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IDAHO PUBLIC
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF DIAMOND BAR ESTATES WATER COMPANY FOR AN INCREASE IN RATES AND CHARGES FOR WATER SERVICE IN THE STATE OF IDAHO

CASE NO. DIA-W-07-1

COMMENTS OF THE COMMISSION STAFF

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donovan E. Walker, Deputy Attorney General, in response to Order No. 30311, the Notice of Application and Notice of Modified Procedure issued on April 25, 2007, respectfully submits the following comments.

BACKGROUND

On April 13, 2007, Diamond Bar Estates Water Company (Diamond Bar; Company) filed an Application to increase its rates for water service, change its fees for installation of meters, and to implement new customer connection charges. The Company requested an effective date for the new rates and charges of June 1, 2007. The Commission suspended the effective date for thirty (30) days plus five (5) months or until such time as the Commission enters an Order accepting, rejecting, or modifying the request in this matter. Order No. 30311.

Diamond Bar Estates Water Company was granted a Certificate of Public Convenience and Necessity authorizing it to provide water service to the Diamond Bar Estates Subdivision in Kootenai County, Idaho, on May 30, 2003. Case No. GNR-W-02-3, Order No. 29247. The Company's initial rates and charges were also established and approved at that time. Order No. 29247. The Company's authorized service territory was expanded to include the Boekel Estates Subdivision on August 2, 2004. Case No. DIA-W-04-01, Order No. 24556. This is the Company's first rate case since initial rates were approved with the issuance of the Company's Certificate.

The Current Application

According to its Application the Company is seeking authority to: (1) increase the water rates it charges customers by approximately 87.44%; (2) increase fees for the first time installation of a meter to serve a new customer from $200 to $310; and (3) implement a new customer connection charge of either $2,500 or $5,500 where a service line to the property does not currently exist.

According to the Company's Customer Notice, the Company is proposing to increase the minimum monthly charge for the first 7,500 gallons of water from $21 to $50 per month. The Company also proposes to increase the commodity rate from $0.45 to $0.52 per thousand gallons used in excess of the allowed 7,500 gallons per month. The Company states that it has operated at a loss for a number of years and this increase will help cover its operating costs. The Company requests recovery of $34,912 as its revenue requirement.

STAFF REVENUE REQUIREMENT ANALYSIS

Staff examined the books and records of the Company for the fiscal year ending December 31, 2006, and the Company's restatement of its financials for 2003, 2004, 2005, and 2006. Staff also reviewed Case No. GNR-W-02-3 (hereafter referred to as the 2002 Case) for a Certificate of Public Convenience and Necessity. A field audit was conducted in June 2007 at the Company offices in Coeur d'Alene, Idaho. The purpose of the audit was to obtain and verify the Company's revenues, expenses, and rate amounts for the calendar years 2003 thru 2006. Staff used the information obtained to determine if the rate increase requested by the Company was reasonable. The audit included (but was not limited to) examination of the general ledger accounts and supporting invoices, employee payroll records, verification of physical plant and property, comments submitted by customers, and discussions with individuals employed by Avondale

Construction Company, the company which provides the water master services and accounting/bookkeeping services to the Company on a independent contractual basis.

Revenues, Expenses and Rate Base

The Company submitted financial records to support its request for a 92% increase in revenue. The Company provided additional information when Staff conducted its on-site audit. Staff used all this information as the basis for determining the Company's history of revenues, expenses and rate base.

Revenues

The Company provided documentation that it received $18,193 in total revenue during 2006. This revenue is derived from the metered sales of water to its customers in the amount of $17,892, contributions for construction in the amount of $100, and other revenue in the amount of $201. Staff reviewed the billings, receipts and deposits of the Company, and is satisfied the Company has accounted for all revenues it has earned and received. Therefore, $18,193 appropriately reflects test year revenues.

Expenses

The Company provided financial information for the 2006 test year showing annual operating expenses of $26,984 and total expenses of $30,675. Staff used the 2006 annual expenses as test year expenses and made appropriate adjustments. Attachment A, Column A sets forth the Company's expenses for 2006 with Staff's adjustments shown in Column C and the recommended annual expenses shown in Column D. Staff recommends allowing total annual operating expenses for the Company of $22,024 and total annual expenses of $25,491. As set forth in Attachment A, Staff adjustments reduce contract labor for Operations & Maintenance, Administration and General Account, and Purchased Power expenses by $4,960. Staff has also made adjustments in the cost recovery amortization of rate case expenses and attorney fees for defense of Company water rights.

Adjustments to Annual Expenses

Based upon its review, Staff made the following adjustments to the Company's annual test year expenses:

1. Staff's first adjustment is to reduce the Labor-Operation & Maintenance account by $2,700. The Company added this amount to the 2006 actual expense as a proforma annualizing adjustment. The Company justified this increased in its Application by stating there was an increase in fees effective July 1, 2006. The fee for water master services is recorded in the Labor-Operation & Maintenance account. The individual providing the water master services is an employee of Avondale Construction Company, an affiliate company owned by the Turnipseeds. Avondale Construction Company bills the Water Company for the water master services. The fee amount paid by the Company for the water master services has increased every year since 2003. Attachment B is a schedule of the fees paid by the Company for 2003 to 2006. The requested increase is a 39% increase over the 2006 fees. Staff does not believe this sizable increase is justified. The history of increases shows that this fee has increased more than 270% since 2003. Since 2003, the number of customers has only increased by 2 (41 in 2003 and 43 in 2006) or 5%. There are no changes in the operation of the system to justify any additional time or expertise. Staff's recommendation includes the previous increases in the water master fee since 2003 to reflect the 2006 cost of $6,968, still a 170% increase over 2003. However, Staff does not believe the additional increase of $2,700 is justified or reasonable.

2. Staff's second adjustment is to reduce the Labor-Admin & Gen account by $1,200. The amount in this account is the fees paid to Avondale Construction for the bookkeeping services. As with the water master fees, Staff does not accept the proforma annualizing adjustment the Company has asked for in this account. The fee for bookkeeping services has increased from $2,445 in 2003 to $3,600 actual expense in 2006. Staff checked with a bookkeeping service in the Coeur d'Alene area that provides complete bookkeeping services (preparation of bills, collection of payments, preparation of deposits, reconciliation of bank statements, payment of bills, and preparation of financial statements) for three (3) water companies in the area. Microledger was asked what it would charge to provide complete bookkeeping

services for a water company with 43 customers. A representative of the Company indicated that the fee for such a service would be approximately $250 per month, $3,000 annually. Staff, therefore believes the actual annual fee paid by the Company of $3,600 is fair and reasonable.

3. In 2006 the Company reported that its lost and unaccounted for water was 19% of the total production. This is measured by comparing water produced versus water that was metered and billed. Staff believes this amount of loss is excessive and unacceptable and the Company needs to correct this situation by reducing losses to the levels achieved in previous years.

The Company explained that a number of factors could have combined to account for the abnormal water loss. There was extensive road construction in the area during the year and the Company determined that road crews were taking water from the hydrants. To correct this problem and prevent future losses, the Company purchased and installed locks on all the hydrants. In addition, the Company reported that there was unmetered irrigation plus normal line loss.

Staff agrees that these factors could have contributed to this loss however, regardless of the reasons for the large disparity, it is ultimately the Company's responsibility to minimize a loss on their system. In 2005, total losses in unaccounted for water was less than 4%, which staff considers to be acceptable. The other factors contributing to the excessive losses have been corrected or should be corrected.

Therefore, Staff recommends that Operating Expenses, specifically for the Purchased Power and Fuel Cost associated with excessive unaccounted for water, needs to be adjusted. Staff believes a 4% allowance for losses is reasonable, and considers the additional 15% to be excessive. In Attachment A, the Company reported that the expense for Purchased Power and Fuel was $7,065, and 15% of this amount is $1,060. Staff recommends that the revenue requirement be reduced by $1,060.

4. The Company received authority from the Commission in the Company's previous rate case, GNR-W-02-3 to amortize rate case expenses of $2,785 over a five (5) year period. The Company amortized $557 annually for the years 2003, 2004, 2005, and 2006. The Company has also requested that it be allowed to amortize its estimated expenses of $5,000 for the current rate case over a three-year period. As part of total expenses, the Company included one-year's amortization of the prior case, $557, and $1,667 as the annual amortization of the $5,000 current rate case expense over three (3) years. The total of these two amortizations equals the $2,224 annual expense requested as part of total expenses. First, Staff has reduced this annual expense by $557, the amount for the amortization of the prior rate case expense. Because rates for this case will not go into effect until later this year, the final amortization installment of $557 for 2007 should already be booked and should not be included as an ongoing expense. Staff is making a proforma adjustment excluding this amount from future rates. Second, Staff accepts the amount of $5,000 as a reasonable amount for rate case expenses in this case. Staff does not concur with a three-year amortization of these expenses. A five (5) year amortization was authorized for the prior rate case expenses and 5 years turned out to be fairly accurate period between rate cases. Rate case costs are higher in this case than in the last rate case and allowing the expense to be amortized over three years unnecessarily accelerates recovery of rate case expenses. Therefore, Staff recommends allowing an annual expense for the current rate case expenses in the amount of $1,000 ($5,000/5). This adjustment reduces the Company's request for amortization expense by $1,224.

Rate Base

The Commission approved a rate base in the 2002 case in the amount of $3,060. The Company is now requesting that it be allowed a rate base in the amount of $27,545. Staff has reviewed the Company's schedules showing how the rate base balance has grown. Of this amount, Staff has taken exception to three additions to rate base.

First, the Company has capitalized $5,000 as the expense it expects to incur to preserve and protect its current water right. It has expended $1,023 for attorney fees, and has a proforma adjustment of $3,977 as the future legal fees to complete the adjudication process. This amount should not be included in rate base to earn a return. However, Staff is recommending that the actual amount be capitalized and then amortized over a five (5) year period. Staff increased total annual expenses by $1,000 to reflect amortization of $5,000. This treatment will allow recovery of the cost but will not allow the Company to realize a return on an expense it has not yet incurred.

Second, the Company has included the 2002 rate case expense as a part of rate base in this case. Treating this expense as a capital item in rate base was addressed in the 2002 case and the Commission specifically denied the Company's request for rate base treatment to earn a return. Case No. GNR-W-02-3, Order No. 29247. There is no reasonable justification to exclude the rate case expenses from rate base in the original case and then include them in this case. Therefore, the original amount of $2,785 for the rate case expense and ($2,228) of Accumulated Amortization was removed from rate base. The Company's entries reflect the capitalization and amortization but they should not be included in rate base to earn a return.

Lastly, the Company included $5,000 in rate base as the "Current Rate Case Expense". Again, Staff has not objected to the Company recovering this expense, as amortized over five (5) years, but Staff does object to this expense being included in rate base and receiving a return on the unamortized balance. The same justification for excluding this expense in the 2002 case remains today. The Commission has not in the past allowed a return to be paid for rate case expenses.

The Company requested rate base for working capital in the amount of $3,373. This was determined by using total annual operation expense for 45 days as the working capital. ($26,984 divided by 365 times 45). Staff proposed adjustments to operation expenses, and therefore must reduce the working cash included in rate base by $187.

When the Company's proposed rate base is reduced by Staff's proposed adjustments of $10,744, the resulting rate base is $16,801. See Attachment C.

Capital Structure

The Company's capital structure is deemed to be 100% common equity. Staff agrees with the Company's treatment of the debt from the owners as common equity in the Company. The Company requested a return on equity of 12%. Staff also adopted 12% as a reasonable rate of return. The Commission in several recent small water cases has allowed a 12% rate of return. Stoneridge Water Company in Case No. SWS-W-06-1, Order No. 30342; Falls Water Company in Case No. FLS-W-05-1, Order No. 30027; Capitol Water Company in Case No. CAP-W-06-1, Order No. 30198; Spirit Lake East in Case No. SPL-W-06-1, Order No. 30279.

Revenue Requirement

Staff's calculation of the proposed revenue requirement for the Company is shown on Attachment D, Column B. The Company's net rate base as adjusted by Staff is $16,801 and produces a return of $2,016 at the recommended rate of return of 12%. This return must be grossed-up to account for federal and state taxes that would need to be paid on this revenue. The net to gross multiplier is 128.2% (see Applicant Exhibit No. 4). When the gross-up factor is applied to the return of $2,016, the Company must receive net revenues of $2,585 to cover taxes. The revenue requirement from Attachment D, Column B, line 15 is $28,076. The Company is currently receiving revenues of $18,193; therefore the Company should be authorized additional revenues of $9,883. This represents a revenue increase of 54%.

RATE DESIGN

System Description

The Diamond Bar Estates water system design is such that the supply wells, reservoir, and pumping facilities provide water to each lot within the subdivision with service through a domestic meter and an optional irrigation meter. The domestic service is the typical underground-metered service and the optional irrigation service is a larger diameter metered service fitted with a backflow prevention device. Each year the irrigation meters and backflow prevention devices are removed prior to the winter months to prevent freezing. Approximately two thirds of the Company's customers request irrigation meters annually.

Diamond Bar Estates Water Company currently serves 43 residential customers only. The Diamond Bar Estates Subdivision consists of 45-5 acre lots, 42 of which are occupied and receiving service. Boekel Estates subdivision consists of 14-5 acre lots, one of which is presently occupied and receiving service. Most of the customers have good size homes with large outbuildings. For many, irrigation is considered vital with some having large lawns.

The Company is anticipating that growth may increase by at least one and possibly two customers per year with the potential of reaching 59, assuming that all the lots in both subdivisions are eventually sold and occupied.

The Company's system consists of 12,537 linear feet of 6" main and 1,033 linear feet of 2" service line. It has one operating well, a back up well, and two submersible well pumps. The pump on the operating well is rated at 60 hp and 570 gpm. The backup well, required by DEQ and reasonably provided by Double T Mule Ranch, is equipped with a pump rated at 15 hp and 55 gpm. The pumphouse sits over a 65,000 gallon storage tank.

The Company's current rate structure was approved May 30, 2003, by the Commission in Order No. 29247, and consists of a residential customer service charge of $21 that covers the first 7,500 gallons used plus $.45 per 1,000 gallons thereafter. The customer's water usage is calculated from the meter readings taken during the first week of each month (April through November) and is measured in gallons used.

During the months of November through March, meters are not read. The customers are charged and billed the minimum charge of $21 for each month of the six-month period. In April, the meters are read and any excess consumption above 45,000 (7,500 x 6) gallons is billed at the $.45 per 1,000-gallon rate.

For those customers that choose to have an irrigation meter installed in April, the Company reads both meters, and the water consumption for both domestic and irrigation use is combined. After subtracting the allowed 7,500 gallons each month, the customer is billed at the $.45 per 1,000-gallon rate for the excess.

Staff Recommendation

In this case, Staff continues to support a single rate design for all water used. Staff considers it the most appropriate design even though the lots have a dual meter system that could be used to measure both domestic and irrigation consumption.

Staff reviewed the available usage data and developed its rate design to generate the Staff recommended revenue requirement of $28,076. Usage was established based on the actual domestic and irrigation usage for the year based upon actual meter readings from April 2006 through October 2006.

At the public workshop, held on June 20, 2007, customers voiced concern over the 7,500 gallons included with the customer charge. A number of customers do not use the total number of gallons allotted during the winter months and therefore, believe they are paying for water they are not using. In Staff's analysis of actual consumption, it was determined that the average usage during the winter months October 2005 through March 2006 was 5,579 gallons per month. The median was determined to be 4,678 gallons per month. Therefore, Staff proposes in its rate design to decrease the 7,500 gallons/mo. to 4,000 gallons/mo., to address this concern and come closer to a level at which customers are paying for what they individually use.

The Company, in its proposal reasoned that by increasing the minimum charge to $50, it would level out its cash flow need to meet fixed costs during the winter months. Also, the Company believes that this increase would smooth out customers annual water costs over the year and decrease the summer spike in their bills.

Staff has considered both the customers' and the Company's concerns and proposes a $29 minimum charge including the first 4,000 gallons used per month and $.73/1000 gallons thereafter for all the water used by each customer. Staff believes that by keeping the minimum charge lower and increasing the commodity charge, it sends the appropriate water conservation price signal to customers while allowing the Company sufficient cash flow to remain viable. Additionally, Staff reviewed the existing commodity and minimum charge rates for regulated water companies located in the surrounding area and found the proposed rates to be generally in alignment. See Attachment E and G. Attachment F shows a comparison with the existing rate structure, the Company's proposed rate structure and Staff's proposed rate structure.

Hook-Up Fees

The Company requests to increase the connection fee from $200 to $310 for new customers where a service line tap and meter box is already in place. The Company supports the request for the increase by presenting a copy of an invoice for the purchase of a 1" meter costing $185.14. In addition, it estimates that two hours for labor and equipment is required to install the meter at a cost of $125, for a total of $310. The Company states that this charge does not contribute to the earnings of the Company and is intended to recover actual costs only. Further, the Company believes that they will not experience more than one or two new connections a year in the near term.

The Company also requests approval of a new base charge of $2,500 for a new installation where there is no main line tap or meter box, and an additional $3,000 (totaling $5,500) if it requires crossing a road. Again, the Company states that these amounts are to recover actual costs only and not contribute to its earnings. The Company also stated that by obtaining approval for the requested installation charges it will insure that the rates of the Company's existing customers are not used to subsidize these costs.

In support of these new charges the Company provided bid quotes for materials, excavating, installation of the service line tap, service line to the property line, meter box, meter, lid, and a five-foot stub-out line beyond the meter box. In addition, when the property is on the opposite side of the road from the water main, and the Company has to bore under the road, it provided a copy of an estimate from Avondale Construction Company for $3,000 to perform the work.

Staff evaluated the information submitted by the Company and reviewed the connection charges from other water companies in the surrounding area. Staff concluded that the Company's request to increase the amount it charges for a new connection to a property with existing service line and meter box is reasonable and within a reasonable range of what other small water companies are charging.

Regarding the Company's request for an additional charge of $2,500 and $5,500 for a connection to property with no service line tap or meter box, and crossing a road, Staff reviewed the estimates provided. With the exception of the bid quotation from Consolidated Supply Company, displaying the cost of parts, the estimates from Avondale Construction and On-Site Excavating Inc. provide insufficient detail for the Staff to fully evaluate the labor and equipment costs. However, in reviewing other connection fees from water companies in the surrounding area, Staff believes the requested amount of $2,500 does not appear out of line considering that existing fees range anywhere from $458 to $6,000 with the average around $1700. Therefore, Staff recommends allowing the connection fee of $2,500 to connect a property that does not have a service line tap or meter box in place.

With regard to the additional charge of $3,000 for crossing a road, Staff's opinion is that $3,000 may or may not be an accurate estimate. Staff believes that with each new installation the charges could be different and therefore, establishing a tariffed rate for that amount would not be prudent. Staff agrees that some charge is appropriate for the Company to cross a road to provide service. Therefore, Staff recommends that the Company be allowed to charge the customer the actual cost for a road crossing service connection to be determined on a case-by-case basis. In addition, Staff recommends that, rather than pay the Company's charge, the customer, at their option, may hire their own approved contractor to perform the work.

Non-Recurring Charges

The Company is not requesting any change to its non-recurring charges including a $500 meter fee for installation of an irrigation meter, or its charge for reconnection fees of $15 during business hours and $30 after normal business hours.

In the Company's previous case, Case No. GNR-W-02-3, Staff reviewed the cost for installing an irrigation meter and found it appropriate. The Commission approved the cost to install an irrigation meter and the reconnection fees in Order No. 29247.

In response to a production request, the Company stated that although it had not been necessary to apply any non-sufficient funds (NSF) charge to any customers in 2006, it would collect an NSF charge if merited. However, there is no NSF charge in the Company's tariffs. Staff recommends that an NSF charge of $20 be included in the Company's tariff. The Company concurs with Staff's recommendation.

CONSUMER RELATIONS

The Application filed in this case on April 13, 2007, contained both a customer notice and press release. Both met the requirements of Utility Customer Information Rule 102, Notices to Customers of Proposed Changes in Rates. IDAPA 31.21.02.102. The customer notice was included in bills beginning May 2007.

A Public Workshop was held June 20, 2007, at 7:00 pm in the Rathdrum Senior Center in Rathdrum, Idaho. Eleven Diamond Bar customers attended along with Robert Turnipseed, the owner, and his wife. Staff explained the Application, the process of reviewing the Application and answered questions from the customers in attendance.

Customer Service

The Commission's Consumer Assistance Staff did not receive any consumer complaints or inquiries in 2004, 2005, or 2006. In 2007, one customer contacted Staff regarding the current case; it was the customer's belief the requested rate increase was not justified.

Billing Statement

In response to a production request, the Company provided copies of actual customer billing statements. Rule 201, Utility Customer Relation Rules, clearly states what should be included on a customer's bill. The Company's statements did not have all the required information. Staff recommends that the statement be revised to include the following: billing date; past due amounts, if applicable; the minimum charge; number of gallons used in excess of the allowance; the rate per 1,000 gallons used; and the result of the computation (number of gallons times rate) to come up with the current monthly total. IDAPA 31.21.01.201.

STAFF RECOMMENDATIONS

1. Staff recommends that the Company's annual revenue requirement be increased by an additional $9,883 and that a new revenue requirement of $28,076 is just and reasonable.
2. Staff recommends that the Company continue using a single rate design for all water use with a minimum monthly charge of $29 for the first 4,000 gallons of consumption and $.73/1000 gallons for consumption in excess of the 4,000 gallons.
3. Staff recommends that the Commission approve the Company's request to increase the new service connection fee from $200 to $310 for service to a property with a service line tap and meter box already in place.
4. Staff recommends that the Commission approve the Company's request to establish a connection charge of $2,500 for providing a service connection to a property that does not have a service line tap or meter box installed.
5. Staff recommends that the Commission allow the Company to charge the actual cost for a road crossing service connection on a case-by-case basis and allow the customer, at their option, to hire their own approved contractor to perform the work.
6. Staff recommends that an NSF charge of $20 be included in the Company's tariff.
7. Staff recommends that the Company's billing statements be revised to include: the billing date; any past due amounts; the minimum charge; number of gallons used in excess of the allowance; the rate per 1,000 gallons used; and the result of the computation (number of gallons times the rate) to arrive at the monthly total. IDAPA 31.21.01.201.

Respectfully submitted this 10th day of August 2007.

Donovan E. Walker
Deputy Attorney General

Technical Staff: Joe Leckie
Nancy Hylton
Dan Graves

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Diamond Bar Estates Water Co.
Results of Operations
with Staff Adjustments

	Adjusted Pro Forma 2006 (A)	Adj. # (B)	Staff Adjustments (C)	Company Test Year Numbers with Staff Adjustments (D)
Revenues				
1 Metered Sales - Residential	$ 17,892		$ -	17,892
2 Contributions for Construction	100		$ -	100
3 Other Revenue	201		$ -	201
Total Revenue	$ 18,193			18,193
Operating Expenses	-			-
4 Labor-Operation & Maintenance	9,668	1	$ (2,700)	6,968
5 Labor Admin & Gen	4,800	2	$ (1,200)	3,600
6 Purchased Power & Fuel for Power	7,065	3	$ (1,060)	6,005
7 Material & Supplies-Operation & Maint	1,099			1,099
8 Material & Supplies-Admin & Gen	249			249
9 Contract Services- Professional	426			426
10 Contract Services-Water Testing	725			725
11 Contract Services-Other	44			44
12 Rentals-Property & Equip	900			900
13 Cost of Construction	-			-
14 Insurance	2,008			2,008
15 Total Operating Expenses	$ 26,984		$ (4,960)	22,024
Additional Expenses				
16 Depreciation Expense	1,169			1,169
17 Rate Case Exp Amortization	2,224	4	$ (1,224)	1,000
18 Water Right Amortization		5	$ 1,000	1,000
19 Regulatory Fees	255			255
20 Property Taxes	43			43
Total Additional Expe	3,691		$ (224)	3,467
21 Total Expenses	$ 30,675		$ (5,184)	25,491

Working Capital Calculation (Line 15 / 365 X 45)	3373	3,186

Attachment A
Case No. DIA-W-07-1
Staff Comments
08/10/07

DIAMOND BAR ESTATES WATER COMPANY
DIA-W-07-1 Rate Case
Schedule of Charges for Water Master Services

Year	Amount Paid	Annual Increase	Annual % Increase	Percent over 2003
2003	$ 2,548			
2004	$ 4,536	$ 1,988	78%	78%
2005	$ 5,000	$ 464	10%	96%
2006	$ 6,968	$ 1,968	39%	173%
Test Year	$ 9,668	$ 2,700	39%	279%

Diamond Bar Estates Water Co.
Calculation of Rate Base
with Staff Adjustments

		(A) 2006 Corrected Actual	(B) Proforma Capitalize Rate Case Expense	(C) Proforma Capitalize Additional Water Rights Exp	(D) Adjust Working Capital For Expense Adjustments	(E) Proforma 2006 Rate Base	(F) Adj. #	(G) Staff's Adjustment	(H) Company Test Year Numbers with Staff Adjustments
1	Plant in Service	$ 16,472		$ 3,977		$ 20,449	6	(5,000)	15,449
2	Less Accumulated Depreciation	1,834				1,834			1,834
3	Net Plant in Service	$ 14,638	$ -	$ 3,977		$ 18,615		(5,000)	13,615
4	Rate Case Expense (Case GNR-W-02-3)	2,785				2,785	7	(2,785)	-
5	Current Rate Case Expense	1,163	3,838			5,000	8	(5,000)	-
6	Accumulated Amortization	(2,228)				(2,228)	9	2,228	-
7	Unamoritized Balance	$ 1,720	$ 3,838	$ -		$ 5,557		(5,557)	-
8	Working Capital (1/8th of O&M Exp)	2,776			597	3,373		(187)	3,186
9	Total Rate Base	$ 19,133	$ 3,838	$ 3,977	$ 597	$ 27,545		(10,744)	16,801

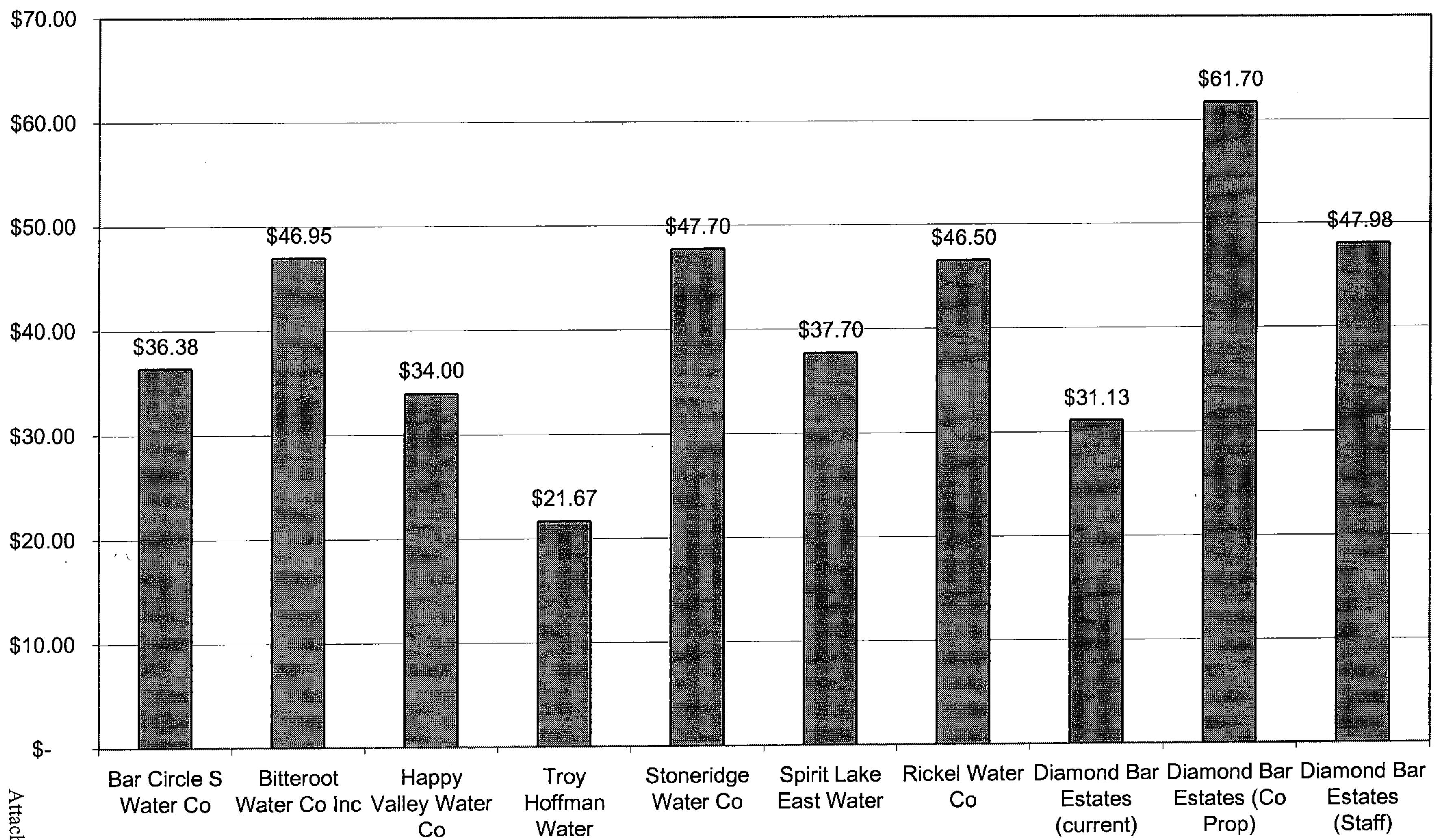
Attachment C
Case No. DIA-W-07-1
Staff Comments
08/10/07

Diamond Bar Estates Water Company
DIA-W-07-1 Rate Case
Revenue Requirement Calculation

		As per Company (A)	With Staff's Adjustments (B)	Difference (C
3	Rate Base	$ 29,379	$ 18,635	$ 10,744
4	Accumulated Depreciation	$ 1,834	$ 1,834	$ -
5	Net Rate Base	$ 27,545	$ 16,801	$ 10,744
6	Rate of Return	12%	12%	
7	Return	$ 3,305	$ 2,016	$ 1,289
8	Gross-up for taxes	1.281959	1.281959	
9	Grossed-up Return on Rate Base	$ 4,237	$ 2,585	$ 1,653
10	Annual Operating Expenses	$ 26,984	$ 22,024	$ 4,960
11	Depreciation Expense	$ 1,169	$ 1,169	$ -
12	Rate Case Amortization	$ 2,224	$ 1,000	$ 1,224
13	Water Right Amortization		$ 1,000	$ (1,000)
13	Regulatory Fees	$ 255	$ 255	$ -
14	Property Taxes	$ 43	$ 43	$ -
				$ -
15	Total Revenue Requirement	$ 34,912	$ 28,076	$ 6,837
16	Revenue Received in 2006	$ 18,193	$ 18,193	$ -
17	Revenue Deficit	$ 16,719	$ 9,883	$ 6,837

Attachment D
Case No. DIA-W-07-1
Staff Comments
08/10/07

RATES OF WATER COMPANIES SURROUNDING DIAMOND BAR ESTATES FOR MONTHLY USAGE OF 30,000 GALLONS



Attachment E
Case No. DIA-W-07-1
Staff Comments
08/10/07