analysis of the anticipated financial impact over the same three years. This exhibit
10 shows the probable capital investments, normalized depreciation expense, and
11 increased operating costs Eagle Water would be expected to incur. The result for
12 Eagle Water is a projected revenue deficiency of \$1,922,839 with all other factors
13 from 2017 remaining unchanged, including current Eagle Water rates. As
14 summarized in Exhibit 1, Schedule 1b, the deficiency would support a 256% rate
15 increase for Eagle Water Company over its existing rates. Applying that increase
16 to a calculated average Eagle Water customer bill results in a projected average
17 monthly increase of \$31.56 for Residential customers, going from a \$12.35 average
18 monthly bill at existing rates to a \$43.91 monthly bill. The impact to Commercial
19 customers would be an estimated average monthly increase of \$99.55, going from
20 a \$38.96 average monthly bill at existing rates to a \$138.51 monthly bill. The actual
21 impact of an increase in rates on a customer bill would be highly dependent on the
22 actual quantity of water used and the meter size.

23 **Q. Please explain how the average monthly bill was calculated?**

1 A. Certain assumptions were made to calculate an average Eagle Water Residential
2 and Commercial bill. The calculation is based on Eagle Water-provided data,
3 billing reports and annual reports filed with the Commission. This information was
4 used to estimate an average monthly consumption level that would also
5 approximate Eagle Water's 2017 Residential and Commercial revenues captured in
6 Exhibit 1 Schedule 2. The calculation uses Eagle Water's latest available April
7 2018 customer count of approximately 4,000 customers.

8 The average Residential monthly bill is calculated using a 3/4" meter fixed charge
9 and a 30% winter / 70% summer consumption pattern based on Eagle Water's 2017
10 water sold data with an estimated 16 ccf (hundred cubic feet) of monthly water
11 usage.

12 The average Commercial customer monthly bill is calculated using a 1-1/2" meter
13 fixed charge with a 15% winter / 85% summer consumption pattern based on Eagle
14 Water's 2017 water sold data with an estimated 75 ccf (hundred cubic feet) of
15 monthly water usage. These winter/summer consumption calculations are detailed
16 in Exhibit 1, Schedule 4.

17 **Q. What would the revenue requirement and the impact on Eagle Water**
18 **customer tariff rates be with the proposed SUEZ acquisition and rate phase**
19 **in?**

20 A. As stated above, SUEZ projects that Eagle Water would experience an increased
21 revenue requirement of \$1,922,839 requiring a related rate increase of
22 approximately 256% if it were to continue operating the system and make the
23 recommended system upgrades. If the Eagle Water assets are acquired, upgraded

1 and operated by SUEZ consistent with the plans described in Ms. Cooper's
2 testimony, a transition to full SUEZ rates as proposed in the Application would
3 produce an estimated revenue requirement of \$1,768,304 requiring an
4 approximately 235% increase over Eagle Water's existing rates as shown in Exhibit
5 1, Schedule 2 at row 12, column Z.

6 With a three-year rate phase-in and using the same average customer bill
7 determinants as above, SUEZ projects that Eagle Water Residential customers
8 would see an approximate monthly increase of \$6.44 in their billings in year one,
9 in which their rate would be stepped up to 50% of SUEZ's existing rates. In year
10 one, the average Eagle Water Residential customer would see their bill increase
11 from a monthly cost of \$12.35 to \$18.79. In year two, they would see an
12 approximate monthly increase of \$9.40 for an average monthly bill of \$28.19 based
13 on 75% of SUEZ existing rates. In year three, they would see an approximate
14 monthly increase of \$9.40 for an average monthly bill of \$37.59 based on 100% of
15 SUEZ existing rates.

16 Eagle Water Commercial customers would realize an approximate monthly
17 increase of \$39.56 in year one, going from Eagle Water's existing rates and an
18 average monthly bill of \$38.96 to \$78.51 at 50% of SUEZ's existing rates. In year
19 two, they would see an approximate monthly increase of \$39.26 for an average
20 monthly bill of \$117.77 based on 75% of SUEZ existing rates. In year three, they
21 would see an approximate monthly increase of \$39.26 for an average monthly bill
22 of \$157.03 based on 100% of SUEZ existing rates. These proposed rates are
23 summarized in Exhibit 1, Schedule 3.

1 The overall increase over the full three-year phase-in period to SUEZ rates using
2 the average bill calculations would result in an approximate increase of 204% for
3 Residential customers and an increase of 303% for Commercial customers.
4 SUEZ anticipates that the proposed tariff increase coupled with SUEZ's
5 conservation communications and customer efforts, would provide incentives to
6 Eagle Water customers to reduce their usage to levels similar to SUEZ's existing
7 customers. SUEZ's experience is that these incentives should be expected to reduce
8 the overall financial impact of rate increases, although the extent to which this
9 would occur cannot be accurately predicted.

10 **Q. What is your conclusion based upon this analysis?**

11 A. Assuming that Eagle Water were able to secure financing for the capital
12 expenditures recommended by Ms. Cooper in her testimony, the resulting Eagle
13 Water customer rates would need to be increased to satisfy Eagle Water's increased
14 revenue requirement. That increase would be similar to what those customers could
15 expect to see if SUEZ acquires and upgrades the Eagle Water system and the
16 customers are phased in to SUEZ's rates. While providing a similar level of
17 service, investment and system maintenance, Eagle Water's ongoing operating
18 costs could be anticipated to be higher than SUEZ's given SUEZ's existing
19 operating efficiencies and economies of scale.

20 In summary, given the near-term capital investments that SUEZ believes would be
21 reasonably prudent to make to the Eagle Water system and the associated
22 operational cost increases, those customers receiving water from the system would

1 be expected to experience similar rate increases regardless of whether Eagle Water
2 or SUEZ owned and operated the system.

3 **Q. Will approval of the transaction unduly burden existing SUEZ customers?**

4 **A.** No. As established by the testimony of Ms. Cooper, absent the acquisition, SUEZ
5 customers would need approximately \$11.7M of additional necessary system
6 improvements which can be avoided with the merging of operations with the Eagle
7 Water system.

8 **Q. Does this conclude your testimony?**

9 **A.** Yes.

Case No. SUZ-W-18-02

**DIRECT TESTIMONY OF
JARMILA CARY**

EXHIBIT 1

Schedules 1a, 1b, 2, 3, 4 and 5

Projected Eagle Water Operating Costs and Revenue Deficiency		IPUC Annual Report 2017	Revised 2017	Capital Investment Required Year 1	Change Year 1	Revised Year 1	Capital Investment Required Year 2	Change Year 2	Revised Year 2	Capital Investment Required Year 3	Change Year 3	Revised Year 3
Line No.	Description	Adjust										
1	Operating Revenue		760,105	760,105		760,105			760,105			760,105
Operating Expenses:												
2	Labor		279,150	279,150		369,150			369,150			369,150
3	Purchased Water		0	0		0			0			0
4	Power Purchased for Pumping		161,279	161,279		2,000			163,279			163,279
5	Chemicals		0	0		24,000			24,000			24,000
6	Materials & Supplies		65,905	65,905		17,750			83,655			83,655
7	Contract Services		41,067	41,067		25,000			66,067			66,067
8	Rentals- Property & Equipment		10,450	10,450		10,450			10,450			10,450
9	Transportation Expense		25,201	25,201		25,201			25,201			25,201
10	Insurance		20,120	20,120		20,120			20,120			20,120
11	Advertising		0	0		0			0			0
12	Rate Case Expense (Amortization)		1,879	1,879		1,879			1,879			1,879
13	Regulatory Comm. Exp. (Other except taxes)		13,239	13,239		13,239			13,239			13,239
14	Bad Debt Expense		0	0		-			0			0
15	Miscellaneous		6,812	6,812		6,812			6,812			6,812
16	Amortization Remediation Costs		0	0		0			0			0
17	Other O&M Expenses		0	0		0			0			0
18	Operating & Maintenance Expense		625,102	625,102		158,750			783,852			783,852
19	Depreciation & Amortization Expense		65,276	65,276		81,000			174,951			201,240
20	Gross Receipts Tax		0	0		0			0			0
21	Franchise Tax		6,047	6,047		6,047			6,047			6,047
22	Property, Payroll, Excise and Other Taxes		59,401	59,401		59,401			59,401			59,401
23	Total Operating Expenses Before Income Taxes		755,826	755,826		81,000			1,024,251			1,225,491
24	Operating Income Before Income Taxes		4,279	4,279		(264,146)			(201,240)			(465,386)
25	State Income Taxes		227	227		(25,145)			(55,978)			(118,500)
26	Federal Income Taxes		0	0		(70,971)			(157,997)			(583,886)
27	Deferred Federal Income Taxes		0	0		0			0			(74,134)
28	Operating Income		\$4,052	\$0		\$4,052			(\$168,030)			(\$201,240)
29	Interest Expense		\$587	\$0		\$0			\$98,957			\$244,004
30	Utility Plant in Service		3,131,715	3,131,715		2,700,000			5,831,715			6,708,000
31	Accumulated Amortization		(59,306)	(59,306)		(59,306)			(59,306)			(59,306)
32	Accumulated Depreciation		(1,204,144)	(1,204,144)		(81,000)			(1,285,144)			(201,240)
33	Net Plant		1,868,265	1,868,265		2,619,000			4,487,265			6,506,760
34	Contributions in Aid of Construction		(3,155,195)	(3,155,195)		(3,155,195)			(3,155,195)			(3,155,195)
35	Customer Advances for Construction		0	0		0			0			0
36	Accumulated Deferred Income Taxes		0	0		0			0			0
37	Materials and Supplies		0	0		0			0			0
38	Prepaid Expenses		0	0		0			0			0
39	Working Capital (1/8th O&M Expenses)		78,138	78,138		97,982			97,982			97,982
40	Unamortized bond discount		0	0		0			0			0
41	Rate Base Adj. - set Rate Base to -0-		0	1,208,792		1,208,792			1,208,792			1,208,792
42	Other Rate Base Items		0	0		0			0			0
43	Rate Base		(\$1,208,792)	\$1,208,792		\$0			\$2,638,844			\$6,506,760
44	Rate of Return		-0.34%	0.00%		0.00%			-6.37%			-3.09%
45	Required Rate of Return		8.50%	8.50%		8.50%			8.50%			8.50%
46	Required Net Operating Income		(\$102,747)	\$102,747		\$0			\$224,302			\$553,075
47	Operating Income Deficiency		\$ (106,799)	\$ 102,747		\$ (4,052)			\$ 222,615			\$ -
48	Gross Revenue Conversion Factor		1.369970	1.369970		1.369970			1.369970			1.369970
49	Revenue Deficiency (Overage)		(\$146,312)	\$140,761		(\$5,551)			\$304,976			\$0
50	Long Term Debt Ratio		50.00%	50.00%		50.00%			50.00%			50.00%
51	Common Equity Ratio		50.00%	50.00%		50.00%			50.00%			50.00%
52	Total Capital		100.00%	100.00%		100.00%			100.00%			100.00%
53	Long Term Debt Cost - Estimated		7.50%	7.50%		7.50%			7.50%			7.50%
54	Common Equity Cost - Estimated		9.50%	9.50%		9.50%			9.50%			9.50%
55	Long Term Debt Weighted Avg. Cost		3.75%	3.75%		3.75%			3.75%			3.75%
56	Common Equity Weighted Avg. Cost		4.75%	4.75%		4.75%			4.75%			4.75%
57	Total Capital - Weighted Avg. Cost		8.50%	8.50%		8.50%			8.50%			8.50%

Gross Revenue Conversion Factor

59	Net Deficiency					100.0000%
60	Less IPUC Assessment Rate					0.2275%
61	Less Uncollectible Accounts Expense					0.5000%
62	Total					0.7275%
63	State Tax Rate				6.9250%	
64	Effective State Tax Rate				State Income Tax * Deficiency	6.8746%
65	Federal Income Tax Rate				21.0000%	
66	Effective Federal Tax Rate				Federal Income Tax * Deficiency	19.4036%
67	Net After Tax					72.9943%
68	Composite - IPUC Fees, Uncollectible, Income Taxes					27.0057%
69	Composite Residual					72.9943%
70	Net to Gross Multiplier					136.9970%

Projected Impact to Average Eagle Water Customer (using existing Eagle Water tariff structure) for the Revenue Deficiency calculated in Exhibit 1 Schedule 1a and Average Customer Bill shown in Schedule 2

		Average Residential Bill		Average Commercial Bill	
		\$ 12,350	\$	38,955	Existing Avg. Bill
		\$ 31,242	\$	98,545	Increase
Increase over 2017 actual revenues using avg. calculated bill	252.97%	\$ 43,592	\$	137,500	New Rates
		\$ 12,350	\$	38,955	Existing Avg. Bill
		\$ 31,560	\$	99,550	Increase
Increase over existing Eagle Water tariff using avg. calculated bill	255.55%	\$ 43,910	\$	138,505	New Rates

SUEZ Proposed Rate Phase In for Eagle Water

	YEAR ONE	YEAR TWO	YEAR THREE
100 cubic feet or CCF	\$ 0.4510	\$ 1.8577	\$ 1.8577
Summer Tariff Rate	\$ 0.4510	\$ 1.4674	\$ 1.4674
Winter Tariff Rate	\$ 0.4510	\$ 1.4674	\$ 1.4674
60CCF or less	\$ 7.84	\$ 3.92	\$ 1.307
Over 600 CF per 100 CF	\$ 7.84	\$ 3.92	\$ 1.307

Rate for first 3 CCF (winter & summer) change over 2017 EWC actual revenue 233%
 change over existing EWC rates per calculated avg bill 235%
 Total Annual Impact (Residential & Commercial) \$ 630,183 Grand Total \$1,786,304

3CCF in Summer at Winter Rate Annual Increase \$ 270,588 Monthly Increase \$ 6.44
 Total Annual Impact (Residential & Commercial) \$ 507,937

3CCF in Summer at Winter Rate Annual Increase \$ 390,644 Monthly Increase \$ 9.40
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EAGLE WATER COMPANY TARIFF

Order 30734
was effective February 23, 2009

SUEZ TARIFF

Order 37074
was effective June 1, 2018

PHASE-IN YEAR 1

PHASE-IN YEAR 2

PHASE-IN YEAR 3

Percentage of SUEZ Tariff 50% 75% 100%

SCHEDULE 1D GENERAL METERED SERVICE: EAGLE WATER SERVICE AREA

Volume Charges

600CF or less	\$	7.8400
Over 600CF (per 100CF=1CCF)	\$	0.4510
	\$	0.4510

Per 100 cubic feet or 1CCF (748 gallons)

For all water used less than 3CCF (per CCF)	\$	0.7337	\$	1.1006	\$	1.4674
Winter Rate (Oct 1 - Apr 30) greater than 3CCF	\$	0.7337	\$	1.1006	\$	1.4674
Summer Rate (May 1 - Sep 30) greater than 3CCF	\$	0.9289	\$	1.3933	\$	1.8577

Meter Charge

CF allowed	Monthly
5/8"-3/4"	600 \$ 7.84
1"	1,000 \$ 9.64
1&1/4" & 1&1/2"	2,000 \$ 14.15
2" or multiple meters of equivalent capacity	3,200 \$ 19.56
3" or multiple meters of equivalent capacity	6,400 \$ 34.00
4" or multiple meters of equivalent capacity	10,600 \$ 52.94
6" or multiple meters of equivalent capacity	21,000 \$ 99.84
8" or multiple meters of equivalent capacity	32,000 \$ 149.45
10" or multiple meters of equivalent capacity	45,000 \$ 208.08

	Monthly	Monthly	Monthly
No CF allowance	\$ 5.28	\$ 7.92	\$ 10.56
No CF allowance	\$ 6.75	\$ 10.12	\$ 13.50
No CF allowance	\$ 11.54	\$ 17.31	\$ 23.09
No CF allowance	\$ 17.91	\$ 26.87	\$ 35.82
No CF allowance	\$ 34.93	\$ 52.40	\$ 69.87
No CF allowance	\$ 65.17	\$ 97.76	\$ 130.34
No CF allowance	\$ 108.81	\$ 163.21	\$ 217.61
No CF allowance	\$ 142.34	\$ 213.51	\$ 284.69
No CF allowance	\$ 202.85	\$ 304.27	\$ 405.70

SCHEDULE 3A PRIVATE FIRE SPRINKLER AND SERVICE: EAGLE WATER SERVICE AREA

Private Fire	Monthly	Monthly	Monthly	Monthly
3"	\$ 6.85	\$ 6.85	\$ 6.98	\$ 9.31
4"	\$ 10.37	\$ 7.05	\$ 10.58	\$ 14.11
6"	\$ 25.74	\$ 17.52	\$ 26.27	\$ 35.03
8"	\$ 42.32	\$ 28.78	\$ 43.17	\$ 57.57
10"	\$ 65.97	\$ 44.89	\$ 67.33	\$ 89.77

SCHEDULE 1E FLAT RATE SERVICE: EAGLE WATER SERVICE AREA

Non-Metered	Monthly	Monthly	Monthly	Monthly
Nov - April	\$ 11.75	\$ 20.27	\$ 30.40	\$ 40.54
May - Oct	\$ 19.75	\$ 20.27	\$ 30.40	\$ 40.54

IDEQ Drinking water fee (per potable connection)	\$0.33 per month, \$4.00 annually	\$0.50 bi-monthly, \$3.00 annually	\$ 0.25	\$ 0.25	\$ 0.25
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Eagle Franchise fee - within City Limits	1%	1%	1%	1%
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Disconnection - business hours	\$ 15.00	\$ 20.00	\$ 20.00	\$ 20.00
Disconnection - non business hours	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00

Wholesale rate - Eagle Point Subdivision (consolidated billing)				
3/4"	\$ 6.84	N/A	N/A	N/A
1"	\$ 8.64	N/A	N/A	N/A
1&1/4" & 1&1/2"	\$ 13.15	N/A	N/A	N/A
2"	\$ 18.56	N/A	N/A	N/A
3"	\$ 33.00	N/A	N/A	N/A
4"	\$ 51.94	N/A	N/A	N/A
6"	\$ 98.84	N/A	N/A	N/A
8"	\$ 148.45	N/A	N/A	N/A
10"	\$ 207.08	N/A	N/A	N/A

Wholesale Countryside Estates Order 29113				
Per 1000 Gallons	\$ 0.2404	N/A	N/A	N/A

New Connection hookup fee	\$ 845.00	N/A	N/A	N/A
Original hookup fee	\$ 245.00	N/A	N/A	N/A
Engineering Study	\$ 100.00	N/A	N/A	N/A
New Well	\$ 500.00	N/A	N/A	N/A

Surcharge for usage greater than 600 CF per month 2/23/2009 - 2/22/2016	48.075%	N/A	N/A	N/A
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Esle Water % Water Sold by month - per billing reports (shown in cubic feet)

Residential	CF	2016 CF	2017
Dec	1,952,184	2,51%	2,043,140 2.75%
Nov	2,017,908	2.59%	2,280,128 3.07%
Oct	3,581,554	4.60%	9,399,751 12.64%
Sep	8,027,681	10.32%	9,010,590 12.12%
Aug	15,653,394	20.12%	13,660,614 18.37%
Jul	12,942,331	16.64%	12,781,355 17.19%
Jun	12,553,436	16.14%	10,174,248 13.69%
May	8,252,439	10.61%	6,555,373 8.95%
Apr	6,419,522	8.25%	3,113,036 4.19%
Mar	2,681,945	3.45%	1,925,601 2.59%
Feb	2,043,829	2.63%	1,487,826 2.00%
Jan	1,658,138	2.13%	1,812,603 2.44%
Total	77,784,361	100.00%	74,344,265 100.00%

Summer Consumption - May - Sept
70%

Winter Consumption Oct - Apr
30%

Commercial (Combined by Meter Code 07=3/4", 10=1" 15=1.5", 20=2", 30=3", 40=4")

Meter Code >	CF	2017	CF	10	2017	CF	15	2017	CF	20	2017	CF	30	2017	CF	40	2017
Dec	26,952	1.04%	122,824	3.53%	493,304	3.47%	329,162	-4.34%	54,261	4.04%	4,115	0.18%					
Nov	7,926	0.30%	84,414	2.43%	411,357	2.90%	368,718	4.87%	93,328	6.95%	7,673	0.34%					
Oct	119,529	4.59%	221,878	6.38%	475,935	3.35%	(4,521,083)	-59.66%	62,473	4.66%	25,604	1.15%					
Sep	494,103	18.99%	530,060	15.25%	2,174,151	15.30%	1,569,478	20.71%	111,516	8.31%	70,888	3.17%					
Aug	561,889	21.59%	579,612	16.88%	2,493,864	17.55%	2,368,917	31.26%	206,269	15.37%	607,086	27.17%					
Jul	552,654	21.24%	549,479	15.81%	2,442,542	17.19%	2,131,534	28.13%	202,863	15.12%	625,042	27.98%					
Jun	375,383	14.42%	591,649	17.02%	2,127,151	14.97%	2,068,536	27.30%	174,859	13.03%	462,846	20.72%					
May	202,926	7.80%	327,222	9.42%	1,262,896	8.89%	1,234,316	16.29%	124,988	9.31%	365,480	16.36%					
Apr	118,240	4.54%	186,407	5.36%	799,588	5.63%	799,421	10.55%	141,716	10.56%	46,411	2.08%					
Mar	53,828	2.07%	94,830	2.73%	506,822	3.57%	337,089	4.45%	68,854	5.13%	7,558	0.34%					
Feb	41,943	1.61%	93,125	2.68%	524,177	3.69%	584,066	7.71%	52,371	3.90%	5,351	0.24%					
Jan	47,106	1.81%	93,841	2.70%	495,861	3.49%	308,084	4.07%	48,407	3.61%	6,081	0.27%					
Total	2,602,479	100.00%	3,475,341	100.00%	14,207,848	100.00%	7,578,238	100.00%	1,341,905	100.00%	2,234,135	100.00%					

Average

2.77%

2.97%

-6.59%

13.62%

21.60%

20.91%

17.91%

11.34%

6.45%

3.05%

3.90%

2.66%

Summer Consumption - May - Sept.
85%

Winter Consumption Oct - Apr.
15%

TOTAL CF 31,430,946

Comparison of Eagle Water & SUEZ 2017 Year End Bills and Consumption - per Average Customer

	EAGLE					SUEZ
	2014	2015	2016	2017	2018 (April)	2017
Customers (year end)	3,546	3,573	3,835	3,908	4,046	
Residential	3,089	3,110	3,357	3,418	3,535	81,864
Commercial	454	460	475	490	511	8,988
% commercial	13%	13%	12%	13%	13%	
% growth		1%	7%	2%	4%	
Revenue						
Residential	\$ 532,972	\$ 569,067	\$ 573,291	\$ 518,494		\$ 32,926,000
Commercial	\$ 233,100	\$ 216,515	\$ 247,932	\$ 234,316		\$ 14,292,000
Avg. Annual Customer Bill						
Residential	\$ 173	\$ 183	\$ 171	\$ 152		\$ 402
Commercial	\$ 513	\$ 471	\$ 522	\$ 478		\$ 1,590
Total Consumption (Gallons)	866,845,807	887,260,426	863,624,703	791,265,898		13,754,804,000
Residential	584,139,549	546,434,308	581,827,020	556,095,102		8,901,690,000
Commercial	282,706,258	340,826,118	281,797,683	235,170,796		4,853,114,000
Total Consumption (CFs)	115,888,477	118,617,704	118,617,704	105,784,211		1,838,877,540
Residential	78,093,523	73,052,715	77,784,361	74,344,265		1,190,065,508
Commercial	37,794,954	45,564,989	37,673,487	31,439,946		648,812,032
Avg. Annual Consumption (CFs) per Customer						
Residential	25,281	23,490	23,171	21,751		14,537
Commercial	83,249	99,054	79,313	64,163		72,186
Avg Annual CCF per customer						
Residential	253	235	232	218		145
Commercial	832	991	793	642		722
Avg Annual Gallons per customer						
Residential	189,103	175,702	173,318	162,696		108,738
Commercial	622,701	740,926	593,258	479,940		539,955

1 CF cubic foot = 7.48 Gallons