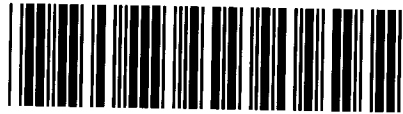




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APPEAL OF WATER AND SEWER § BEFORE THE STATE OFFICE
RATES CHARGED BY THE §
TOWN OF WOODLOCH § OF
CCN NOS. 12312 AND 20141 §
§ ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY
OF
CATHERINE LEWKOWSKI

ON BEHALF OF THE TOWN OF WOODLOCH'S OUTSIDE THE CITY LIMIT
WATER AND SEWER CUSTOMERS

DECEMBER 16, 2014

120

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1 **I. INTRODUCTION**

2

3 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

4 **A.** My name is Catherine E. Lewkowski. I am one of the three representatives of the Town of
5 Woodloch's water and sewer customers residing outside the town's city limits. My address is
6 10228 Woodhollow Drive, Conroe, Texas 77385.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.**

8 **A.** I am a high school graduate and I took college courses to obtain paralegal certification. I spent 11
9 years working for Montgomery County, Texas. I was the Legal Assistant to the County Juvenile
10 Prosecutor in the County Attorney's Office of Montgomery County, Texas. I also worked in
11 accounting and payroll for many years prior to obtaining paralegal status.

12 **Q. PLEASE DESCRIBE YOUR INVOLVEMENT IN THIS RATE APPEAL CASE.**

13 **A.** A rate protest action was filed by the water and sewer customers residing outside of the town's city
14 limits. A hearing was held in Austin, Texas on August 20, 2013 and three representatives were
15 appointed to represent the water and sewer customers residing outside of the town's city limits. I
16 am one of the appointed representatives. As I am the only representative with a legal background,
17 I have been appointed by the other two representatives, Mr. David Bonham and Ms. Miriam
18 Gomez, to prepare and file this testimony on behalf of all the water and sewer customers residing
19 outside the town's city limits.

20 **Q. PLEASE DESCRIBE YOUR INVOLVEMENT WITH THE TOWN OF WOODLOCH'S**
21 **WATER AND SEWER UTILITY.**

1 A. I have been a customer of the Woodloch Water System for 22 years. Our water rates have always
2 been considerably higher than other county water consumers. I was involved in a previous rate
3 protest in 2008 and at that time I reviewed many documents from the Town of Woodloch including
4 financial statements, profit and loss statements, bank statements, actual expense vs. budget
5 statements, grants and loan documents. Due to discrepancies found in the adopted budget and the
6 rate increase that was put in effect, the outside rate-payers were able to mediate that case and get
7 the rate reduced. In 2013, the rates were again increased 100% to the outside water and sewer
8 customers and another rate appeal was filed. As one of the representatives appointed in this case,
9 I have reviewed all the documents I have been able to procure including financial statements, actual
10 expenses and budget statements. Many of the documents requested in discovery were not
11 produced. I was also involved in mediation proceedings with the Town of Woodloch, to no avail,
12 as all offers from the town increased the rates that are currently being protested. (SEE EXHIBIT
13 1)

14 **II. PURPOSE AND SCOPE OF TESTIMONY**

15
16 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

17 A. The purpose of my testimony is to present my recommendations to the Town of Woodloch's
18 proposed revenue requirement, cost of service, and rates charged to the water and sewer customers.

19 **Q. WHAT IS THE SCOPE OF YOUR REVIEW?**

20 A. My review included analysis and review of the rate analysis package prepared by West View
21 Financial Consulting, the mediation package prepared by the Town of Woodloch, Revenue and
22 Expense Reports prepared by Bleyl Engineering, Requests for Information, the Texas Water

1 Development Board (“TWDB”) Loan Application and Approval, the Direct Testimonies and
2 supplemental information provided via e-mails from Woodloch’s attorney, Duncan Norton.

3 **Q. DO YOU HAVE ANY ADJUSTMENTS TO THE TOWN OF WOODLOCH’S COST OF**
4 **SERVICE?**

5 **A.** Yes, I do. Adjustments are presented on Schedules I through III attached to this testimony.

6 **III. SUMMARY OF RECOMMENDATIONS**

7
8 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

9 **A.** I recommend the following:

- 10 (1) **One** class of customers;
- 11 (2) Separate Accounting Books;
- 12 (3) Reduce the Revenue Requirement to \$142,589.00;
- 13 (4) Discontinue Collections of GRP Pass-through Fees;
- 14 (5) Reduce the miscellaneous Service Charges; and
- 15 (6) Reduce the Debt Coverage ratio.

16 **IV. CUSTOMER CLASSIFICATION**

17
18 **Q. WILL YOU PLEASE DESCRIBE THE AREA THAT THE TOWN OF WOODLOCH**
19 **SERVICES FOR WATER AND SEWER?**

20 **A.** When this area was developed in the early 1970’s, it was developed as four separate subdivisions,
21 Whispering Oaks 1, Whispering Oaks 2, Hickory Ridge, and Oak Forest. Due to flooding, many

1 homes have been removed or demolished. What remains today is Whispering Oaks 1 Subdivision
2 which is the Town of Woodloch; Whispering Oaks 2 Subdivision which now consists of only the
3 one street, Woodhollow Drive; Hickory Ridge Subdivision which is the one street, River Ridge;
4 and Oak Forest Subdivision which is the one street, River Oaks Drive. It is a very small area
5 connected by 8 tenths of a mile of Needham Road. Woodloch has a municipal building, a park,
6 on which the wastewater treatment plant sits, and a swimming pool, which is maintained but has
7 not been open since 2007. The water supply plant is located on Needham Road. (SEE EXHIBIT
8 2)

9 **Q. DO YOU KNOW HOW MANY WATER AND SEWER CUSTOMERS THE TOWN OF**
10 **WOODLOCH SERVICES?**

11 **A.** As evidenced in Woodloch's Exhibit 7 attached to Mr. Mathena's testimony¹, the Town of
12 Woodloch purchased and installed 250 new digital meters. The Town of Woodloch Water and
13 Sewer Report for February 2012 to February 2013, shows the active meters for that period. The
14 average active meters was 244. (Total 3168/13 months = 243.69) This report does not segregate
15 the gallons of water pumped by inside and outside water and sewer customers. It is a representation
16 of total water pumped to all water and sewer customers. (SEE EXHIBIT 3)

17 **Q. HAVE YOU BEEN ABLE TO DETERMINE HOW THE TOWN OF WOODLOCH**
18 **CLASSIFIES ITS CUSTOMERS?**

19 **A.** Yes. The Town of Woodloch has segregated their water and sewer customers into what the town
20 refers to as two classes of customers. The first class of water and sewer customers are those
21 customers who reside inside the town's city limits (the "inside water and sewer customers"). This
22 includes 71 homes, a utility yard, a swimming pool, and a municipal building which are all located

¹ Direct Testimony of Mike Mathena, Exhibit 7, Page 54

1 on North and South Woodloch Streets plus one home located on River Ridge. The second class of
2 water and sewer customers are those customers who reside outside the town's city limits (the
3 "outside water and sewer customers"). This includes the remaining 52 homes on River Ridge, 25
4 homes on Woodhollow Drive, and approximately 101 homes on River Oaks Drive. There are no
5 commercial customers or classification. There are 72 inside water and sewer connections and 178
6 outside water and sewer connections for a total of 250 water and sewer customers.

7 **Q. DO YOU AGREE WITH THIS CLASSIFICATION?**

8 **A.** No. There should be only one classification for water and sewer customers.

9 **Q. PLEASE EXPLAIN WHY THERE SHOULD BE ONLY ONE CLASSIFICATION FOR**
10 **WATER AND SEWER CUSTOMERS.**

11 **A.** There should be only one classification for water and sewer customers because the Town of
12 Woodloch has only one water supply plant and one wastewater treatment plant, which serves all of
13 the water and sewer customers. All five streets serviced by the Woodloch water and sewer system
14 are connected by one street, Needham Road. All of the streets are less than ½ mile from
15 Woodloch's city limits. (Refer to Exhibit 2) The water supply plant is outside the city limits and
16 serves both the inside and outside customers. There are no different service characteristics between
17 the two classes. All customer meters are alike and are the same size. There are not separate systems
18 for inside the city limits and outside the city limits. The system cannot be segregated and therefore,
19 all customers are the same and should be classified as such.

20 **Q. PLEASE EXPLAIN WHY ALL CUSTOMERS SHOULD PAY THE SAME RATE FOR**
21 **WATER AND SEWER SERVICE.**

22 **A.** One system equals one class of customer. The costs of repair outside the city are the same as the
23 costs of repair inside the city. The cost to turn on or turn off a meter outside the city is the same

1 cost as inside the city. The new groundwater storage tank benefits and serves all water customers
2 and the sewage plant serves all customers. The loan that Woodloch has applied for through the
3 Texas Water Development Board would replace the existing wastewater treatment plant and the
4 sewer lines inside the town. This new plant would benefit all customers. The same service
5 warrants the same rate.

6 **V. ACCOUNTING BOOKS**

7
8 **Q. HOW DOES THE TOWN OF WOODLOCH KEEP ITS ACCOUNTING BOOKS?**

9 **A.** Woodloch has the Utility Fund for water and sewer service and the General Fund for city business.

10 **Q. WHY DOES THIS CREATE PROBLEMS FOR THE OUTSIDE WATER AND SEWER**
11 **CUSTOMERS?**

12 **A.** Woodloch allocates expenses as evidenced by the "Profit and Loss Detail Report" attached to the
13 direct testimony of Mike Mathena as Woodloch Exhibit 7, Pages 190-195 and attached here as
14 Exhibit 4. The outside rate-payers requested a complete report in discovery but it was not produced.
15 (Attached to Exhibit 4) In the detailed report that was produced, most of this period's expenses are
16 missing, but it is still clear from what was produced, that Woodloch is allocating many of the town's
17 expenses to the utility customers. They are then allocating that expense mainly to the outside water
18 and sewer customers. A good example of this practice can be seen on Page 67 of my EXHIBIT 4
19 and Page 194 of Woodloch's Exhibit 7². There is an allocated expense of \$100.00 for a moonwalk
20 rental. That expense has been allocated as \$16.00 to the town, \$16.00 to the inside rate-payers and
21 \$68.00 to the outside rate-payers. This means that 16% of the expense was allocated to the town
22 and 84% was allocated to the utility. This is 100% town expense. The problem for the outside

² Direct Testimony of Mike Mathena, Exhibit 7, Page 194

1 water and sewer customers is that by allocating the expenses (including many town expenses) to
2 mainly the outside water customers, at 68%, their water and sewer rates are funding the town. (SEE
3 **EXHIBIT 4)**

4 **Q. DOES WOODLOCH PROVIDE ANY REASONS WHY THE OUTSIDE CUSTOMERS**
5 **SHOULD PAY MORE THAN THE INSIDE CUSTOMERS?**

6 **A.** Yes. They have given two reasons.

7 1. The town has stated that the outside customers do not pay property tax to the town and that
8 the town must use property tax money to fund the utility, therefore, the outside water and sewer
9 customers should pay a higher water and sewer rate.

10 2. They have recently suggested that the cost to service the outside customers is extremely
11 higher than servicing the inside customers because there are more customers outside the city than
12 there are inside the city.

13 **Q. WHY IS THIS NOT APPROPRIATE?**

14 **A.** 1. Because property taxes have nothing to do with the provision of water and sewer service.
15 The town property tax revenues are approximately \$39,000 per year. The mayor' salary is
16 \$25,000.00 per year. (39,000 x .64 = 24,960) The mayor's salary is at least 64% of the total
17 property tax revenue. In reviewing all the documents previously mentioned, it is evident that there
18 are town expenses being charged to the utility fund. In the direct testimony of Diane Lincoln, she
19 states that the non-utility sources of revenue for the town are approximately \$52,000 per year.³
20 She further states that the non-utility expenses include maintaining a municipal building, several
21 pieces of equipment, salaries amounting to \$55,000/year and non-salary expenses totaling

³ Direct Testimony of Diane L. Lincoln Page 5, Lines 17-21.

1 approximately \$12,000/year.⁴ This is a revenue of \$52,000 minus expenses of at least \$67,000
2 (55,000 + 12,000 = 67,000) leaving a deficit in the General Fund of \$15,000. (52,000 – 67,000 =
3 -15,000). This is before any expenses for the pool, the tax collector, and other town expenses are
4 accounted for. It is obvious that the utility is funding the town and the property tax revenues are
5 **not** being used to support the water and sewer utility. City funding should not impact the amount
6 of water and sewer revenue requirement to be recovered through the water and sewer rates. The
7 only consideration is the cost of providing water and sewer service.

8 2. This is not appropriate because there is only one water supply plant and one wastewater
9 treatment plant servicing all customers. It is not relevant that there are 72 connections for inside
10 water and sewer customers and 178 connections for outside water and sewer customers. The
11 relevancy is that there is a total water and sewer customer base of 250 water and sewer connections
12 and all customers benefit equally.

13 VI. REVENUE REQUIREMENT

14
15 **Q. HAVE YOU PREPARED ANY COSTS ANYALYSIS RELATIVE TO THE GENERAL**
16 **FUND AND THE UTILITY FUND?**

17 **A.** Yes. I have created a general ledger based on the financial information provided to me in the
18 discovery process. Using the Fiscal Year 2012-2013 Actuals and Profit and Loss Statements and
19 the Fiscal Year 2013-2014 Budget, I have created Schedules I, II, and II attached to this testimony.
20 Schedule I is the General Ledger I created. Schedule II is the Revenue Requirement and Schedule
21 III is the Proof of Revenue. I did not separate the costs of inside vs. outside water and sewer

⁴ Direct Testimony of Diane L. Lincoln Page 6, Lines 1-4.

1 customers as there should be only one class of customer. I have made several adjustments to the
2 Operations and Maintenance ("O&M") Expense. (SEE ATTACHED SCHEDULES)

3 **Q. PLEASE EXPLAIN ANY ADJUSTMENTS YOU MADE TO O&M EXPENSE.**

4 **A.** An explanation of the adjustments I have made are defined below.

5 According to P.U.C. Subst. R. 24.12, in any proceeding involving any proposed change the burden
6 of proof shall be on the provider of water and sewer services to show that the proposed change is
7 just and reasonable.

8 According to P.U.C. Subst. R 2431(b), only those expenses that are reasonable and necessary to
9 provide service to the ratepayers may be included in allowable expenses. In computing a utility's
10 allowable expenses, only the utility's historical test year expenses as adjusted for known and
11 measurable changes may be considered.

12 The municipal building is open for water and city business three days per week from 9:00 a.m. to
13 1:00 p.m. and from 9:00 a.m. to 5:00 p.m. one day per month on or before the 15th day of the month.
14 (4 hours per day x 3 days per week = 12 hours per week; 12 hours per week x 52 weeks in a year
15 = 624; 8 hours 1 day per month x 12 months = 96 hours per year. 624 + 96 = 720). The Town of
16 Woodloch is open for water and sewer business 720 hours per year. The normal 40 hour work
17 week amounts to 2080 hours per year. (40 hours per week x 52 weeks = 2080) Therefore, the
18 office is open for water business 35% of the average working year. (720/2080 = .35). The allocation
19 factor I used in any adjustments where the expense should be split among the utility fund and the
20 general fund is a 65/35 % ratio. Sixty-five percent is town expense and 35% is utility expense. The
21 impact of these adjustments are detailed on Schedule I attached to this testimony.

22 1. **Payroll Expense:** The payroll expense for fiscal year ending September 30, 2013,
23 including Salaries, Social Security, Medicare, Group Insurance, Workers' Compensation and

1 Unemployment Compensation was \$69,466.00. I have applied the allocation factor to all salary
2 expenses as the utility is serviced by H2O.

3 a. **110 Full Time Employees:** The total salaries for the year 2013 (TY) were
4 \$61,284.00. There are three employees for the water/sewer utility and the same three
5 employees for the town; Diane Lincoln, Mayor, Tina Williams, City Secretary, and Robert
6 Baylor, Maintenance. The water/sewer utility is handled by an outside agency known as
7 H2O. I have adjusted the salary expense for the Utility Fund to reflect the allocation factor
8 of 35% of the total salary expense.

9 b. **210 Social Security:** The total social security expense for TY was \$3,607.00. I
10 have applied the allocation factor to this expense.

11 c. **211 Medicare:** The total Medicare expense for TY was \$844.00. I have applied
12 the allocation factor to this expense.

13 d. **230 Group Insurance:** The group insurance expense was \$3,627.00 for TY and I
14 again have applied the allocation factor to this expense.

15 e. **240 Worker's Compensation:** The total expense for worker's compensation was
16 \$39.00. The allocation factor has been applied to this expense.

17 f. **290 Unemployment Compensation:** The total expense for unemployment
18 compensation was \$65.00. The allocation factor has been applied to this expense.

19 2. **260 Transportation Allowance:** An outside contractor, H2O, provides the water/sewer
20 service and bills the utility for the trips made to service the utility. The standard mileage rate for
21 2013 as determined by the IRS was 56.5 cents per mile. The expense amount charged to the utility
22 was \$7,611.00. This suggests that 13,471 miles were reimbursed. ($7,611 \div .565 =$
23 $13,470.79$) With H2O handling the water service there is no reason or explanation of any employee

1 having to drive that many miles for water service in any one year. The entire water service area is
2 only 5 driving miles. There is no evidence that the town's employees are deserving of mileage
3 expense. This amount has been adjusted to \$0.00.

4 3. **275 Security:** This amount cannot be known or measurable and is a non-recurring
5 expense. The amount has been adjusted to \$0.00.

6 4. **310 Office Supplies:** I have adjusted the amount charged to the utility for office supplies
7 to reflect the allocation factor.

8 5. **320 Janitorial Supplies:** As evidenced in the "Fiscal Year as of September 30, 2010
9 Financial Statement-Balance Sheet," the Municipal Building is an asset of the General Fund. The
10 Utility is serviced by H2O and H2O is not housed in the Woodloch Municipal Building. Because
11 the municipal building is used to collect water payments, I have applied the allocation factor to this
12 expense. (SEE EXHIBIT 5)

13 6. **330 Minor Tools:** The water/sewer service is maintained by H2O. H2O uses their own
14 trucks and their own tools. This amount has been adjusted to \$0.00.

15 7. **340 Mechanical Supplies:** No evidence has been produced to show what mechanical
16 supplies are needed to service the water/sewer utility that H2O does not supply or bill for. This
17 amount has been adjusted to \$0.00.

18 8. **350 Motor Vehicle Fuel:** The utility owns no motor vehicles. This amount has been
19 adjusted to \$0.00.

20 9. **355 Oil & Lubricants:** No evidence has been produced to show what oil and lubricants
21 are needed to service the utility. As the utility has no motor vehicles, this amount has been adjusted
22 to \$0.00.

1 10. **360 Chemical Supplies:** The Town of Woodloch maintains a city swimming pool. As no
2 evidence has been produced allowing for the cost of chemicals to maintain anything other than the
3 pool and because the water utility is serviced by H2O, I have adjusted this expense to \$0.00.

4 11. **390 Clothing:** H2O services the utility and they have their own clothes and uniforms. The
5 utility does not provide them. The city employees have shirts that reflect the town logo but they
6 are not water or sewer related. This amount has been adjusted to \$0.00.

7 12. **405 Administrative Contract:** Woodloch states in their discovery that they have no
8 outside contractors and they have not produced any invoices to back up this amount. This amount
9 has been reduced to \$0.00. **(SEE EXHIBIT 6)**

10 13. **410 Building Maintenance:** As evidenced in the "Fiscal Year as of September 30, 2010
11 Financial Statement-Balance Sheet," the Municipal Building is an asset of the General Fund. The
12 Utility is serviced by H2O and H2O is not housed in the Woodloch Municipal Building. However,
13 the municipal building is open for water business 35% of the time, so I have applied the allocation
14 factor to this expense.

15 14. **420 Motor Vehicle Maintenance:** Neither the utility or the town owns a motor vehicle.
16 This amount has been adjusted to \$0.00.

17 15. **425 Technology:** As evidenced in the "Fiscal Year as of September 30, 2010 Financial
18 Statement-Balance Sheet," the Technology is an asset of the General Fund. Therefore, the expenses
19 relating to technology belong to the General Fund. No evidence has been produced to show what
20 amount, if any is necessary in providing water and sewer service. This amount has been adjusted
21 to \$0.00.

22 16. **430 Office Equipment Maintenance:** As evidenced in the "Fiscal Year as of September
23 30, 2010 Financial Statement-Balance Sheet," the office equipment is an asset of the General Fund.

1 The Utility is serviced by H2O and H2O is not housed in the Woodloch Municipal Building.
2 However, due to some water billings and collections business, I have applied the allocation factor
3 to this expense.

4 17. **440 Street Maintenance:** Neither the utility or the town maintain any streets outside the
5 town. The county provides the street maintenance outside of the city limits. This amount has been
6 adjusted to \$0.00.

7 18. **442 Recreational Facilities:** The Town of Woodloch has a park and a pool. The utility
8 has no recreational facilities. This amount has been adjusted to \$0.00.

9 19. **445 Street Signs:** There are no street signs for the utility. Woodloch does not maintain
10 any street signs outside the town. The county maintains street signs outside the city limits of
11 Woodloch. This amount has been adjusted to \$0.00.

12 20. **450 Utility Line Maintenance:** No evidence or information has been produced to explain
13 what this cost is and how it is unrelated to the charges billed by H2O to maintain the water and
14 sewer lines. This amount has been adjusted to \$0.00.

15 21. **454 Meter and Tap Expense:** No evidence has been produced to show that this expense
16 is unrelated to those charges billed by H2O for meter and tap expense. This amount has been
17 adjusted to \$0.00.

18 22. **455 Water Well Maintenance:** H2O bills for the maintenance they perform on the water
19 wells. No evidence has been produced to show there is additional water well maintenance expense.
20 This amount has been adjusted to \$0.00.

21 23. **456 Water Samples:** After reviewing H2O's invoices, I have determined that H2O bills
22 the Utility for water samples. No evidence has been provided to show any other water sample
23 expense. This amount has been adjusted to \$0.00. (SEE EXHIBIT 7)

1 24. **460 Electric Service:** After reviewing the electric bills from Entergy to the Town of
2 Woodloch, I have determined that the electric expense should be distributed as follows:

3 a. All expenses for the water wells, water plant, lift stations, and sewer plant belong to the
4 utility.

5 b. All expenses for the pool and utility yard belong to the general fund.

6 c. The expenses for the municipal building have been adjusted to reflect the same 65/35 %
7 ratio previously used in calculating expense.

8 The amount of \$2737.00 has been reallocated from the utility fund to the general fund. (SEE
9 **EXHIBIT 8)**

10 25. **467 Sanitation collection:** The Town of Woodloch contracts for garbage pick-up for the
11 inside city residents. This cost is not part of the cost of service to provide water and sewer service.
12 This expense is a city expense only. The amount has been adjusted to \$0.00.

13 26. **468 Telephone Service:** Because the town's offices are open 12 hours per week for water
14 business, I have applied the allocation factor to this expense.

15 27. **480 Liability Insurance:** As evidenced in the "Fiscal Year as of September 30, 2010
16 Financial Statement-Balance Sheet," the Municipal Building is an asset of the General Fund. The
17 Utility is serviced by H2O and H2O is not housed in the Woodloch Municipal Building. However,
18 the allocation factor has been applied here to cover any liability of the water and sewer assets.

19 28. **482 Building Insurance:** As evidenced in the "Fiscal Year as of September 30, 2010
20 Financial Statement-Balance Sheet," the Municipal Building is an asset of the General Fund. The
21 Utility is serviced by H2O and H2O is not housed in the Woodloch Municipal Building. The
22 Building is an asset of the General Fund. The Utility is serviced by H2O and H2O is not housed

1 in the Woodloch Municipal Building. However, the allocation factor has been applied to this
2 expense due to the building being open to water business 12 hours per week.

3 29. **484 Auto Insurance:** Neither the utility or the town owns a motor vehicle. This amount
4 has been adjusted to \$0.00.

5 30. **510 Travel Expense:** This cost is not known or measurable. Travel costs are non-
6 recurring. The utility is serviced by H2O who bills the utility for travel costs. This amount has
7 been adjusted to \$0.00.

8 31. **520 Training and Education:** The utility is serviced by an outside company, H2O. No
9 evidence has been produced to reveal any costs necessary for training or education relating to water
10 or sewer service. This amount has been adjusted to \$0.00.

11 32. **525 Rate Appeal:** These are expenses Woodloch has incurred in retaining an attorney to
12 represent them in this rate protest. This is not a cost for providing service to water and sewer
13 customers. It is also a non-recurring expense. The outside water and sewer customers are currently
14 paying a \$35.00 monthly surcharge for the rate appeal costs. This amount has been adjusted to
15 \$0.00.

16 33. **530 Dues and Memberships:** The utility is serviced by an outside company, H2O. No
17 evidence has been produced to reveal any dues or memberships that relate to water and sewer
18 service. This amount has been adjusted to \$0.00.

19 34. **531 Licenses & Permits:** No evidence has been provided reflecting what licenses or
20 permits are needed to provide water/sewer service that are not handled by the company servicing
21 the utility, H2O. Some or all of these costs may be municipal expenses. This amount has been
22 adjusted to \$0.00.

1 35. **535 Postage:** The Town of Woodloch mails a postcard once a month to each water
2 customer as a monthly bill. The postage for this post card is \$0.34. No evidence has been produced
3 to explain the rest of the postage expense for the utility. I have applied the allocation factor to this
4 expense.

5 36. **562 Criminal:** This is not a known or measurable expense and is also non-recurring. This
6 amount has been adjusted to \$0.00.

7 37. **565 Inspection Fees:** No evidence has been provided reflecting what inspection fees are
8 needed to provide water and sewer service that are not handled by the company servicing the utility,
9 H2O. Some or all of these costs may be municipal expenses. This amount has been adjusted to
10 \$0.00.

11 38. **570 Legal Services:** The Town of Woodloch retains a city attorney, Ms. Marcia Tillman.
12 Woodloch stated in their RFI 35 to the Executive Director that they had no outside contractors.
13 (Refer to Exhibit 6) No evidence has been produced to warrant the utility paying for 73% of her
14 attorney fees. These are not costs necessary to provide water and sewer service. This amount has
15 been adjusted to \$0.00.

16 39. **571 Engineering:** The Town of Woodloch has employed the engineering firm of Bleyl
17 and Associates. This firm has been involved in the design phase of a wastewater treatment plant.
18 They have also been involved in city planning and budgeting. For this reason, I have allocated
19 20% of their costs to the general fund. The adjustment to the utility amounts to a \$754.00 reduction.

20 40. **580 Tax Collection:** These expenses are the costs for Woodloch to hire the services of a
21 tax collector to collect the town's property tax. This is not a cost needed to provide water or sewer.
22 It is a town only expense. This amount has been adjusted to \$0.00.

1 41. **585 Accounting Services:** Woodloch has stated in RFI 35 that they have no outside
2 contractors. In attending a budget meeting of the Town of Woodloch's City Council, I learned that
3 this expense is for the town's annual audit and production of the town's financial statement. This
4 is not a cost needed to provide water and sewer service. This amount has been adjusted to \$0.00.

5 42. **596 Long Term Debt Interest:** This amount is not part of the operations and maintenance
6 but is included in the debt service of \$37,353.00. For this reason, this amount has been reduced to
7 \$0.00.

8 43. **610 Community Events:** This expense is for the events that Woodloch sponsors for its
9 residents. It has absolutely nothing to do with the utility or the outside city limit water and sewer
10 customers. This amount has been adjusted to \$0.00.

11 44. **620 Unfunded Mandates:** No evidence or testimony has been produced to verify any
12 mandates that are unfunded. This amount has been adjusted to \$0.00.

13 45. **720 Buildings:** This amount is a non-recurring expense and does not validate a change in
14 the rate base. This is not a known or measurable charge going forward. It appears that this may be
15 the expense for the new groundwater storage tank which is included in the debt expense as a loan
16 from Woodforest Bank. This amount has been adjusted to \$0.00.

17 46. **726 Improvements to Buildings:** This amount is one-time non-recurring expense. The
18 amount has been adjusted to \$0.00.

19 47. **730 Machinery and Equipment:** No clarifications have been produced to verify what the
20 machinery and equipment expenses are. As the town has its own equipment and machinery, there
21 needs to be some clarification as to what machinery and equipment are owned and/or used by the
22 utility. This amount has been adjusted to \$0.00.

1 46. **750 CDBG:** This is not a known or measurable expense and no evidence has been
2 produced to show that it is an expense going forward.

3 **Q. HAVE YOU FORMED ANY OPINIONS CONCERNING THE REASON OR REASONS**
4 **THAT WOODLOCH HAS ADOPTED THE RATES THAT YOU ARE APPEALING?**

5 **A.** Yes. Prior to this rate increase and during the previous rate appeal in 2008, it was determined that
6 there were two employees for the town and water/sewer utility; a City Secretary and a Public Works
7 Director. The Public Works Director maintained the water and sewer utility and the town did not
8 have an outside contractor, such as H2O, handling their water and sewer utility. Mayor Lincoln
9 did not receive a salary at that time. The total salary expense was \$66,691.00. Currently, there is
10 a City Secretary receiving a \$30,000.00 salary, a Maintenance Man receiving an \$8,000.00 salary,
11 and a Mayor receiving a \$25,000.00 salary. H2O is charging approximately \$69,000 for its
12 services. $(30,000 + 8,000 + 25,000 + 69,000 = 132,000)$ This totals \$132,000.00 which is
13 \$65,309.00 more than what was previously spent to service the town and the utility in salary
14 expense alone. $(132,000 - 66,691 = 65,309)$ On February 22, 2013, the Town of Woodloch sent
15 a letter to all water and sewer customers advising them of the new rate increase. The letter stated
16 that the new rates were established in order to meet loan requirements. **(SEE EXHIBIT 9)**
17 Woodloch took out a loan for the groundwater storage tank ("GST") which amounts to a \$2500 a
18 month payment. Taking this amount divided by the 250 water customers equals a \$10.00 a month
19 charge to all customers. They also took out a loan for new meters (which was not a critical repair)
20 amounting to a \$702 monthly payment. Taking this amount divided by 250 customers equals a
21 \$2.82 monthly charge to all customers. They had anticipated receiving a TWDB loan requiring
22 \$4000 monthly payments. Again taking this amount divided by 250 customers equals a \$16.00
23 monthly charge. The total increase in rates to all customers should have been \$28.82, if they had
24 received the loan from TWDB. $(\$10.00 \text{ GST} + \$2.82 \text{ Meters} + \$16.00 \text{ TWDB} = \$28.82 \text{ Surcharge})$

1 They did not receive the TWDB loan, and therefore the increase should have been \$12.82. (\$10.00
2 GST + \$2.82 Meters = \$12.82 Surcharge) Prior to the \$35.00 surcharge for rate appeal costs being
3 added to the outside water and sewer customers monthly bill, the rate increase amounted to \$68.90
4 which is more than 5x the amount needed to repay loans. ($12.82 \times 5 = 64.10$) The outside water
5 and sewer customers made an offer to settle but were rejected and two counter offers were made
6 that were higher than the rates currently in effect as evidenced in Exhibit 1.

7 **Q. DO THE CURRENT RATES PROMOTE WATER CONSERVATION?**

8 **A.** No, not for the inside water and sewer customer. The inside water and sewer customers' base rate
9 increased \$14.50 for water and the base rate for sewer remained the same at \$30.00. However, the
10 rates for the tiered gallon usage changed in a way that actually reduces the inside water and sewer
11 customers' amount of increase in rates for the more water they use. The inside water and sewer
12 customers have absolutely no incentive to reduce water consumption. The outside water and sewer
13 customers' water rate increased \$34.00 and their sewer rate increased \$25.00. The rates adopted
14 for the tiered gallon usage increased their rates even further. For example: At 5,000 gallons of
15 water used, the inside water and sewer customer saw an increase of \$17.20. For the same usage,
16 the outside water and sewer customer saw a \$68.90 increase. At 20,000 gallons of water usage, the
17 inside water and sewer customer saw a \$12.50 increase while the outside water and sewer customer
18 saw a \$103.50 increase for the same usage amount. This has caused almost all outside water users
19 to cut drastically the amount of water they use. Woodloch residents continue to water their lawns,
20 wash their cars, and hose down their homes while the outside water and sewer customers are letting
21 their lawns, plants, trees, and flowers die and using water as only a precious commodity. Therefore,
22 the answer to this question is yes for the outside water and sewer customer. The outside water and
23 sewer customers are forced to conserve drastically. **(SEE EXHIBIT 10)**

24 **Q. DID YOU PREPARE THE SCHEDULES PRODUCED IN EXHIBIT 10?**

1 A. Yes. I prepared all the Schedules attached to this testimony and I prepared the H2O Analysis in
2 Exhibit 7, the Entergy Electric Analysis in Exhibit 8 and the increase in revenue chart in Exhibit
3 14.

4 **Q. IN YOUR OPINION, HOW ARE THE ADOPTED RATES DISPRAPORTIONATE?**

5 A. The current rates allow an inside water and sewer customer to use 27,000 gallons of water giving
6 them a monthly water and sewer bill of \$153.60. The outside water and sewer customer is currently
7 paying \$155.00 for ZERO gallons of water used. This includes a \$120.00 base rate + the \$35.00
8 rate appeal surcharge. As the schedules I prepared in Exhibit 9 show, the rates are severely
9 disproportionate and only encourage large water consumption to the inside water and sewer
10 customers.

11 **VII. PASS-THROUGH FEES**

12 **A. SAN JACINTO RIVER AUTHORITY (GRP)**

13
14 **Q. WHAT IS THE SJRA PASS-THROUGH FEE?**

15 A. In 2010, Mayor Diane Lincoln sent notice to all water customers that the San Jacinto River
16 Authority ("SJRA") was assessing a pass-through fee to all water users in Montgomery County and
17 effective immediately a rate increase was put into effect under the guise of a SJRA pass-through
18 fee being imposed by the SJRA. However, there were no pass-through fees being imposed on
19 Woodloch by the SJRA and this increase appears to be another rate increase. **(SEE EXHIBIT 11)**

20 **Q. DID THE TOWN OF WOODLOCH JOIN THE SJRA?**

21 A. No. I spoke with Mr. Jace Houston at the SJRA and was informed by him that the SJRA would
22 only be assessing fees to those water companies that joined their groundwater reduction plan. He
23 also informed me that Woodloch did not join their plan and had in fact submitted their own

1 groundwater reduction plan to the Lone Star Groundwater Conservation District (“LSGCD”). After
2 speaking with Senator Tommy Williams’s office, Woodloch changed the name of this fee to a GRP
3 (Groundwater Reduction Plan) fee. As Woodloch has no need to purchase water credits and since
4 they do not belong to the SJRA, there is no reason for the water customers to pay this fee.

5 **Q. HOW MUCH HAS BEEN COLLECTED BY THE TOWN OF WOODLOCH?**

6 **A.** Woodloch has been charging this fee at a rate of 90 cents per thousand gallons for the last four
7 years. The monies collected were to be reserved for the possibility of having to purchase water
8 credits. I have learned from the LSGCD that Woodloch has never pumped over its allowable usage
9 and that there is very little probability of Woodloch having to purchase water credits. At a usage
10 rate of 5,000 gallons per customer for four years with an average of 244 customers, Woodloch
11 should have approximately \$52,704.00 in reserve. (5,000 gallons/1000 = 5; 5 x .90 cents per
12 thousand gallons = 4.50; 4.50 x 244 customers = 1,098; 1,098 x 48 months = 52,704). No evidence
13 has been shown that this money has been reserved or used to buy needed water credits.

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE GRP FEE?**

15 **A.** I recommend that this fee be eliminated.

16 **B. LONE STAR GROUNDWATER CONSERVATION DISTRICT**

17
18 **Q. WHAT IS THE LSGCD PASS-THROUGH FEE?**

19 **A.** The LSGCD was created in 2001 with the purpose of preserving, conserving and protecting
20 Montgomery County’s groundwater supplies. It is not a taxing entity but has established well
21 production fees. The bulk of these fees are paid by the water utilities and private water providers
22 and are passed on to their consumers. The cost to the average homeowner in Montgomery County

1 is just a few dollars per year. The water use fees have remained the same since 2009 and are \$0.06
2 per thousand gallons. (SEE EXHIBIT 12)

3 **Q. HOW DOES THE TOWN OF WOODLOCH CHARGE ITS CUSTOMERS FOR THE**
4 **LSGCD CHARGE?**

5 **A.** Woodloch charges all the water customers a flat monthly fee of \$1.00. A customer using 2,000
6 gallons of water pays the same amount as a customer using 20,000 gallons of water. The LSGCD
7 fee is \$0.06 per thousand gallons of water. Therefore, the fee for the 3,000 gallon user would be
8 \$0.12 and the fee for the 20,000 gallon user would be \$1.20. The low water users are paying part
9 of the costs of the higher water users.

10 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE LSGCD CHARGE?**

11 **A.** I recommend that this fee be reduced to \$0.06 per thousand gallons for all water users in order for
12 all customers to pay their fair share.

13 **C. RATE APPEAL SURCHARGES**

14
15 **Q. WHEN DID THE TOWN START CHARGING THE OUTSIDE WATER AND SEWER**
16 **CUSTOMERS A RATE APPEAL SURCHARGE?**

17 **A.** On June 11, 2014, the town mailed a letter to all the outside water and sewer customers. In this
18 letter it was stated that Woodloch had offered reduced water and sewer rates and the three
19 representatives had refused all settlement offers. Both offers that Woodloch presented were higher
20 than the rates that are being appealed (See Exhibit 1) and by Woodloch sending this letter, many
21 residents were furious with the three representatives for refusing lower rates. The representatives
22 held a meeting and explained to all residents in attendance, that there were no lower rates offered
23 and that the outside water and sewer customers are now being charged for Woodloch's attorney

1 fees. The \$35.00 surcharge began with the June 20, 2014 bill. Another rate appeal was filed and
2 has recently been assigned PUC Docket No. 43720. (SEE EXHIBIT 13)

3 **Q. WHY IS THIS RATE APPEAL SURCHARGE NOT REASONABLE?**

4 **A.** No court has determined any fair or reasonable attorney fees and no court has ordered the outside
5 water and sewer customers to pay these fees. Woodloch refuses to negotiate or mediate rates and
6 by allowing them to pass all their costs in this rate appeal onto the water and sewer customers, they
7 have no incentive to negotiate or mediate. In fact, allowing this charge just compels a municipality
8 to hire the most expensive and/or extensive legal counsel and to drag the case out. The water and
9 sewer customers cannot afford counsel for themselves and yet they are being forced to pay for
10 Woodloch's legal counsel and defense. The outside water and sewer customers were not approved
11 to be represented by the Office of Public Utility Counsel (OPUC) because of the cost being
12 prohibitive to such a small customer base that is already being held accountable for Woodloch's
13 rate appeal expense. The outside water and sewer customers wish to consolidate PUC Docket No.
14 43720 into this rate appeal to avoid further costs.

15 **VIII. MISCELLANEOUS SERVICE CHARGES**

16
17 **Q. HAVE YOU EXAMINED THE MISCELLANEOUS SERVICE CHARGES SET BY THE**
18 **TOWN OF WOODLOCH?**

19 **A.** Yes. I recommend the following adjustments:

20 **SECURITY DEPOSITS:** The Town of Woodloch charges a \$200 deposit to inside customers
21 and a \$300 deposit to outside city customers. This is approximately a two month water and sewer
22 bill. A security deposit should be equal to one month's bill. This deposit amount is unusually high
23 and unreasonable. As there should be only one classification of customer, there should be one set

1 amount for deposits for all customers. I recommend adjusting the security deposit amount to
2 \$150.00 for all water customers.

3 **LATE CHARGES:** The Town of Woodloch charges a 20% late fee. This is a high charge for a
4 late fee. The late charge should not be more than 10%. I recommend adjusting the late fee charge
5 to equal 10% or \$10.00, whichever is greater, to all water customers.

6 **IX. DEBT COVERAGE RATIO**

7
8 **Q. WHAT IS THE CURRET DEBT COVERAGE RATIO?**

9 **A.** The current debt coverage ratio is 1.5X.

10 **Q. DO YOU HAVE AN OPINION ABOUT INCREASING THE DEBT COVERAGE RATIO?**

11 **A.** Yes. I see no reason to increase the debt coverage ratio as suggested in the direct testimony of Ms.
12 Angela Rubottom.⁵ There is no justification for a debt coverage ratio of 1.75X other than to build
13 a large reserve fund with no accountability. The debt service coverage ratio is stated in loan
14 documents as required by the lender. Woodloch does not currently have a lender requiring a 1.75X
15 ratio.

16 **X. OBSERVATIONS ON TESTIMONY**

17
18 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY SUBMITTED BY THE TOWN OF**
19 **WOODLOCH?**

⁵ Direct Testimony of Angela Taylor Rubottom, Page 12, Line 21

1 A. Yes. I have reviewed the submitted direct testimony of Diane Lincoln, Mayor of the Town of
2 Woodloch, Angela Taylor Rubottom, of West View Financial Consulting, Mike Mathena of Bleyl
3 Engineering, Marcia Tillman, City Attorney, and Duncan Norton, Attorney.

4 Q. **DO YOU HAVE ANY CONCERNS ABOUT THE TESTIMONY GIVEN?**

5 A. Yes.

6 Q. **DESCRIBE THE CONCERNS YOU HAVE WITH THE TESTIMONY PRODUCED BY**
7 **THE TOWN OF WOODLOCH.**

8 A. 1. Ms. Lincoln states in her testimony that they have not been able to improve services to the
9 residents of Woodloch.⁶ The town constructed a new groundwater storage tank and new digital
10 meters which not only benefited the outside water and sewer customers, but the inside water and
11 sewer customers as well. Also, any repairs made to the sewage plant and/or the construction of a
12 new sewage plant will benefit the inside water and sewer customers.

13 2. Ms. Lincoln states in her testimony that the rate appeal expenses have drained the Utility
14 Fund and the General Fund to the point that repairs are piecemealed.⁷ The previous water and
15 sewer rates, at an average usage of 5,000 gallons, generated \$142,800.00 from 170 outside
16 customers and \$47,520.00 from 72 inside customers for a total amount of \$190,320.00. The
17 increased rates, that are the subject of this appeal, generate \$313,106.00 from the 170 outside
18 customers and \$62,380.80 from the 72 inside customers for a total of \$375,486.80. Please note that
19 the outside water and sewer customers are now generating over \$120,000.00 more than the amount
20 generated IN TOTAL before the rate increase. (313,106 – 190,320 = 122,786) The outside water
21 and sewer customers have been paying a \$35.00 surcharge for rate appeal costs since July 2014.

⁶ Direct Testimony of Diane L. Lincoln Page 12, Lines 16-19

⁷ Direct Testimony of Diane L. Lincoln Page 14, Lines 1-4.

1 For 170 outside customers, this would have generated \$29,750.00 to date. With an increase in
2 revenues of \$185,166.80 and rate appeal expenses of \$80,000.00, why have repairs been put on
3 hold? **(SEE EXHIBIT 14)**

4 3. In answering the question about the sewer rates including some amount for paying back
5 the loan, Ms. Lincoln answers that the rates do include some amount for paying back the loan.⁸
6 Mr. Mathena states in his testimony that the reason for the rate increase was to provide sufficient
7 funds to repay the loan and any excess money would be transferred to a reserve fund.⁹ The previous
8 sewer rate for the inside water and sewer customers was \$30.00. It is still \$30.00. The inside water
9 and sewer customers did not have their sewer rates increased. The previous sewer rate for the
10 outside sewer customers was \$35.00. This amount was increased to \$60.00 for the outside sewer
11 customer. Therefore, the entire burden of repayment has been put on the outside water and sewer
12 customer. Ms. Lincoln also states that at the time when the outside water and sewer customers
13 rates were increased, the Council also voted to double the rates of the inside water and sewer
14 customers.¹⁰ This absolutely did not occur. In fact, the more water an inside rate-payer uses, the
15 less the increase.

16 4. In the Direct Testimony of Mr. Mathena, he states that if Woodloch does not get the TWDB
17 loan, the town will need to look to the adjacent utility providers or the State to intervene.¹¹ The
18 outside water and sewer customers do not object to this. Currently, the outside water and sewer
19 customers, are helping fund the Town of Woodloch and their employees. It would be advantageous
20 and less expensive to the outside water and sewer customers to belong to a neighboring MUD
21 District that has regulations and rules that must be adhered to.

⁸ Direct Testimony of Diane L. Lincoln-Page 15, Lines 3-5

⁹ Direct Testimony of Mike Mathena-Page 17, Lines 3-7.

¹⁰ Direct Testimony of Diane L. Lincoln-Page 18, Lines 21-23.

¹¹ Direct Testimony of Mike Mathena-Page 18, Lines 4-13.

1 (5) Reduce the Security Deposit to \$150.00 for all water and sewer customers;

2 (6) Reduced the late fees to \$10.00 or 10%, whichever is greater, for all water and sewer
3 customers; and

4 (6) Keep the Debt Coverage ratio at 1.5X.

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes, but I would like to reserve the right to amend my testimony as necessary prior to the hearing.

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XII. ATTACHMENTS

1. SCHEDULES

A. SCHEDULE I - Adjusted General Ledger

SCHEDULE I

General Ledger
Test Year Data for TYE 09/30/2013

Income	General Fund	Utility Fund	Woodloch Total	Woodloch Adjustments to		Less: General Fund Accounts	Total Company (Utility Funds)	Adjustments	Recommendations	Description of Adjustment
				Test Year	as Requested					
811 Ad Valorem Tax	39,337	-	39,337	(1,337)	38,000	(38,000)	-	-	-	
814 Franchise Fee Street Rental	21,161	-	21,161	(3,161)	18,000	(18,000)	-	-	-	
826 Building Rentals	35	-	35	(35)	-	-	-	-	-	
827 Swimming Pool/Recreation Fee	-	-	-	-	-	-	-	-	-	
829 Other - Woodforest Loan	-	102,650	102,650	(102,650)	-	-	-	-	-	
830 Licenses & Permits	40	-	40	(40)	-	-	-	-	-	
832 Construction License/Permit	-	-	-	40	40	(40)	-	-	-	
880 Surplus Property Sales	380	-	380	20	400	(400)	-	-	-	
910 Water Revenues	13,430	-	13,430	6,716	20,147	-	20,147	(6,716)	13,430	Kept TY amount
912 Residential Water Sales	147,660	-	147,660	62,817	210,477	-	210,477	(131,595)	78,883	Calculated in cell H99 below
914 Water Tap Fees	-	-	-	-	-	-	-	-	-	
920 Return check fee	30	-	30	(30)	-	-	-	-	-	
922 Residential Sewer Sales	119,251	-	119,251	60,645	179,896	-	179,896	(116,190)	63,706	Calculated in cell I99 below
924 Sewer Tap Fees	-	-	-	-	-	-	-	-	-	
932 Solid Waste	12,765	-	12,765	8,464	21,229	-	21,229	(21,229)	-	Revenues belong in General Fund not Utility Fund.
955 CDBG	39,452	-	39,452	(39,452)	-	-	-	-	-	
960 Regulatory Agency Fees	19,928	-	19,928	10,342	30,270	-	30,270	(9,622)	20,648	Average of 11-12 & 12-13. LSGCD & GRP Fees.
980 Interest	16	-	16	19	94	(10)	84	(24)	60	Kept TY amount.
Total Income & Loans	80,968	455,226	516,194	2,359	518,553	(56,450)	462,103	(285,376)	176,727	
Expenses										
110 Full Time Employees	23,791	37,494	61,284	22,216	83,500	(27,500)	56,000	(34,550)	21,450	Multipled TY Total Co Exp times Allocation Factor.
210 Social Security	1,475	2,132	3,607	93	3,700	(1,500)	2,200	(938)	1,262	Multipled TY Total Co Exp times Allocation Factor.
211 Medicare	345	499	844	31	875	(375)	500	(205)	295	Multipled TY Total Co Exp times Allocation Factor.
230 Group Insurance	200	3,427	3,627	(127)	3,500	-	3,500	(2,231)	1,269	Multipled TY Total Co Exp times Allocation Factor.
240 Workmen's Compensation	200	39	239	561	600	(500)	100	(86)	14	Multipled TY Total Co Exp times Allocation Factor.
260 Transportation Allowance	402	7,611	8,013	1,737	9,750	(750)	9,000	(9,000)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
275 Security	-	280	280	30,720	31,000	(1,000)	30,000	(30,000)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
290 Unemployment Compensation	10	54	64	110	175	(75)	100	(77)	23	Multipled TY Total Co Exp times Allocation Factor.
310 Office Supplies	1,119	5,893	7,012	2,188	9,200	(1,200)	8,000	(5,546)	2,454	Multipled TY Total Co Exp times Allocation Factor.
320 Janitorial Supplies	115	602	717	133	850	(50)	800	(549)	251	Multipled TY Total Co Exp times Allocation Factor.
330 Minor Tools	(4)	393	389	(79)	310	(10)	300	(300)	-	Zero-H2O has own tools
335 Illegal lock removal	-	-	-	100	100	-	100	(100)	-	Zero. Co hasn't proved this amount is an ongoing expense instead of a one-time expense.
340 Mechanical Supplies	-	6,578	6,578	(2,578)	4,000	-	4,000	(4,000)	-	Multipled TY Total Co Exp times Allocation Factor
345 Building Supplies	-	-	-	1,000	1,000	-	1,000	(1,000)	-	Zero. Co hasn't proved this is a known and measurable change going forward and no expenses in TY.
350 Motor Vehicle Fuel	17	415	432	93	525	(25)	500	(500)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
355 Oil & Lubricants	1	10	11	204	215	(15)	200	(200)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
360 Chemical Supplies	-	8,527	8,527	1,473	10,000	-	10,000	(10,000)	-	Zero. Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors. Does this amount include any pool expenses?
390 Clothing	47	896	943	(42)	900	(150)	750	(750)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
405 Administration Contract	-	-	-	500	500	-	500	(500)	-	Zero. Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors.
410 Building Maintenance	432	2,531	3,063	938	4,000	(1,000)	3,000	(1,928)	1,072	Multipled TY Total Co Exp times Allocation Factor.
420 Motor Vehicle Maintenance	-	380	380	2,620	3,000	-	3,000	(3,000)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
425 Technology	1,813	9,674	11,487	(987)	10,500	(2,500)	8,000	(8,000)	-	Zero. Co hasn't proved this amount is a known and measurable change going forward. There is no Technology in the Utility Fund Rate Base.
430 Office Equip. Maintenance	80	420	500	1,400	1,900	(400)	1,500	(1,325)	175	Multipled TY Total Co Exp times Allocation Factor
435 Other Equip. Maintenance	-	-	-	1,000	1,000	-	1,000	(1,000)	-	Zero. Co hasn't proved this amount is a known and measurable change going forward. There is no Equipment in the Utility Fund Rate Base.

SCHEDULE I

Test Year Data for TYE 09/30/2013

Ordinary Income/Expense	General Fund	Utility Fund	Woodloch Total	Woodloch Adjustments to Test Year	Total Woodloch as Requested	Less: General Fund Accounts	Total Company (Utility Funds)	Adjustments	Recommendations	Description of Adjustment
440 Street Maintenance	-	1,550	1,550	(50)	1,500	-	1,500	(1,500)	-	Zero. Co hasn't proved this amount belongs in the Utility Fund and instead belongs in the General Fund.
442 Recreation Facility Maint	4,886	-	4,886	3,114	8,000	-	8,000	(8,000)	-	Zero. Co hasn't proved this amount belongs in the Utility Fund and instead belongs in the General Fund.
445 Street Sign Maintenance	-	13	13	487	500	-	500	(500)	-	Zero. Co hasn't proved this amount belongs in the Utility Fund and instead belongs in the General Fund.
450 Utility Line Maintenance	-	4,315	4,315	685	5,000	-	5,000	(5,000)	-	Zero. Co hasn't proved this amount is not duplicative of costs already included in Acts 460, 462, and 463.
454 Meter & Tap Expense	-	6,475	6,475	(4,475)	2,000	-	2,000	(2,000)	-	Zero. Co hasn't proved this amount is not duplicative of costs already included in Acts 460, 462, and 463.
455 Water Well Maintenance	-	437	437	2,563	3,000	-	3,000	(3,000)	-	Zero. Co hasn't proved this amount is not duplicative of costs already included in Acts 460, 462, and 463.
456 Water Samples	-	14,324	14,324	(8,324)	6,000	-	6,000	(6,000)	-	Zero. Co hasn't proved this amount is not duplicative of costs already included in Acts 460, 462, and 463. Co says they have no outside contractors. Does this amount include any pool expenses?
460 Electric Service	251	22,819	23,070	330	23,400	(400)	23,000	(2,737)	20,263	See Energy Schedule
462 Water Service	-	17,171	17,171	7,829	25,000	-	25,000	(9,914)	21,086	Avg of 12-13 & Total Co Requested
465 Sewer Service	-	35,180	35,180	14,820	50,000	-	50,000	(7,410)	42,590	Avg of 12-13 & Total Co Requested
467 Sanitation Collection	11,153	-	11,153	847	12,000	-	12,000	(12,000)	-	Zero. Co hasn't proved this amount belongs in the Utility Fund and instead belongs in the General Fund.
468 Telephone Service	374	2,750	3,124	276	3,400	(400)	3,000	(1,907)	1,093	Multiplied TY Total Co Exp times Allocation Factor.
480 General Liability Insurance	(1,632)	1,706	73	3,127	3,200	(200)	3,000	(2,975)	25	Multiplied TY Total Co Exp times Allocation Factor.
482 Building Insurance	-	932	932	169	1,100	(100)	1,000	(674)	326	Multiplied TY Total Co Exp times Allocation Factor.
484 Auto Insurance	25	129	154	61	215	(15)	200	(200)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
510 Travel	112	934	1,046	954	2,000	-	2,000	(2,000)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
520 Training & Education	67	350	417	(17)	400	-	400	(400)	-	Zero. Co hasn't proved this amount is necessary to provide water/sewer services
525 Rate Appeal	-	8,564	8,564	71,436	80,000	-	80,000	(80,000)	-	Zero. Co. is collecting in a surcharge
530 Dues & Memberships	107	560	667	183	850	(250)	600	(600)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
531 Licenses & Permits	-	5,924	5,924	76	6,000	-	6,000	(6,000)	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
535 Postage	386	2,094	2,480	420	2,900	(400)	2,500	(925)	1,575	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
550 Radio/Phone Equipment Maint	-	-	-	500	500	-	500	(500)	-	Zero. There is no Radio/Phone Equipment in the Utility Fund Rate Base.
562 Criminal	-	75	75	(75)	-	-	-	-	-	Zero. Co hasn't proved this is a known and measurable charge going forward
565 Inspection Fees	-	680	680	(480)	200	-	200	-	-	Zero. Co hasn't proved this amount is necessary in order to provide water/sewer services.
570 Legal Services	1,913	5,289	7,211	5,789	13,000	(3,000)	10,000	(10,000)	-	Zero. Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors (RFP #35).
571 Engineering	-	3,772	3,772	6,228	10,000	-	10,000	(4,526)	5,474	Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors (RFP #35).
580 Tax Collection	759	2,691	3,450	50	3,500	(3,500)	-	-	-	This is a Gen Fund expense
585 Accounting Services	968	5,509	6,477	(477)	6,000	(1,000)	5,000	(5,000)	-	Zero. Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors (RFP #35).
596 Long Term Debt Interest	-	2,998	2,998	(2,998)	-	-	-	-	-	Zero. Using the DSC Approach.
610 Community Events	98	425	523	77	600	(200)	400	(400)	-	Zero. Co hasn't proved the money was spent on approved activities.
620 Unfunded Mandates	-	1,331	1,331	1,669	3,000	-	3,000	(3,000)	-	Zero. Co hasn't proved up these charges by providing any backup invoices. Co says they have no outside contractors (RFP #35).
660 Emergency Management	-	-	-	300	300	-	300	(300)	-	Zero. Co did spend any money in prior years and has not proved this amount is necessary.
710 Land	-	-	-	-	-	-	-	-	-	Zero. Validates no changes in Rate Base.
720 Buildings	-	154,678	154,678	(154,678)	-	-	-	-	-	Zero. Validates no changes in Rate Base.
726 Improvements to Utility Bldgs	-	9,784	9,784	(9,784)	-	-	-	-	-	Zero. Validates no changes in Rate Base.
730 Machinery & Equipment	118	962	1,080	(680)	400	-	400	(400)	-	Zero. There is no Machinery Equipment in the Utility Fund Rate Base.
750 CDBG	-	48,113	48,113	(48,113)	-	-	-	-	-	
Payroll Expenses (SUJA)	43	73	116	(116)	-	-	-	-	-	
Total Expenses per Book	49,469	450,589	500,058	(40,973)	455,065	(48,515)	408,550	(287,653)	320,897	
Net Operating Income	11,499	4,656	16,156	47,332	63,488	(9,935)	53,553	2,277	56,030	See calculation below

SCHEDULE I

Test Year Data for TYE 09/30/2013

Ordinary Income/Expense	General Fund	Utility Fund	Woodloch Total	Woodloch		Less: General Fund Accounts	Total Company (Utility Funds)	Adjustments	Recommendations	Description of Adjustment
				Adjustments to Test Year	Total Woodloch as Requested					

Allocation Factor

Calculated as the # of hrs City dedicates to handling water/sewer services. (12hrs/40hrs)

Total Water & Sewer Revenues	266,312									
	142,589	55.32%	55.32%							
				44.68%	44.68%					
						147,660	119,251			
						78,863	63,706			

Rate Case Expenses	
Debt Service Amount	37,353
Debt Service Coverage Amount	18,676
Equals Net Operating Income	56,029

B. SCHEDULE II - Revenue Requirement

SCHEDULE II

Revenue Requirement
Test Year Data for TYE 09/30/2013

	Utility Fund 2013-2014 Proposal	Utility Fund 2012-2013 Actuals	Notes
EXPENSE			
O&M	408,550	120,697	This amount comes from the GL.
<i>Known and Measurable Changes</i>			
Rate Case Expense	8,564	-	Surcharge currently being paid by outside customers
Adjusted O&M	417,114	120,697	
Debt Service			
Wood Forest National Bank	28,932	28,932	
Meters - Infinity Financing	8,421	8,421	
TWDB Loan	-	-	Did not include TWDB anticipated Loan.
Total Debt Service	37,353	37,353	
Coverage			
Coverage Ratio	1.5	1.5	
Amount	18,676	18,676	
Total Cost of Service	473,143	176,727	

Less: Other Revenues

910 Water Revenues	13,430	13,430	Kept Test Year Amount.
914 Water Tap Fees	-	-	
924 Sewer Tap Fees	-	-	

Less: Utility Fund Direct

960 Regulatory Agency Fees	19,928	20,648	LSGCD & GRP Fees
980 Interest	60	60	
990 Unassigned Revenue	-	-	
920-Return check fee	30	-	
Total	33,448	34,138	

Revenue Requirement

Adopted/Actual Revenues	439,695	142,889	This Amount feeds into the GL to calculate the split between water and sewer revenues.
Difference (Rev./Req. - Rev.)	266,912	390,373	
	(172,784)	247,785	

Debt Service Detail

Meters - Infinity Financing	
Interest	1,670
Principal	6,751
Total	8,421
Wood Forest National Bank	
Interest	4,200
Principal	24,731
Total	28,932
TWDB Anticipated Loan	
Total Capital Cost	1,900,000
2 3/4% Grant	1,266,667
1/3 Loan	633,333
Interest Rate	4.5%
Term	20
Principal and Interest Paymer	48,688

C. SCHEDULE III - Proof of Revenue

SCHEDULE III

Proof of Revenue
Test Year Data for TYE 09/30/2013

Number of Customers (Inside + Outside) Average Water Use/Customer/month	Billing Determinants	Existing		Adopted		Proportion		Difference		Recommend		Percent	
		Existing Rates	Existing Revenues	Adopted Rates	Adopted Revenues	Adopted	Adopted	Difference	Difference	Revenues	Difference		Percent
237													
	6,328	Avg/cus/mo \$	36.43	72.79	\$	36.36	99.81%			\$	27.74	(45.06)	-61.90%
Water	17,995,965	Total YR End Adjusted Usage								\$	54,224	(88,084)	-61.90%
Flat Fee includes 2KGallons	2,844	varies	70,380	142,308	0.687	71,928	102.20%			\$			
0-2000	2,594	varies	-	varies	-	-				\$			
2000-4999	6,458	varies	9,686	26,410	0.128	16,724	172.66%			\$	10,063	(16,347)	-61.90%
5000-7999	3,979	varies	7,959	16,273	0.079	8,314	104.46%			\$	6,201	(10,072)	-61.90%
8000-10999	2,146	varies	5,365	8,776	0.042	3,411	63.58%			\$	3,344	(5,432)	-61.90%
11000-13999	1,149	varies	3,449	4,702	0.023	1,253	36.33%			\$	1,792	(2,910)	-61.90%
14000-14999	250	varies	876	1,024	0.005	148	16.89%			\$	390	(634)	-61.90%
15000-17999	524	varies	1,834	2,634	0.013	800	43.62%			\$	1,004	(1,630)	-61.90%
18000-20999	320	varies	1,278	1,606	0.008	328	25.67%			\$	612	(994)	-61.90%
21001-23999	207	varies	931	1,040	0.005	109	11.71%			\$	396	(644)	-61.90%
24000-24999	48	varies	244	246	0.001	2	0.82%			\$	94	(152.27)	-61.90%
25000-34999	246	varies	1,229	1,467	0.007	238	19.37%			\$	559	(908.02)	-61.90%
35000-44999	69	varies	346	472	0.002	126	36.42%			\$	180	(292.15)	-61.90%
45001	6	varies	31	64	0.000	33	106.45%			\$	24	(39.61)	-61.90%
Total	17,996		\$ 103,608	207,022	1.000	103,414	99.81%			\$	78,883	(128,139)	-61.90%
Sewer	2,844	varies	\$ 95,220	144,720		49,500	51.98%			\$	63,706	(81,014)	-55.98%
Total Revenue			\$ 198,828	351,742		152,914	76.91%			\$	142,399	(209,153)	-59.46%
Total Avg Charge/Customer/Month			\$ 69.91	123.68		53.77				\$	50.14	(73.54)	-59.46%

2. EXHIBITS

A. EXHIBIT 1 - Rate Proposals Made During Negotiations

First Proposal Made by Outside Rate-Payers

And

Woodloch's Two Counter Proposals

Proposed Water/Sewer Rate by Outside Ratepayers

Dec 10, 2013

DOCKET NO. 42862

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ICL

OCL

Water 15.00 \$ 30 *
 Sewer 30.00 \$ 35 *

25.00 \$ 45 *
 35.00 \$ 50 *

3000 - 5000 1.50
 5001 - 6000 2.00
 8001 9000 - 11000 2.50
 11,001 12000 - 14000 3.00
 14,001 15000 - 17000 3.50
 17,001 18000 - 20000 4.00
 20,001 21000 - 23000 4.50
 23,001 24,000 up 5.00

Est. Loan pmts = 9,750 per mo
 Est. Connections = 250
 $9750 \div 250 = 39.00$

Surcharge = \$ 39.00
 added to

LGWA 1.00
 GRP .90/1,000

~~150.00~~ deposit
 \$300 *

surcharge 39.00
 late fee ~~10%~~ 20% *

Representing the petitioners,
 Cathy Lewkowksi *Cathy Lewkowksi*
 David P. Bonham *David P. Bonham*
 Miriam Gomez *Miriam Gomez*

* Notations in blue made by sewer committee

**TOWN OF WOODLOCH
RATE DISCUSSION FOR MEDIATION (1.3 MULTIPLIER)
DECEMBER 2013**

FY 2014 BUDGET SUMMARY		
Income Summary		
Anticipated Income Sources	Income	Income
Taxes	\$ 39,337	
Franchise Fees	21,161	
GRP Credit Fee	13,584	
Residential Coll. (Trash)	12,765	
Regulatory Agency	19,966	
Misc.	542	
Surcharge	-	
Water/Sewer Rev. (In City)	94,764	
Water/Sewer Rev. (out)	301,688	
Total Income	\$ 503,807	
Expenditures Summary		
Anticipated Expenditures	Expenditures	Expenditures
General Fund	\$ 33,000	
TWDB Loan Fund	49,932	
GST Loan Fund	28,932	
Water Plant Fencing and Security	30,000	
Public Works Fund	266,840	
Streets, Drainage, & City Facilities	43,223	
GRP Credit Reserve	13,584	
Public Works Reserve	38,296	
Total Expenditures	\$ 503,807	

IN CITY PROPOSED WATER/SEWER RATES		
Monthly Water Billing Rates		
Usage (gals)	Flat Fee (up to 2,000)	Cost Per 1,000 gal
	2,001 to 15,000	4.00
	15,001 to 25,000	4.50
	25,001 to 35,000	5.00
	35,001 to 45,000	6.00
	Over 45,000	8.00
Monthly Sewer Billing Rate		
		\$55.50
Flat Sewer Fee		
Monthly Surcharge		
Flat Water/Sewer Surcharge*		\$0.00
*This flat rate partially covers GST & WWTP Loans and fencing & security for Water Plant.		
Income Generated by In City Proposed Water/Sewer Rates		
Rates	Surcharge	Total
\$ 94,764	\$ -	\$ 94,764

OUTSIDE CITY PROPOSED WATER/SEWER RATES		
Monthly Water Billing Rates		
Usage (gals)	Flat Fee (up to 2,000)	Cost Per 1,000 gal
	2,001 to 15,000	5.20
	15,001 to 25,000	5.85
	25,001 to 35,000	6.50
	35,001 to 45,000	7.80
	Over 45,000	10.40
Monthly Sewer Billing Rate		
		\$72.15
Flat Sewer Fee		
Monthly Surcharge		
Flat Water/Sewer Surcharge*		\$0.00
*This flat rate partially covers GST & WWTP Loans and fencing & security for Water Plant.		
Income Generated by Outside City Proposed Water/Sewer Rates		
Rates	Surcharge	Total
\$ 301,688	\$ -	\$ 301,688

Multiplier: 1.3

**TOWN OF WOODLOCH
RATE DISCUSSION FOR MEDIATION (\$38 SURCHARGE)
DECEMBER 2013**

FY 2014 BUDGET SUMMARY		
Income Summary		
Anticipated Income Sources	Income	Income
Taxes	\$	39,337
Franchise Fees		21,161
GRP Credit Fee		13,584
Residential Coll. (Trash)		12,765
Regulatory Agency		19,966
Misc.		542
Surcharge		109,896
Water/Sewer Rev. (In City)		62,694
Water/Sewer Rev. (out)		221,110
Total Income	\$	501,055
Expenditures Summary		
Anticipated Expenditures	Expenditures	Expenditures
General Fund	\$	33,000
TWDB Loan Fund		49,932
GST Loan Fund		28,932
Water Plant Fencing and Security		30,000
Public Works Fund		266,840
Streets, Drainage, & City Facilities		40,471
GRP Credit Reserve		13,584
Public Works Reserve		38,296
Total Expenditures	\$	501,055

IN CITY PROPOSED WATER/SEWER RATES		
Monthly Water Billing Rates		
Usage (gals)	Flat Fee (up to 2,000)	Cost Per 1,000 gal
2,001 to 15,000		2.40
15,001 to 25,000		2.95
25,001 to 35,000		3.50
35,001 to 45,000		4.00
Over 45,000		7.00
Monthly Sewer Billing Rate		
Flat Sewer Fee		\$54.00
Monthly Surcharge		
Flat Water/Sewer Surcharge *		\$38.00
*This flat rate partially covers GST & WWTP Loans and fencing & security for Water Plant.		
Income Generated by In City Proposed Water/Sewer Rates		
Rates	Surcharge	Total
\$ 62,694	\$ 31,920	\$ 94,614

OUTSIDE CITY PROPOSED WATER/SEWER RATES		
Monthly Water Billing Rates		
Usage (gals)	Flat Fee (up to 2,000)	Cost Per 1,000 gal
2,001 to 15,000		2.40
15,001 to 25,000		2.95
25,001 to 35,000		3.50
35,001 to 45,000		4.00
Over 45,000		7.00
Monthly Sewer Billing Rate		
Flat Sewer Fee		\$54.00
Monthly Surcharge		
Flat Water/Sewer Surcharge *		\$38.00
*This flat rate partially covers GST & WWTP Loans and fencing & security for Water Plant.		
Income Generated by Outside City Proposed Water/Sewer Rates		
Rates	Surcharge	Total
\$ 221,110	\$ 77,976	\$ 299,086

2nd Proposal Made by Outside Rate-Payers

And

Woodloch's Counter Proposal

2nd Proposal by Outside Rate Payers to The Town Of Woodloch
12-12-2013

Base Water Rate	0 -2000 gallons		30.00
	2,001 – 5,000	1.50/1,000	
	5,001 – 8,000	2.00/1,000	
	8,001 – 11,000	2.50/1,000	
	11,001 – 14,000	3.00/1,000	
	14,001 – 17,000	3.50/1,000	
	17,001 – 20,000	4.00/1,000	
	20,001 – 23,000	4.50/1,000	
	23,001 and up	5.00/1,000	

Sewer Flat Rate 35.00

LGCD Flat Rate 1.00

GRP .90/1,000

Surcharge for payment of Loans 28.00
(As loans are paid off this amount will reduce)

Deposit 200.00
Late Fee 10%
Application Fee 25.00

Monies generated by OCL based on 5,000 gallons used

Monies already collected (previous rate)	123,200.00	
Monies collected in base increase only	103,840.00	
Total		227,040.00

This proposed rate 217,536.00

THIS IS JUST
 AN EXAMPLE,
 YOUR OUTSIDE
 RATES JUST
 NEED TO GENERATE
 \$220,526.04
 BEFORE SURCHARGES

OUTSIDE CITY PROPOSED WATER/SEWER RATES	
Monthly Water Billing Rates	
Usage (gals)	Cost Per 1,000 gal
Flat Fee (up to 2,000)	\$42.50
2,001 to 15,000	2.40
15,001 to 25,000	2.95
25,001 to 35,000	3.50
35,001 to 45,000	4.00
Over 45,000	7.00

Monthly Sewer Billing Rate	
Flat Sewer Fee	\$54.00

Monthly Surcharge	
Flat Water/Sewer Surcharge*	\$38.00

*This flat rate partially covers GST & WWTP Loans and fencing & security for Water Plant.

Income Generated by Outside City Proposed Water/Sewer Rates		
Rates	Surcharge	Total
\$ 221,110	\$ 77,976	\$ 299,086