

April 27, 2011

Public Service Commission
Attn: Ms. Kate Whitney
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-2801

RE: Letter of Transmittal of AquaFlo, LLC Application for authority to permanently increase rates and charges for water and sewer services to its Helena, Montana customers and permission to continue to charge interim rates until the final rates are established.

Ms. Whitney,

AquaFlo, LLC hereby transmits its Application for authority to permanently increase rates and charges and amend Tariff Rules and Regulations for water and wastewater service in Helena, Montana, and permission to continue to charge the interim rates ordered by the Commission until the permanent rates have been established. The total requested increase, as explained and supported in the accompanying Testimony and Exhibits is \$34,554. This Application is made under the Montana Administrative Rules of Montana. Applicant, AquaFlo, LLC, is a Montana Domestic Limited Liability Company providing water and sewer utility service in Helena, Montana subject to the jurisdiction of this Commission under Title 69, Montana Code Annotated. The Company presently provides water and sewer utility service to residential and light commercial customers in accordance with rate schedules approved by the Commission.

Pursuant to ARM 38.5.101 and ARM 38.2.318:

1. The following documents are herewith provided:
 - A. 10 copies of the Application for authority to increase, including the minimum rate case filing standards for private water utilities promulgated by the Commission.
 - B. 10 copies of pre-filled direct testimony and exhibit of witnesses.
2. Three copies of this letter and all documents mentioned herein have also been provided to the Montana Consumer Counsel.
3. A brief description of the proposed changes in service or rates and changes is as follows:
 - A. For AquaFlo, LLC customers, the revenue requirement for test year 2010 has been computed to be \$170,726, compared with revenues at present

rates of \$136,172. To provide the required increase in revenues of \$34,554, it is proposed:

1) That the current rate schedule be increased as follows:

| | |
|---|---------|
| a. <u>Flat rate</u> per connection per month: | \$58.74 |
| b. <u>Water Use Rate</u> per 100 gallons per month: | \$.57 |
| c. <u>Excess Water Use Rate</u> per 100 gallons per month over the Excess Use Breakpoint. | \$1.14 |

4. Proposed rates have been developed to produce a 10.50% rate of return on a rate base of \$259,342 and an overall return of 10.50%; and

5. The reason for the proposed rate changes is to:

A. Allow the company to recover its operation and maintenance expenses, depreciation and amortization expenses, taxes, other than income, and income taxes and to earn an overall return of 10.50%; and

B. More fairly allocate system cost to customers based on their actual water usage; and

C. Promote water conservation and system efficiency.

6. The number of customers whose cost of service will be affected is 143, and the estimated average monthly increase in cost of service per customers, assuming no change in use, is \$21.35.

7. Additional information on the need for this requested increase is included in the Minimum Rate Filing Standards, which is included with this Letter of Transmittal.

8. The Company requests interim rate relief as described above.

9. The representative of the Company responsible for answering questions concerning this Application or for referring inquiries to the appropriate person is John Maxness, Manager, AquaFlo, LLC, P.O. Box 1091, Helena, Montana 59624 (406) 449-3777.



Michael Strand
Browning, Kaleczyc, Berry & Hoven, P.C.
Attorneys for AquaFlo, LLC

**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

| | | |
|---|---|-------------------------|
| IN THE MATTER of the Application of |) | UTILITY DIVISION |
| AquaFlo for Authority to Set Final Rates for |) | |
| Water and Wastewater Services, |) | |
| and |) | |
| Request for Extension of Interim Rates while |) | DOCKET NOS _____ |
| Final Rates are Established |) | and |
| _____ |) | D2009.1.9 |

**APPLICATION FOR FINAL RATES FOR WATER AND WASTEWATER
SERVICE AND FOR EXTENSION OF INTERIM RATES WHILE FINAL
RATES ARE ESTABLISHED**

AquaFlo, LLC, hereby (hereafter "AquaFlo" or "Applicant"), hereby submits this application for Final Rates for water and wastewater service provided to approximately 143 customers in the northern portion of the Helena valley located in Helena, County of Lewis and Clark, State of Montana. Additionally, AquaFlo seeks permission from the Montana Public Service Commission ("Commission" or "PSC") to continue to charge the interim rates established by the Commission until this Application for Final Rates has been fully adjudicated by the Commission. In support of this Application for Final Rates and Request for Extension of Interim Rates, AquaFlo sets forth the following:

I.

Applicant is a Domestic Montana Limited Liability Company duly authorized and doing business in the State of Montana as a public utility.

II.

Applicant's full name and business address are: AquaFlo, LLC, P.O. Box 1091, Helena, MT, 59624.

III.

On April 29, 2010, the Montana Public Service Commission issued Interim Order No. 6985b in Docket D2009.1.9, approving interim rates pursuant to applicant's 2009 application for authority to implement interim rates and charges and amend tariff rules and regulations for water and sewer service to its Helena, Montana, customers. Those rate schedules are attached hereto as Exhibit A. The Order stated that AquaFlo would need to file for permanent rates by April 27, 2011. This document, along with the pre-filed testimony and exhibits, and letter of transmission constitute the filing requested by the Commission.

IV.

Based on the experience gained by AquaFlo during the year following the establishment of Interim Rates, it has become clear that the interim rates are not just and reasonable rates as they do not permit AquaFlo to recover the actual cost of providing services to its customers. Therefore, AquaFlo requests that the Commission allow AquaFlo to charge rates for water and wastewater services in accordance with the relevant portion of the rate schedules attached hereto as Exhibit B.

V.

The proposed rates set forth in Exhibit B are just and reasonable insofar as they permit AquaFlo a reasonable opportunity to recover its cost of providing water and wastewater services to its customers.

VI.

In support of this application and in accordance with ARM §35.5.101 et seq., AquaFlo files concurrently herewith its statements and related work papers prepared by Sandra Barrows, together with the Pre-Filed Direct Testimony of Ms. Barrows.

VII.

This application is submitted in accordance with the provisions of Title 69, Chapter 2, and pursuant to those provisions Applicant is entitled to the relief sought herein.

WHEREFORE, Applicant respectfully requests the following relief:

1. Extension of AquaFlo's ability to continue to charge the interim rates established by the Commission and attached hereto as Exhibit A until such time as the final rates are ordered by this Commission;
2. Final approval of the rate schedules set forth in Exhibit B, and upon approval of those rate schedules, cancellation of the corresponding portion of the rate

schedules in Exhibit A, substituting in their place the relevant page of the rate schedules as set forth in Exhibit B; and

3. Such other and further relief as the Commission deems equitable and just.

DATED this 27th day of April, 2011.

BROWNING, KALECZYC, BERRY & HOVEN, P.C.

By: 

Michael Strand
Attorney for AquaFlo

EXHIBIT A

Public Service Commission of Montana

AquaFlo, LLC
P O Box 1091 Helena, MT 59624
 (Name of Company)

Sheet No. 09-1
 Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
 Sheet No. 09-1 of 15

1. Unless modified or addressed herein, all services provided by the Company are governed by the rules and regulations approved by the Public Service Commission.

2. **Service Rates: (Per Connection)**

- A) Flat rate per month: \$ 42.11
- B) Water Use Rate charged per 100 gallons per month: \$.50
- C) Excess Water Use Rate charged per 100 gallons per month \$ 1.12

(1) over the Excess Use Breakpoint.

(2) Excess Use Breakpoints:

(a) Skyview subdivision (all phases)

(i) And Northwest Minor Subdivision: 45,000 gallons per month

(b) Northwest Major Subdivision: 21,000 gallons per month

D) Late charge:

(1) A \$10.00 late charge service fee shall be imposed when payment has not been received or postmarked on or before the 15th of each month.

E) Water Disconnect and Reconnect Fees:

- (1) Customer initiated: \$50 per Disconnect *
\$50 per Reconnect *
- (2) Company initiated: (i.e. delinquency) \$50 per Disconnect
\$50 per Reconnect *

* All outstanding balances, past due amounts and any fees must be paid prior to Company performance.

Issued 4-28-2010
 (Date)

By [Signature]
 (Signature of Officer of Utility)

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Staff Approved: April 29, 2010
 Docket No.: D2009.1.9

Effective for service rendered on or after
 April 29, 2010

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 APR 29 2010

Public Service Commission of Montana

AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-2
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-2 of 15

F) New Connections:

(1) A new connection (water or sewer) requires an inspection of the connections prior to covering; and

(a) An inspection fee: \$300 per connection *

*Water and sewer inspected at the same location and time shall be considered a single connection.

(b) Connection fee: \$50 per water connection

G) Fire Service Charge:

(1) In the event that the fire hydrant services made available by the Company are utilized for the benefit of a Company service customer:

(a) flat rate hydrant use charge: \$200 per occurrence.

(2) In the event that the fire hydrant services made available by the Company are utilized for the benefit of a property owner that is not a service customer of the Company:

(a) flat rate hydrant use charge: \$600 per occurrence

H) Water Meter Testing:

(1) A Company initiated water meter test is free of charge to the service tested.

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AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-3
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-3 of 15

(2) A customer requested water meter test shall be free of charge if the results of the meter show that the meter is over or under-reporting by 2% or more, otherwise the charge for a water meter test is \$75.

3. Budget Billing Plan:

A) The Company shall offer an optional billing program where a customer's estimated average water/sewer costs for an entire year are averaged.

B) The Budget Billing amount, as established by the Company, must be paid each month if election is made by the customer.

C) Calculation of Budget Billing:

(1) Upon election of Budget Billing by the customer, the monthly amount to be billed shall be established by the Company using the following calculations.

(a) If a customer has 12 consecutive months of use recorded, the Budget Billing will be established based on the total water use for that period, and then divided by 12, plus any flat rate charges, and thereafter be calculated on a rolling 12 month basis with the twelfth historical month (whether estimated or actual) dropping out of the calculation as each new month is billed.

(b) If a customer has less than 12 months, or month usages are missing due to meter problems, the Company shall use the Company average billing for the period for which no prior records are available, and thereafter be calculated on a rolling 12 month basis with the twelfth historical month (whether estimated or actual) dropping out of the calculation as each new month is billed.

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AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-4
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

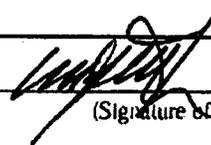
AquaFlo, LLC Tariff
Sheet No. 09-4 of 15

- i) This calculation may be adjusted by the Company for the type of connection (Residential vs. Commercial), the number of household occupants, and for lot size of the applicant.
- (c) The monthly Budget Billing amount for new customers entering the plan with no history shall be estimated based on Company's last year one year average adjusted by the Company for the type of connection (Residential vs. Commercial), number of occupants, and lot size of the customer, and thereafter be calculated on a rolling 12 month basis with the twelfth historical month (whether estimated or actual) dropping out of the calculation as each new month is billed.
- (2) Determination of actual Budget Billing amounts shall, subject to the above, be discretionary to the Company.
- (3) Customers may elect to set their Budget Billing Plan at amounts higher than estimated by the Company.
- (4) The amounts billed during the period of the Budget Billing Plan are not necessarily the amounts owed. During some months the customer will be paying a Budget Bill amount higher than the services actually used. Other months, the customer will pay a Budget Bill less than the services actually used.
- D) Reconciliation of Budget Billing:**
- (1) Upon termination of the Budget Billing Plan, a customers may have a balance due or a credit balance. \
- (a) Balance Due: The customer must pay any balance due in full at the termination of the budget billing agreement.

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AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-5
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-5 of 15

- (b) Credit Balance: The customer may, by election in writing, have a ~~year-end~~ credit balance;
- i) paid to them within 30 days of such election; or
 - ii) applied as a credit to subsequent monthly bills until fully utilized.

E) Enrollment:

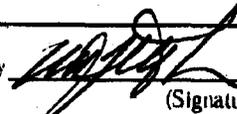
- (1) Election to enroll in the Budget Billing Plan shall require signed acknowledgement of the terms and conditions of Budget Billing.
- (2) Enrollment is required only once and shall continue until the customer notifies the Company, in writing, that they no longer wish to participate in the Budget Billing Plan.
- (3) Customers may enroll in the Budget Billing Plan at any time with the Budget Billing Plan going into effect on the next billing cycle.
- (4) Requirements:
 - (a) A customer account must be current in order to enroll.
 - (b) Accounts that have incurred two 1st Notices of Delinquency within a twelve month period or had service disconnected for delinquency shall be ineligible for the Budget Billing Plan.
 - (c) Current compliance with the Company's service rules and regulations.

- F) Cancellation/Termination:** Cancellation or termination of the Budget Billing Agreement by either the Company or Customer shall require 30 days advance written notice.

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AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-6
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-6 of 15

- (1) The Company may, with 30 days notice, terminate the Budget Billing Agreement during a billing year at any time for any violation of the Company's service rules and regulations.
 - (a) Accounts on the Budget Billing Plan that incur two 1st Notices of Delinquency within a twelve month period or had service disconnected for delinquency shall be removed from and shall be ineligible for the Budget Billing Plan.
 - i) Non-delinquency for a period of twelve consecutive months will be required to re-establish eligibility.
- (2) The Company may refuse to enter or re-enter into a Budget Billing Agreement for any reason, including, but not limited to, violation of the Company's service rules, habitual late payments, customer property is advertised for sale, or customer is a renter and not a property owner.
- (3) Removal from Budget Billing, whether elected by the customer or the Company, shall require the account to be brought current within 30 days of removal. In the event that an account has a credit, it shall be refunded to the customer within 30 days of removal.

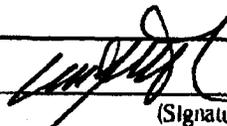
4. Delinquent Accounts:

- A) Late Fee: Service bills must be paid or post marked on or before the 15th of the month following the month incurred and billed;
 - (1) Bills paid or post marked after the 15th shall incur a late charge in accordance with Section 2 D) of this Tariff;
- B) Notice Sequence for: Non-emergency Discontinuation of Service for Delinquency or Violation of Rules and Regulations:

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P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-7
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-7 of 15

- (1) **1st Notice:** In the event that a delinquent bill, including any other charges, is ten or more days delinquent or a customer is in violation of rules or regulations, the Company may, in accordance with ARM 38.5.2505, issue a Notice of Delinquency/Violation to the customer;
- (2) **2nd Notice Proposed Termination:** In the event that the delinquent account is not paid current within ten days of mailing or personal service of the Notice of Delinquency, or the customer's violation of rule or regulations does not cease within ten days of the 1st Notice, a Notice of Proposed Termination may be issued pursuant to ARM 38.5.2505;
- (3) **3rd Notice Door Hanger:** If no response to the 2nd Notice of Proposed Termination is received within ten days of mailing or service, the Company shall leave notice in a place conspicuous to the customer that service will be terminated on the next business day unless all delinquent charges have been paid or the violation of the rules have ceased.
 - (a) To prevent disconnection of service the customer must pay the Company all past due fees up to the time of the service disconnection; and/or
 - (b) Demonstrate permanent cessation of rule violation.
5. **Partial Payment After Notice:** Unless alternate or deferred payment arrangements have been authorized, in writing, by the Company, a partial Payment shall not invalidate any prior Notices of Delinquency or scheduled disconnect of service.
6. **Non-Sufficient Funds:**
 - A) Any payments made to the Company that are returned due to non-sufficient funds, improper completion of check, or unauthorized user will be charged a maximum service

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(Name of Company)

Sheet No. 09-8
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-8 of 15

fee as set out in MCA 27-1-717(2) as amended, plus any fees, expenses or charges incurred by the Company.

7. Returned Checks:

- A) In the event a payment to the Company is returned due to non-sufficient funds, the Company, at its option, may require alternate payment in the form of cash, cashier's check, or money order for the replacement payment.
- B) In the event a customer has two or more payments that are returned to the Company due to non-sufficient funds, within a calendar year, the Company, at its option, may require both the replacement and all future payments to be made in cash, cashier's check, or money order.
- C) Payment by a dishonored check shall not invalidate prior Notices of Delinquency or scheduled disconnect of service.
- D) In the event payment with the dishonored check is made to avoid service disconnect, water disconnect may occur anytime after three business days following notice to the customer of a dishonored check if all amounts outstanding are not paid.

8. Customer Contact Information:

- A) Current Contact Information Required. Each customer shall maintain, with the Company, a current and valid mailing address and phone number.
 - (1) Failure to maintain a valid address and phone number with the Company shall be cause for termination.

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(Name of Company)

Sheet No. 09-9
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-9 of 15

(a) Termination for failure to maintain contact information shall occur only after the same sequence of notices as are required before disconnect due to payment delinquency.

B) Rental Properties.

- (1) The property owner shall be considered the account holder and will be responsible for all water, sewer, and late charges unless written notice is provided to the Company instructing otherwise.
- (2) Before transfer to a non-owner occupant, the account for the service must be paid current. The occupant shall be required to complete an application for service, and absent the establishment of credit pursuant to ARM 38.5.1101, make a deposit as determined by the Company, but not to exceed one sixth of the estimated annual billing for the account.

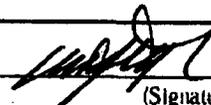
9. Meters:

- A) Meters Required: A working interior inline water meter and a working exterior "read" meter is required for each water connection.
- B) Ownership: Both the interior inline water meter and exterior "read" meter are the property of the Company;
- C) Maintenance and Costs:
 - (1) Any routine expenses for repair or replacement shall be borne by the Company;
 - (a) except in the event where the meter damage is not due to normal wear and tear, but is a result of another cause including, but not limited to, pet and animal damage, vandalism, accidental or willful destruction by any person.

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Sheet No. 09-10
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-10 of 15

- D) Tampering:** The Company may terminate water service without advance notice to the customer when the Company's regulating or measuring equipment has been tampered with or where the fraudulent use of water service by an unauthorized person is detected.
- E) Location:** Both the interior inline water meter and exterior "read" meter must be in a location accessible to the Company, free of obstruction.
- (1) The exterior "read" meter must be accessible at reasonable times for reading, testing and maintenance.
 - (2) In the event the exterior "read" meter is or becomes enclosed within an enclosed area such as an addition, garage, porch, or fence, the Company may, at its discretion, require either:
 - (a) An access agreement authorizing reasonable access and holding the Company harmless for said access; or
 - (b) The relocation of the exterior "read" meter to a location on the building that is accessible and not enclosed.
 - i) Cost: If the relocation of an exterior meter is due to a change made by the property owner or occupant or if relocation is necessary due to the customer's refusal to authorize and provide reasonable access, the actual relocation cost shall be charged to the customer. Otherwise, the cost of relocation shall be borne by the Company.
 - (3) Customer failure or refusal to authorize or provide access at reasonable times to a customer's interior or exterior meter for reading, testing, maintenance, or relocation shall constitute a violation of rules and regulations and may result in Company discontinuance of service subject to the notice provisions set out in ARM 38.5.2505.

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Sheet No. 09-11
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-11 of 15

10. Missed Read, Bad Read, or Malfunctioning Meter: Billing Procedures:

A) In the event of meter malfunction or for any reason an accurate monthly reading or actual usage cannot be determined, the amount billed for that month will be determined as follows:

(1) If the missed read occurs during the months of November through August, the amount of water use calculated will be the lesser of the customer's use during the prior month or the customer's use during the same period of the prior year (if the customer has an account existing over 12 months).

(a) In the event the customer does not have a year prior, the amount of use allocated will be the customer's prior month.

(2) If the missed read occurs during the months of September and October, the water use calculated will be the amount of use for the same period one year prior, if the customer has had 12 months of service, and, if not, it will be the lesser of the Company average water use for that same month for the same type of user (Residential or Commercial) or the customer's prior month's use.

11. Water Meter Testing:

A) The Company shall test at least 5% of Company water meters annually and maintain records of the results of those tests and communicate the results of those tests to the customer whose water meter was tested.

B) Customers may request a water meter test at any time and the Company shall perform said meter test within 30 days.

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AquaFlo, LLC

P O Box 1091 Helena, MT 59624

(Name of Company)

Sheet No. 09-12

Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-12 of 15

- (1) The cost of a water meter test, if applicable, shall be as set out under Section 2 H) of this Tariff.
- (2) Deviation in a water meter test, using a minimum of 100 gallons and a maximum of 500 gallons, of 2% shall require installation of a replacement meter and a reconciliation of billing pursuant to ARM 38.5.2503(8).
- C) Customers whose water meters are tested shall receive an adjustment for the amount of water used during the water meter test.

12. Waste of Water:

- A) Waste of water is prohibited.
- B) Customers must keep their curb stop valve, plumbing fixtures and service pipes in good working order at their own expense and keep all waterways closed when not in use.
- C) Leaky fixtures must be repaired at once without waiting for notice from the Company.
- D) If reasonable notice is given by the Company and the repair is not made, the water may be shut off by the Company without further notice.

13. Exterior Water Restrictions:

- A) The Company may specify the hours and days during which yard or exterior sprinkling may or may not be permitted and will notify customers by mail of any such limitations.

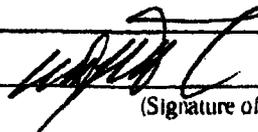
14. Backflow Prevention:

- A) Backflow Prevention is required on all cross connections.

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4/29/2010
(Date)

By

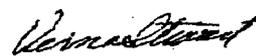


(Signature of Officer of Utility)

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Staff Approved: April 29, 2010
Docket No.: D2009.1.9

Effective for service rendered on or after
April 29, 2010
PUBLIC SERVICE COMMISSION

 Secretary

Public Service Commission of Montana

AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-13
Cancelling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-13 of 15

- (1) Unprotected cross connections with the public water supply are prohibited.
- (2) All automatic sprinkler systems shall incorporate a working backflow prevention device to prevent backflow.
- (3) Inspections: The Company may require an inspection of any connection for the purpose of determining whether backflow protection is necessary.
 - (a) Conditions that may warrant an inspection include, but are not limited to, change of ownership, change of business use, addition or replacement of equipment, sprinkler or irrigation systems.
- (4) Whenever the Company determines that backflow prevention is necessary to protect the water supply, it may require customers to install and maintain an approved backflow prevention device at the customer's expense for continued service or before new service may be connected.
- (5) In the event that the Company encounters water use or a circumstance that represents a clear and immediate hazard to the public water supply that cannot be immediately abated, and having made a reasonable effort to advise the water user of the intent to terminate service, the Company may disconnect the applicable service without notification.

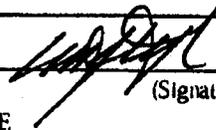
15. Service Connection Rules:

- A) Service Ditches. Service ditches must be left open for inspection by Company personnel before the main will be tapped.
- B) Water Service Pipes.

ISSUED

4/28/2010
(Date)

By


(Signature of Officer of Utility)

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April 29, 2010
PUBLIC SERVICE COMMISSION


Secretary

Public Service Commission of Montana

AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-14
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

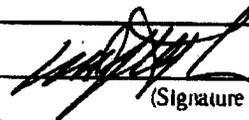
AquaFlo, LLC Tariff
Sheet No. 09-14 of 15

- (1) Service pipe connections must be laid at least six feet (6') below the established grade of streets and at least six feet (6') below the surface of the ground in all other places.
 - (2) Service pipes shall be so arranged that the supply of each separate building, house or premises may be controlled by a separate curb cock, placed within or near the line of the street curb, except as provided in ARM 38.5.2509(3).
 - (a) This curb cock and box must be easily accessible and must be kept in repair by the owner of the premises.
 - (3) A stop and waste cock must be placed at some convenient point inside of the building, located where it cannot freeze and where water from the building can be readily shut off and the water pipes drained to prevent freezing.
- C) Limitations on Connections. No plumber or other person will be allowed to make connection with any conduit, pipe or other fixture or to connect pipes when they have been disconnected, or to turn water off or on, on any premises without permission from the Company.
- D) DEQ Compliance: All connections, whether water or sewer, shall be made in compliance with the applicable Montana Department of Environmental Quality Certificate(s) of Subdivision Approval for property on which the connection made.
- E) Septic Tanks: Pursuant to applicable DEQ Approvals, all sewer connection require a septic tank for the collection of solids before the effluent enter the Company collection system.
 - (1) The pipe from the customer's structure(s) to the septic tank and from the septic tank to the connection with the main are the property of the customer.

Issued

7/28/2010
(Date)

By



(Signature of Officer of Utility)

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Staff Approved: April 29, 2010
Docket No.: D2009.1.9

Effective for service rendered on or after
April 29, 2010
PUBLIC SERVICE COMMISSION


Secretary

Public Service Commission of Montana

AquaFlo, LLC
P O Box 1091 Helena, MT 59624
(Name of Company)

Sheet No. 09-15
Canceling Sheet No. 07-01 & 02

Water and Sewer Service

AquaFlo, LLC Tariff
Sheet No. 09-15 of 15

- (2) All maintenance, including the cost of routine removal of collected solids, shall be the responsibility of the customer.
- (3) A filter on the outlet end of the septic tank is required.
- (4) Customers are required to have their septic tanks sludge depth checked every three years and cleaned as necessary.
- (5) Inspections: The Company may require an inspection of any septic tank within the Company's system for the purpose of determining whether maintenance is necessary.
 - (a) Conditions that may warrant an inspection include, but are not limited to, change of ownership, change of use, addition or replacement of equipment, addition to a structure, and indications that solids are being transmitted to the Company's filtration systems.
- (6) Whenever the Company determines that maintenance is necessary to a septic tank or a customer's lines it may require, with reasonable notice, that customers make such maintenance or repairs at the customer's expense for continued service or before a new customer may be connected.
- (7) In the event that the Company encounters a circumstance that represents a clear and immediate hazard to the sewer effluent filtration system or that may cause a violation of the Company's ground water discharge permit that cannot be immediately abated, and having made a reasonable effort to advise the water user of the intent to terminate service, the Company may disconnect the applicable service without notification.

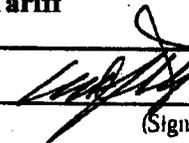
End of Tariff

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4/29/2010

(Date)

By



(Signature of Officer of Utility)

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Staff Approved: April 29, 2010
Docket No.: D2009.1.9

Effective for service rendered on or after
April 29, 2010
PUBLIC SERVICE COMMISSION

 Secretary

EXHIBIT B

Public Service Commission of Montana

AquaFlo, LLC
PO Box 1091 Helena, MT 59624

Sheet No. 09-1 1st Revised
Cancelling Sheet No. 09-1

Water and Sewer Service

AquaFlo, LLC Tariff
 Sheet No. 09-1 of 15

1. Unless modified or addressed herein, all services provided by the Company are governed by the rules and regulations approved by the Public Service Commission.

 2. **Service Rates: (Per Connection)**
 - A) Flat rate per month: \$ 58.74
 - B) Water Use Rate charged per 100 gallons per month: \$.57
 - C) Excess Water Use Rate charged per 100 gallons per month \$ 1.14
 - (1) over the Excess Use Breakpoint.
 - (2) Excess Use Breakpoints:
 - (a) Skyview subdivision (all phases)
 - (i) And Northwest Minor Subdivision: 45,000 gallons per month
 - (b) Northwest Major Subdivision: 21,000 gallons per month
 - D) Late charge:
 - (1) A \$10.00 late charge service fee shall be imposed when payment has not been received or postmarked on or before the 15th of each month.
 - E) Water Disconnect and Reconnect Fees:
 - (1) Customer initiated: \$50 per Disconnect *
\$50 per Reconnect *
 - (2) Company initiated: (i.e. delinquency) \$50 per Disconnect
\$50 per Reconnect *
- * All outstanding balances, past due amounts and any fees must be paid prior to Company performance.

I
I
I

Issued _____

By _____

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CERTIFICATE OF SERVICE

By my signature below, I hereby certify that I served the entities listed below with AquaFlo's Application for Final Rates for Water and Wastewater Service and for Extension of Interim Rates while Final Rates are Established, Letter of Transmittal, the Pre-filed Testimony of Sandra Barrows, the supporting work papers prepared by Sandra Barrows and this Certificate of Service.

The documents were hand delivered in the case of the Montana Public Service Commission and sent by first class mail, postage pre-paid, to the remainder of the service list.

Done this 27th day of April, 2011

Sandra Barrows

Sandra Barrows

Montana Public Service Commission
1701 Prospect Avenue
Helena, MT 59601

Montana Consumer Counsel
616 Helena Avenue #300
Helena, MT 59604

Sandra Barrows
2301 Colonial Drive, Suite 2B
Helena, MT 59601-4995

John Maxness, Manager
AquaFlo, LLC
P.O. Box 1091
Helena, Montana 59624

Michael Strand
Browning, Kaleczyc, Berry & Hoven, P.C.
9 Third Street North
Great Falls, MT 59403

**BEFORE THE
MONTANA PUBLIC SERVICE COMMISSION**

Prefiled Direct Testimony of Sandra Barrows

On behalf of AquaFlo

Docket No. _____

Q. Please state your name, business address and affiliation with AquaFlo, L.L.C (AquaFlo) water and wastewater utility operation.

A. My name is Sandra Barrows. My business address is 2301 Colonial Drive, Helena Montana, 59601. I am a consultant retained by AquaFlo to provide regulatory consulting services relative to the filings made with the Montana Public Service Commission.

Q. Please give your educational background and job experience.

A. I graduated from Rocky Mountain College with degrees in Mathematics and Business Administration/Economics. I worked as a technical associate in an actuarial consulting firm and was also the manager of finance for a major teaching hospital. In 1991 I started my employment with the Montana Public Service Commission as a Rate Analyst in the Utility Division. During my tenure at the Commission I advised the Commission on utility ratemaking issues. I have attended several NARUC Utility Conferences including the NARUC Regulatory Studies Program, co-sponsored by Michigan State University. I left the Commission in 1994. For the past 8 years I have been employed as an adjunct mathematics instructor at the University of Montana – Helena College of Technology and have worked as an independent contractor providing utility regulatory services to the Evilsizer Law Office. I also have provided regulatory consulting services for AquaNet, Inc., Big Mountain Water Company, Cut Bank Gas Company, HLH, LLC, Miller Oil Company, Salish Shores Utility Corp, Treeline Springs, LLC, and Utility Solutions, LLC.

Q. What is the purpose of your testimony?

A. The Commission issued Interim Order No. 6985b in Docket D2009.1.9 on April 29, 2010. In that Order, the Commission approved interim rates and stated that AquaFlo would need to file for permanent rates by April 27, 2011. The purpose of my testimony is to present financial exhibits and data supporting the application for final water and wastewater rates by AquaFlo.

Q Please explain, in general terms, the reasons for this filing.

A. The primary reason for this filing is to modify the rates the Company is authorized to charge its customers so that those rates more accurately reflect the actual costs the Company incurs in providing water and wastewater services to its customers. The current rates are not adequate and an increase is necessary to allow the Company to recover its operation and maintenance expenses, depreciation and amortization expenses, taxes other than income, and income taxes, and to earn a return of 10.50% on rate base.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I am sponsoring a number of tables and statements that comply with the Commission's rules, entitled "Data Furnished in Compliance with PSC Minimum Rate Case Filing Requirements". I have also prepared and will sponsor Exhibit No. __ (SB-1) as well as work paper-1 in connection with my testimony.

Q. Please identify the tables and statements that you prepared in compliance with "Data Furnished in Compliance with PSC Minimum Rate Case Filing Requirements".

A. The following is a list of those tables and statements:

| | |
|------------------------------|----------------------------------|
| 38.5.104 Comparison of Rates | 38.5.156 Statement G |
| 38.5.121 Statement A | 38.5.164 Statement H |
| 38.5.122 Statement B | 38.5.165 Statement I |
| 38.5.123 Statement C | 38.5.169 Statement J |
| 38.5.133 Statement D | 38.5.173 Statement K |
| 38.5.141 Statement E | 38.5.175 Overall Cost of Service |
| 38.5.146 Statement F | 38.5.176 Statement L |

- Q. Please identify the exhibit you are sponsoring.
- A. Exhibit No. ___(SB-1) consists of two pages. Page 1 is the computation of rate base for the test period. Page 2 is the computation of operating income and rate of return for the test period.
- Q. Were these statements and exhibits prepared by you or under your supervision?
- A. Yes.
- Q. What is the test period used by AquaFlo for the application to increase water and wastewater rates?
- A. The test period is the 12-month period ended December 31, 2010 adjusted for known and measurable changes that will occur within 12 months after December 31, 2010.

BACKGROUND

- Q. Please provide a brief history of water and sewer services for AquaFlo.
- A. AquaFlo acquired the water and sewer services from MT Associates, LLC. The approval of the sale and transfer of business assets was finalized December 4, 2007 in Order 6834a of Docket No. D2007.5.49. AquaFlo applied for authority to implement increased rates and charges on January 30, 2009 in Docket No. D2009.1.9. On April 29, 2010, the Commission granted interim rates and stated that it AquaFlo would need to file for permanent rates by April 27, 2011. AquaFlo, located in the northern portion of the Helena, MT valley, currently provides both water and wastewater services to a total of 143 residential and commercial connections within the multi-phase Skyview Subdivision, the Northwest Major Subdivision, and the Northwest Minor Subdivision.

OPERATIONS

Q. Please provide the status of the AquaFlo manager.

A. Effective January 20, 2011 John Maxness became the Manager of AquaFlo and took over the duties of that position. As Manager, Mr. Maxness will, among his other duties, continue to be communicative and accessible to the AquaFlo customers and the Home Owners Association (HOA). During 2011, AquaFlo will continue to encourage conservation and will educate its customers regarding the importance of individual septic system pumping.

Q. Please provide the status of system inspection and monitoring.

A. On March 22, 2011 the Department of Environmental Quality (DEQ) conducted its tri-annual inspection of both the water and wastewater systems. AquaFlo was quite pleased with the DEQ findings, which included only one correction. The DEQ required an additional bolt be added to the locking system used on the well cap. AquaFlo complied, and added the bolt.

The DEQ re-issued AquaFlo's wastewater discharge permit, effective August 2010, establishing specific wastewater discharge standards and modifying the testing and reporting regime for the system for the coming five year permit period.

AquaFlo is also pleased to report that during 2010 all of the water samples (total coliform) tested clean.

REVENUE REQUIREMENT

Q. Please describe the first page in Exhibit No. ___ (SB-1)

A. Page 1 is a computation of the test period rate base for AquaFlo water and wastewater utility. The rate base is calculated by adding a two-year average of utility plant to cash working capital and unamortized rate case expense.

This total is reduced by a two-year average of reserve for depreciation. Total rate base for AquaFlo water and wastewater utility is \$259,342.

- Q. Please describe the second page of Exhibit No. __ (SB-1)
- A. Page 2 is a summary of operating results. Column 1 shows the operating results under current rates. Column 2 shows the operating results under proposed rates. Under proposed rates revenues would be \$170,726 producing operating income of \$27,231 equal to a rate of return of 10.50%. Column 3 shows the reference for each item of data furnished in the rate case filing requirements.

PLANT AND ACCUMULATED DEPRECIATION

- Q. Please describe your computation of utility plant.
- A. This is shown in filing requirement Section 38.5.123, Statement C. Columns 1 and 2 show the balances by plant group as of December 31, 2009 and 2010, and Column 3 averages the year-end balances. Column 5 shows the adjusted year-end average balances. The average plant balance as of December 31, 2010 was used for calculating the rate base on Page 1 of Exhibit No. __ (SB-1)
- Q. Please describe your computation of accumulated depreciation.
- A. This is shown in filing requirement Section 38.5.133, Statement D. Columns 1 and 3 show the straight line accumulated depreciation balances at December 31, 2009 and 2010, and Column 4 averages the year-end balances. Column 6 shows the adjusted average accumulated straight line depreciation balance as of December 31, 2010 and is used in calculating the rate base on page 1 of Exhibit No __ (SB-1).
- Q. Do the plant values that AquaFlo is proposing in this filing match those that were proposed in Docket D2009.1.9.

- A. No. They do not. The amounts used in D2009.1.9 understate the value of the assets being used in the provision of utility service. As mentioned earlier, AquaFlo acquired the water and wastewater services from MT Associates, LLC (MTA) on February 6, 2007. The approval of the sale and transfer of business assets was finalized December 4, 2007 in Order 6834a of Docket No. D2007.5.49. Prior to that transfer, MTA had applied to the Commission for Authority to Establish Initial Rates and Charges for Water Services; Docket D2004.5.74. Order No. 6573b found that the original cost of MTA's assets, as of June 1, 2004, was \$235,074¹. The Value of MTA's assets on February 6, 2007 was \$264,868. AquaFlo purchased the assets from MTA at a discount, paying \$200,000. In its Order approving the Sale and Transfer of Business Assets from MTA to AquaFlo, the Commission "...cautions AquaFlo that its rate base may be adjusted in a future rate case to reflect the actual amount paid for the assets."²
- Q. Are you proposing to include the February 6, 2007 asset value of \$264,868 in rate base?
- A. No. As the Commission envisioned in its Order approving the transfer³, I am proposing that the actual price paid for the assets⁴ be used to calculate the amount included in rate base.
- Q. Have you detailed your plant calculations?
- A. Yes. All plant calculations, including the values as of June 1, 2004 and February 6, 2007 are included in work paper - 1.

WORKING CASH

- Q. Please describe your calculation of working cash.
- A. This calculation is shown in filing requirement Section 38.5.141, Statement E. Working cash is the cash required for operation as a result of billing for services at the end of the month in which the services are provided.

¹ Paragraph 16

² Order 6834a, paragraph 10; emphasis added

³ Order 6834a

⁴ Purchase Price plus closing cost less imputed interest: \$200,000 + \$350 - \$ 8,452 = \$191,898.

Traditionally, utilities that bill after the fact are allowed a cash allowance of 12.5% of the cash expenses. The 12.5% is calculated under the assumption that the bills go out after 30 days of services have been provided, and the cash is collected 15 days later, resulting in 45 days' expenses being paid by the utility before the associated revenues are collected. (45 days divided by 360 days = 12.5%). I have used 12.5% in the calculation of the working cash allowance. First, operation and maintenance expenses and taxes other than income are added together. The total is then multiplied by 12.5% to arrive at total working cash. The calculated net working cash allowance of \$14,954 is used in the calculation of rate base on Page 1 of Exhibit No. ___(SB-1).

RATE OF RETURN

Q. Please describe your calculation of rate of return.

A. This is shown in data filing requirement Section 38.5.146, Statement F. This statement reflects the actual capital structure of AquaFlo as of February, 2011. The cost of equity stipulated to in the most recent Mountain Water Company rate application equaled 10.00%. In that rate application (D2010.4.41) Mountain Water provided testimony documenting a cost of equity of 11.00%. Given that AquaFlo serves a smaller customer base, it can be reasonably assumed that the AquaFlo equity cost is the greater than Mountain Water Company's equity cost. Further, due to the fact that AquaFlo has moved away from a stable flat monthly rate to a combination flat monthly rate and a water usage rate⁵, the proposed 10.50% is a reasonable estimate of AquaFlo's equity cost. As of February, 2011, AquaFlo was 100% equity financed. Therefore, the weighted overall cost of capital, as calculated in this statement, is 10.50%

OPERATION AND MAINTENANCE EXPENSES

Q. Please describe the statement on operation and maintenance expenses.

⁵ Annual consumption dropped 23% after the new rate structure in D2009.1.9 was implemented, preventing AquaFlo from earning its authorized annual revenue requirement (reduction in annual consumption totaled 3,420,963 gallons at .50 per 100 gallons = \$17,105 in lost revenue.) See Operating Revenues section below.

- A. Operation and maintenance expenses are shown in the filing requirement Section 38.5.156, Statement G. The recorded expenses for the water and wastewater utility operation during the test year are shown in Column 1. Adjustments to these expenses appear in Column 2, with the adjusted totals in Column 3.

PRO FORMA ADJUSTMENTS

Q. Please describe the statement on adjustments to operation and maintenance expenses.

- A. Section 38.5.157 contains a summary of the pro forma adjustments to test period operation and maintenance expenses. Supporting detail and assumptions underlying the adjustments are detailed in this section.

Q. Please explain the pro forma adjustments.

- A. Adjustment No. 1 reflects an annual increase in Operation and Maintenance expense of \$2,455. This adjustment removes the 2009 expenses that were paid in 2010 and reflects the projected total in the test year.

Adjustment No. 2 reflects an annual decrease of \$4,742 in Billing and Meter Reading expense. This adjustment removes the 2009 expenses that were paid in 2010 and reflects the projected total in the test year.

Adjustment No. 3 reflects an annual increase of \$1,628 in Management expense. This adjustment removes the 2009 expenses that were paid in 2010 and reflects the projected total in the test year.

Adjustment No. 4 reflects an annual decrease of \$2,766 in Professional Services expense. This adjustment removes the 2009 expenses that were paid in 2010 and reflects the projected total in the test year.

Adjustment No. 5 reflects an annual increase of \$1,939 in Testing and Monitoring expense. This adjustment includes additional testing required by the DEQ and reflects the projected amount in the test year.

Adjustment No. 6 reflects an annual increase of \$1,220 in Field Equipment and Supplies expense. This adjustment reflects the three year average in the test year.

Adjustment No. 7 reflects an annual increase of \$961 in Office Expense and supplies. This adjustment reflects the three year average in the test year.

Adjustment No. 8 reflects an annual increase of \$992 in Public Relations / Meetings. This adjustment reflects the projected amount in the test year.

Adjustment No. 9 reflects an annual increase in Rate Case expense of \$13,275. It is projected that the professional expenses associated with this regulatory application will cost AquaFlo \$34,500. This expense is being amortized over a two year period. This adjustment removes the 2009 rate case expense that was paid in 2010 and includes the two year amortization of the projected rate case expense.

OPERATING REVENUES

Q. Please describe the statement on operating revenues.

A. The operating revenues for the test year are shown in Section 38.5.164, Statement H. The total operating revenues through December 31, 2010 of \$136,172 are shown in Column 1. The proposed revenues of \$170,726 are in Column 4.

Q. What are the increases under the proposed rates?

A. In Docket D2009.1.9 AquaFlo transitioned from a flat rate billing structure to a rate structure that combines a flat rate with a metered usage rate. The annual interim revenue requirement authorized by the Commission was \$147,848.

When the new rate structure went into effect, consumption decreased resulting in lower annual revenues. The annual proposed increase over the approved interim revenue requirement is \$22,878, or 15.5 percent. The annual proposed increase over the actual revenues is \$34,554, or 25.4 percent.

DEPRECIATION AND AMORTIZATION

- Q. Please describe the statement on depreciation and amortization expense.
- A. Total utility straight-line depreciation and amortization expense for the test year is shown in Section 38.5.165, Statement I. The AquaFlo total straight-line depreciation and amortization expense is in Column 3. Depreciation expense details are included in work paper – 1.

INCOME TAXES

- Q. Please describe the statement on income taxes.
- A. Income tax expenses are shown in the filing requirement Section 38.5.169, Statement J. I have used standard methods to calculate state and federal taxes resulting in an effective tax rate of 20.74%

OTHER TAXES

- Q. Please describe the statement on Other Taxes, Section 38.5.173, Statement K.
- A. Section 38.5.173 is a schedule of taxes other than income taxes, including Property taxes as well as PSC and MCC taxes. Column 1 lists the balance per books for each line. Column 2 contains the pro forma adjustments to the book balances. Column 3 lists the adjusted balances, under present rates. The balances under proposed rates are in Column 4. The pro forma adjustments are as follows:
- Adjustment (a) reflects an increase of \$364 in the Montana Consumer Counsel and Public Service Commission Tax.
- Adjustment (b) reflects a decrease of \$480 in property taxes.

COST OF SERVICE

Q. Please describe the calculation of cost of service in Section 38.5.175 and 38.5.176.

A. Section 38.5.175 is a summary of the cost of service, listed by cost category, and revenues at current rates and proposed rates.

Section 38.5.176, Statement L is the schedule showing the allocation of the cost of service. This schedule is a summary of the cost of service allocations, showing the various components of cost of service.

Q. Please describe how the costs are allocated in Section 38.5.176.

A. Operation and maintenance costs and return are allocated 2/3 toward consumption and 1/3 toward customers. Billing and metering costs, management costs, professional services and fees, office expenses and supplies, public relations, insurance, rate case expenses and depreciation are spread evenly among customers. Utilities, testing and monitoring, field equipment and supplies, taxes and return are allocated based on consumption.

DERIVATION OF PROPOSED RATES

Q. Please describe the calculation of proposed flat and metered rates, in Section 38.5.178.

A. Section 38.5.178 shows the derivation of the flat monthly rate and the metered usage rates. Given the above allocation methodology, \$100,793 of the revenue requirement is divided by total metered customers to arrive at a \$58.74 flat monthly rate and \$65,582 of revenue requirement is divided by estimated metered usage to arrive at a \$0.57 per 100 gallons consumptive

charge. The excess water usage rate is proposed to be twice the amount at \$1.14 per 100 gallons.

Q. Have you prepared a comparison of billings under present and proposed rates?

A. Yes. A comparison of billings and the percentage increases is shown in statement Section 38.5.104.

Q. Does this conclude your testimony?

A. Yes it does.

Contents

| <u>Subject</u> | <u>Arm</u> | <u>Description</u> |
|------------------------------|----------------------|---|
| Revenues | 38.5.104 | Comparison of Rates |
| Financial | 38.5.121 38.5.122 | Statement A - Balance Sheet Statement B - Income Statement |
| Utility Plant | 38.5.123 | Statement C - Utility Plant Accounts |
| Accumulated Depreciation | 38.5.133 | Statement D - Accumulated Depreciation, Deletion, and Amortization |
| Working Cash | 38.5.141 | Statement E - Working Cash |
| Return | 38.5.146 | Statement F - Rate of Return |
| O & M | 38.5.156 | Statement G - Operating & Maintenance Expenses |
| Revenues | 38.5.164 | Statement H - Operating Revenues |
| Depreciation Expense | 38.5.165 | Statement I - Depreciation, Depletion and Amortization Expense |
| Taxes | 38.5.169 38.5.173 | Statement J - Income Taxes Statement K - Other Taxes |
| Revenue - Cost of Service | 38.5.175 38.5.176 | Overall Cost of Service Statement L - Allocated Cost of Service |
| Rates | 38.5.178 | Derivation of Increased Rate |
| Operations | 38.5.179 | Statement N - Description of Utility Operations |

Rate Base Calculation

| <u>Description</u> | <u>Amount</u> | <u>Reference</u> |
|-------------------------------|------------------|------------------|
| Utility Plant | \$269,776 | Sec. 38.5.123 |
| Working Cash | \$14,954 | Sec. 38.5.141 |
| Unamortized Rate Case Expense | <u>\$17,250</u> | Sec. 38.5.156 |
| Subtotal | \$301,979 | |
| Less: | | |
| Accumulated Depreciation | <u>\$42,637</u> | Sec. 38.5.133 |
| Net Rate Base | \$259,342 | |
| Allowed Rate of Return | 10.50% | Sec 38.5.146 |
| Allowed Return | \$27,231 | |

| Description | At Present Rates Column 1 | At Proposed Rates (Column 2) | (Column 3) |
|------------------------------|---------------------------------|------------------------------------|-------------------|
| Operating Revenues | \$131,821 | \$166,375 | Sec 38.5.164 |
| Other/Non-Utility/Excess use | \$4,351 | \$4,351 | |
| Total Revenues | <u>\$136,172</u> | <u>\$170,726</u> | |
| Operating Expenses | \$103,764 | \$118,726 | Sec 38.5.156 |
| Depreciation and Amort. | \$14,706 | \$14,706 | Sec 38.5.165 |
| Taxes Other Than Income | <u>\$2,756</u> | <u>\$2,939</u> | Sec 38.5.173 |
| Net Taxable Income | \$14,946 | \$34,355 | |
| Income Taxes | \$3,100 | \$7,124 | Sec 38.5.169 |
| Net Operating Income | <u>\$11,847</u> | <u>\$27,231</u> | |
| Rate Base | <u>\$259,342</u> | <u>\$259,342</u> | SB - 1; Section 1 |
| Allowed Return on Rate Base | 4.57% | 10.50% | Sec 38.5.146 |
| Revenue Increase | | \$34,554 | |
| Current Revenue | | \$136,172 | |
| Overall Percent Increase | | 25.38% | |

AquaFlo, LLC
38.5.104 Comparison of Rates

| | <u>Current Rates</u> | <u>Proposed Rates</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|---|----------------------|-----------------------|----------------------|-----------------------|
| Flat Rate - per month | \$42.11 | \$58.74 | \$16.63 | 39.49% |
| Water Use Rate - per 100 gallons | \$0.50 | \$0.57 | \$0.07 | 14.00% |
| Excess Water Use Rate - per 100 gallons | \$1.12 | \$1.14 | \$0.02 | 1.79% |

AquaFlo, LLC
38.5.121 Statement A - Balance Sheet

| Description | December 31, 2009 (Column 1) | ProForma Adjustment (2) (Column 2) | Restated December 31, 2009 (Column 3) | December 31, 2010 (Column 1) |
|--|---------------------------------|--|---|---------------------------------|
| Assets | | | | |
| Utility Plant in Service | | | | |
| Land & land rights | | | \$32,951 | \$27,478 |
| Pumping equipment | | | \$22,158 | \$22,940 |
| Distribution reservoirs and standpipes | | | \$169,751 | \$169,751 |
| Transmission and distribution mains | | | \$8,562 | \$8,562 |
| Meters and meter installations | | | \$7,476 | \$7,476 |
| Software | | | \$2,520 | \$2,520 |
| Miscellaneous equipment | | | <u>\$28,703</u> | <u>\$28,703</u> |
| Total Utility Plant in Service | <u>\$247,371 (1)</u> | <u>\$24,750</u> | <u>\$272,121</u> | <u>\$267,430</u> |
| Cash | \$3,555 | | \$3,555 | -\$3,248 |
| Accounts Receivable | \$3,358 | | \$3,358 | \$5,333 |
| Accumulated Depreciation | -\$24,137 | -\$11,147 | -\$35,284 | -\$49,990 |
| Total Assets | <u>\$230,147</u> | <u>\$13,603</u> | <u>\$243,750</u> | <u>\$219,525</u> |
| Liabilities | | | | |
| Accounts Payable | \$21,804 | | \$21,804 | \$2,597 |
| Notes Payable | \$15,000 | | \$15,000 | \$0 |
| Long Term Debt | \$94,887 | | \$94,887 | \$67,302 |
| Accrued Taxes | <u>\$4,205</u> | | <u>\$4,205</u> | <u>\$3,068</u> |
| Total Liabilities | <u>\$135,896</u> | | <u>\$135,896</u> | <u>\$72,967</u> |
| Equity | | | | |
| Proprietary Capital | <u>\$94,251</u> | <u>\$13,603</u> | <u>\$107,854</u> | <u>\$146,558</u> |
| Total Equity | <u>\$94,251</u> | | <u>\$107,854</u> | <u>\$146,558</u> |
| Total Liabilities and Capital | <u>\$230,147</u> | | <u>\$243,750</u> | <u>\$219,525</u> |

(1) Based on plant values included in 2009 annual report (\$214,420 plant + \$32,951 land = \$247,371)

(2) Restated to reflect plant proposal in rate filing.

AquaFlo, LLC
38.5.122 Statement B - Income Statement

| <u>Description</u> | <u>FY 2010</u> |
|--|-------------------------|
| <u>Operating Revenue</u> | |
| Metered | |
| Residential | \$41,297 |
| Commercial | \$2,479 |
| UnMetered | |
| Residential | \$84,692 |
| Commercial | \$3,695 |
| Other | \$340 |
| Total Operating Revenue | <u>\$132,503</u> |
| <u>Operating Expenses</u> | |
| Operation and Maintenance Expense | \$103,764 |
| Depreciation Expense | \$14,706 (1) |
| Taxes Other than Income | \$2,872 |
| Federal Income Taxes | \$2,043 |
| State Income Taxes | \$1,025 |
| Total Operating expenses | <u>\$124,410</u> |
| Net Income (loss) from Operations | <u>\$8,093</u> |
| Other Income | |
| Non Utility Income | <u>\$3,669</u> |
| Total Other Income | <u>\$3,669</u> |
| Other Deductions | |
| <u>Non Utility Expenses</u> | |
| Interest Expense | <u>\$3,067</u> |
| Total Other Deductions | <u>\$3,067</u> |
| Net Income (loss) | <u>\$8,695</u> |

(1) depreciation reflects the plant values proposed in the rate filing.

AquaFlo, LLC

38.5.123 Statement C - Utility Plant Accounts

| | Balance 12/31/2009 (Column 1) | Balance 12/31/2010 (Column 2) | Average 2009/2010 (Column 3) | Pro Forma Adjustments (Column 4) | Adjusted Average 2009/2010 (Column 5) |
|--|-------------------------------------|-------------------------------------|------------------------------------|--|--|
| 303 Land & land rights | \$32,951 | \$27,478 | \$30,215 | | \$30,215 |
| 311 Pumping equipment | \$22,158 | \$22,940 | \$22,549 | | \$22,549 |
| 330 Distribution reservoirs and standpipes | \$169,751 | \$169,751 | \$169,751 | | \$169,751 |
| 331 Transmission and distribution mains | \$8,562 | \$8,562 | \$8,562 | | \$8,562 |
| 334 Meters and meter installations | \$7,476 | \$7,476 | \$7,476 | | \$7,476 |
| 342 Software | \$2,520 | \$2,520 | \$2,520 | | \$2,520 |
| 347 Miscellaneous equipment | \$28,703 | \$28,703 | \$28,703 | | \$28,703 |
| Total Water Plant Accounts | \$272,121 | \$267,430 | \$269,776 | \$0 | \$269,776 |
| Average Plant in Service | | <u>\$269,776</u> | | | |

See Plant Detail on Workpaper 1

AquaFlo, LLC

38.5.133 Statement D - Accumulated Depreciation and Amortization

| | Straight Line AD - 12/31/2009 (Column 1) | Straight Line Deprec-2010 Column 2 | Straight Line AD - 12/31/2010 (Column 3) | Average 2009/2010 (Column 4) | Pro Forma Adjustments (Column 5) | Adjusted Average 2009/2010 (Column 6) |
|--|--|--|--|------------------------------------|--|--|
| 303 Land & land rights | \$0 | \$0 | \$0 | \$0 | | \$0 |
| 311 Pumping equipment | \$8,820 | \$3,854 | \$12,673 | \$10,746 | | \$10,746 |
| 330 Distribution reservoirs and standpipes | \$20,489 | \$7,025 | \$27,514 | \$24,001 | | \$24,001 |
| 331 Transmission and distribution mains | \$999 | \$342 | \$1,341 | \$1,170 | | \$1,170 |
| 334 Meters and meter installations | \$1,602 | \$1,068 | \$2,670 | \$2,136 | | \$2,136 |
| 342 Software | \$504 | \$504 | \$1,008 | \$756 | | \$756 |
| 347 Miscellaneous equipment | \$2,870 | \$1,914 | \$4,784 | \$3,827 | | \$3,827 |
| | \$35,284 | \$14,706 | \$49,990 | \$42,637 | \$0 | \$42,637 |

Average Accumulated Depreciation in Service

\$42,636.90

See Plant Detail on Workpaper 1

AquaFlo, LLC
38.5.141 Statement E - Working Cash

| | | | |
|---------------------|----|---------------|------------------|
| Operating expenses | \$ | 118,726 | Section 38.5.156 |
| Other Taxes | \$ | <u>905</u> | Section 38.5.173 |
| Total | \$ | 119,630 | |
| Factor ¹ | | 12.5% | |
| Net Working Cash | \$ | <u>14,954</u> | |

(1) Working Cash Percentage $45 / 360 =$ 12.5%

AquaFlo, LLC
38.5.146 Statement F - Rate of Return

Capital Structure

| <u>Description</u> | <u>Ratio</u> | <u>Cost</u> | <u>Weighted Cost</u> |
|-------------------------------|--------------|-------------|--------------------------|
| Equity | 100% | 10.50% | 10.50% |
| Debt | 0% | 0.00% | 0.00% |
| Overall Rate of Return | | | 10.50% |

As of February, 2011 AquaFlo, LLC had 100% Equity

AquaFlo, LLC
 38.5.156 Statement G - Operating & Maintenance Expenses

| | Through 12/31/2010 (Column 1) | Adjustments (Column 2) | Adjusted Total 2010 (Column 3) |
|----|-------------------------------------|---------------------------|---|
| 1 | \$ 19,593 | \$ 2,455 | \$ 22,048 |
| 2 | \$ 23,584 | \$ (4,742) | \$ 18,842 |
| 3 | \$ 16,372 | \$ 1,628 | \$ 18,000 |
| 4 | \$ 15,721 | \$ (2,766) | \$ 12,955 |
| 5 | \$ 15,528 | \$ - | \$ 15,528 |
| 6 | \$ 3,966 | \$ 1,939 | \$ 5,905 |
| 7 | \$ 14 | \$ 1,220 | \$ 1,234 |
| 8 | \$ 1,440 | \$ 961 | \$ 2,401 |
| 9 | \$ 1,008 | \$ 992 | \$ 2,000 |
| 10 | \$ 2,563 | \$ - | \$ 2,563 |
| 11 | \$ 3,975 | \$ 13,275 | \$ 17,250 |
| | \$ 103,764 | \$ 14,962 | \$ 118,726 |

38.5.157 Working Papers - Adjustments to Operating and Maint. Expenses

| <u>Adjustment Number</u> | | <u>Proforma Adjustment</u> |
|------------------------------|------------------------------|--------------------------------|
| 1 | Operation & Maintenance | \$2,455 |
| 2 | Billing / Meter Reading | -\$4,742 |
| 3 | Management | \$1,628 |
| 4 | Professional Services & Fees | -\$2,766 |
| 5 | Testing & Monitoring | \$1,939 |
| 6 | Field Equipment & Supplies | \$1,220 |
| 7 | Office Expense & Supplies | \$961 |
| 8 | Public Relations / Meetings | \$992 |
| 9 | Rate Case Expense | <u>\$13,275</u> |
| | Total | \$14,962 |

- No. 1 **Operation & Maintenance**
It is projected that annual O&M expenses will total \$22,048. This adjustment removes 2009 expenses that were paid in 2010 and reflects the projected amount in the test year.
- No. 2 **Billing / Meter Reading**
The 3 year average expense for Billing / Meter reading is \$18,842. This adjustment removes 2009 expenses that were paid in 2010 and reflects the 3 year average in the test year.
- No. 3 **Management**
It is projected that annual Management expenses will total \$18,000. This adjustment removes 2009 expenses that were paid in 2010 and reflects the projected amount in the test year.
- No. 4 **Professional Services & Fees**
It is projected that annual Professional Services and Fees expenses will total \$12,955. This adjustment removes the 2009 expenses that were paid in 2010 and reflects the projected amount in the test year.
- No. 5 **Testing & Monitoring**
Based on additional requirements by DEQ, it is projected that annual Testing and Monitoring expenses will total \$5,905. This adjustment reflects the projected amount in the test year.
- No. 6 **Field Equipment & Supplies**
The 3 year average expense for Field Equipment & Supplies is \$1,234. This adjustment reflects the 3 year average in the test year.
- No. 7 **Office Expense & Supplies**
The 3 year average expense for Field Equipment & Supplies is \$2,401. This adjustment reflects the 3 year average in the test year.
- No. 8 **Public Relations / Meetings**
It is projected that public relations / meetings will total \$2,000. This adjustment adds the projected amount to the test year.
- No. 9 **Rate Case Expense**
It is projected that the accounting expense associated with preparing this regulatory application will total \$34,500. This expense is being amortized over a two year period resulting in an annual expense of \$17,250. This adjustment removes the 2009 rate case expense that was paid in 2010 and

AquaFlo, LLC

38.5.164 Statement H -Operating Revenues

| | Revenues Through December 31, 2010 (Column 1) | Pro Forma Adjustments (Column 2) | Adjusted Revenues December 31, 2010 (Column 3) | Proposed Revenues (Column 4) | Overall Increase (Column 5) |
|-------------------------|--|---|---|------------------------------------|-----------------------------------|
| Revenues | | | | | |
| Metered | \$43,434 | | \$43,434 | \$65,582 | \$22,148 |
| UnMetered | \$88,387 | | \$88,387 | \$100,793 | \$12,406 |
| Excess Use | \$342 | | \$342 | \$342 | \$0 |
| Other | \$340 | | \$340 | \$340 | \$0 |
| Non-Utility Income | <u>\$3,669</u> | | <u>\$3,669</u> | <u>\$3,669</u> | <u>\$0</u> |
| Total Revenues | <u>\$136,172</u> | <u>\$0</u> | <u>\$136,172</u> | <u>\$170,726</u> | <u>\$34,554</u> |
| | | | | Percent Increase | 25.38% |
| D2009.1.9 Interim Rates | \$147,848 | | | \$170,726 | \$22,878 |
| | | | | Percent Increase | 15.47% |

AquaFlo, LLC

38.5.165 Statement I - Depreciation and Amortization Expense

| | SL Dep. Expense Through 12/31/2010 <u>(Column 1)</u> | Pro Forma Adjustments <u>(Column 2)</u> | Adjusted SL Dep. Expense Through 12/31/2010 <u>(Column 3)</u> |
|--|--|--|---|
| 303 Land & land rights | \$0 | | \$0 |
| 311 Pumping equipment | \$3,854 | | \$3,854 |
| 330 Distribution reservoirs and standpipes | \$7,025 | | \$7,025 |
| 331 Transmission and distribution mains | \$342 | | \$342 |
| 334 Meters and meter installations | \$1,068 | | \$1,068 |
| 342 Software | \$504 | | \$504 |
| 347 Miscellaneous equipment | \$1,914 | | \$1,914 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Water Plant Accounts | \$14,706 | \$0 | \$14,706 |

AquaFlo, LLC
 38.5.169 Statement J - Income Taxes

Income Taxes

| Description | <u>Current Rates</u> | <u>Proposed Rates</u> | |
|---------------------------------|--------------------------|---------------------------|---------------|
| Operating Revenues | \$136,172 | \$170,726 | Sec. 38.5.164 |
| Less: | | | |
| Operating Expenses | \$103,764 | \$118,726 | Sec. 38.5.156 |
| Taxes Other Than Income | \$2,756 | \$2,939 | Sec. 38.5.173 |
| Depreciation and Amort. Expense | \$14,706 | \$14,706 | Sec. 38.5.165 |
| Total | <u>\$14,946</u> | <u>\$34,355</u> | |
| Taxable Income State | \$14,946 | \$34,355 | |
| State Tax Expense @ | 6.75% \$1,009 | \$2,319 | |
| Taxable Income Federal | \$13,938 | \$32,036 | |
| Federal Tax Expense @ | 15.00% \$2,091 | \$4,805 | |
| Total Income Tax expense | <u>\$3,100</u> | <u>\$7,124</u> | |

20.74% Effective Tax Rate

AquaFlo, LLC
 38.5.173 Statement K - Other Taxes

| <u>Description</u> | <u>Recorded 2010 (Column 1)</u> | <u>Adjustments (Column 2)</u> | <u>Tax at Present Rates (Column 3)</u> | <u>Tax at Proposed Rates (Column 4)</u> |
|--------------------|---|-----------------------------------|--|---|
| MCC/PSC Tax | \$358 | \$364 a | \$722 | \$905 |
| Property Tax | <u>\$2,514</u> | <u>-\$480 b</u> | <u>\$2,034</u> | <u>\$2,034</u> |
| Total | \$2,872 | -\$116 | \$2,756 | \$2,939 |

Notes:

| | | | | |
|-----------------|---------|-------------|--|--------------|
| a) MCC/PSC tax | | | | |
| Present Rates | 0.53% X | \$136,172 = | | \$722 |
| Recorded Amount | | | | <u>\$358</u> |
| Adjustment | | | | \$364 |

AquaFlo, LLC
 38.5.175 - Overall Cost of Service

| Description | <u>Present Rates (Column 1)</u> | <u>Proposed Rates (Column 2)</u> | |
|-------------------------------|---|--|---------------|
| Operating Revenues | \$136,172 | \$170,726 | Sec. 38.5.164 |
| Deductions: | | | |
| Operating Expenses | \$118,726 | \$118,726 | Sec. 38.5.156 |
| Depreciation and Amortization | \$14,706 | \$14,706 | Sec. 38.5.165 |
| Taxes Other Than Income | \$2,756 | \$2,939 | Sec. 38.5.173 |
| Income Taxes | <u>\$3,100</u> | <u>\$7,124</u> | Sec. 38.5.169 |
| Net Operating Income | -\$3,115 | \$27,231 | |
| Rate Base | \$259,342 | \$259,342 | |
| Rate of Return, Percent | -1.20% | 10.50% | |

Section 38.5.176

Statement L - Allocated Cost of Service

December 31, 2010

| | |
|-------------------------------|------------|
| Number of Service Connections | 143 |
| Number of Annual Billings | 1,716 |
| Metered Usage - gallons | 11,563,800 |

AquaFlo

| Line No. | Description | Revenue Requirement | Allocation Method | |
|----------|-----------------------------------|---------------------|-------------------|-------------|
| | | | Customers | Consumption |
| 1 | Operation & Maintenance | \$ 22,048 | \$ 7,349 | \$ 14,699 |
| 2 | Billing / Meter Reading | \$ 18,842 | \$ 18,842 | |
| 3 | Management | \$ 18,000 | \$ 18,000 | |
| 4 | Professional Services & Fees | \$ 12,955 | \$ 12,955 | |
| 5 | Utilities | \$ 15,528 | | \$ 15,528 |
| 6 | Testing & Monitoring | \$ 5,905 | | \$ 5,905 |
| 7 | Field Equipment & Supplies | \$ 1,234 | | \$ 1,234 |
| 8 | Office Expense & Supplies | \$ 2,401 | \$ 2,401 | |
| 9 | Public Relations / Meetings | \$ 2,000 | \$ 2,000 | |
| 10 | Insurance | \$ 2,563 | \$ 2,563 | |
| 11 | Rate Case Expense | \$ 17,250 | \$ 17,250 | |
| 12 | Depreciation & Amortization | \$ 14,706 | \$ 14,706 | |
| 13 | Other Taxes | \$ 2,939 | | \$ 2,939 |
| 14 | Income Taxes | \$ 7,124 | | \$ 7,124 |
| 15 | Return | \$ 27,231 | \$ 9,077 | \$ 18,154 |
| | Excess Use Revenue | \$ (342) | \$ (342) | |
| 16 | Other Income | \$ (340) | \$ (340) | |
| 17 | Non-Utility Income | \$ (3,669) | \$ (3,669) | |
| 18 | Revenue Requirement | \$ 166,375 | \$ 100,793 | \$ 65,582 |
| 19 | Percentage of Revenue Requirement | | 61% | 39% |

Statement 38.5.178 - Derivation of Increased Rates

| | Revenue Requirement | Units | Proposed Monthly Charge |
|----|---------------------|------------|-------------------------|
| 20 | | | |
| 21 | \$ 100,793 | 1,716 | \$ 58.74 per Customer |
| 22 | \$ 65,582 | 11,563,800 | \$ 0.57 per 100 gallons |

AquaFlo, LLC

38.5.179 - Description of Utility Operations

AquaFlo is located in the north Helena valley, in Lewis and Clark County, Montana

AquaFlo currently provides both water and wastewater services to a total of 143 residential and commercial connections within the multi-phase Skyview Subdivision, the Northwest Major Subdivision, and the Northwest Minor Subdivision.

AquaFlo draws its water, in excess of 11 million gallons per year, from three deep wells. The Northwest Minor well serves the three lots comprising the Northwest Minor Subdivision. The other two wells alternately pump water to a 300,000 gallon concrete storage reservoir. That reservoir is the source of water for two pumping systems. One, which provides pressure to the fire hydrant system consisting of two fire hydrants, one in the Skyview and one in the Northwest Major. A separate pumping system provides water pressure to a series of loops providing water to the 143 service connections.

Approximately 6.5 million gallons of wastewater per year is generated by the system. It is first filtered through septic tanks located at each connection where solids are removed. Then via a gravitational collection system, the waste water is collected in a basin, filtered again and then pumped to the effluent treatment plant. The effluent is then filtered yet again and divided among three sand filtration systems where the water is biologically filtered through the sand filters five times before being pumped to a discharge basin where it is filtered again before being pumped to one of several discharge systems where the treated water is discharged back into the ground.

Oversight, testing and data and volume monitoring is required for all phases of the process, from monitoring the water level in the wells minute by minute via electronic data loggers through the discharge phase where the discharged water is tested monthly for compliance consistent with the Montana Department of Environmental Quality (“DEQ”) Discharge Permit.

| | Acq. Date | Service Life | Initial Investment | Order 6573b D2004.5.74 Value 6/1/2004 | Depreciation 6/1/2004 to 2/6/2007 | Value 2/6/2007 | Reduction in Plant Value as a result of Assets being purchased at a discount | Proposed Plant Value based on Purchase Price (3) 2/6/2007 | 2007 Annual SL Dep | 2007 Accum. SL Dep | Plant Balance 12/31/2007 |
|-----------------------------|-----------|--------------|--------------------|--|---|-------------------|--|---|-----------------------|-----------------------|--------------------------------|
| 2 Domestic Pumps | Feb-07 | 6 (2) | \$50,000 | \$23,949 | \$22,222 | \$1,727 | | \$1,727 | \$1,727 | \$1,727 | \$0 |
| 1 Fire Pump | Feb-07 | 7 (2) | \$15,125 | \$15,125 | \$5,762 | \$9,363 | | \$9,363 | \$1,981 | \$1,981 | \$7,382 |
| Reservoir | Feb-07 | 24 (2) | \$200,000 | \$196,000 | \$22,222 | \$140,827 (1) | | \$140,827 | \$5,379 | \$5,379 | \$135,448 |
| Water System | Feb-07 | 25 (2) | \$80,000 | | | \$80,000 | (\$72,969.65) | \$7,030.35 | \$258 | \$258 | \$6,773 |
| Land | Feb-07 | | \$32,951 | | | \$32,951 (1) | | \$32,951 | \$0 | \$0 | \$32,951 |
| 2007 Water Line | Feb-07 | 25 | \$9,200 | | | | | | \$337 | \$337 | \$8,863 |
| Northwest Minor Water Plant | Feb-07 | 25 | \$12,694 | | | | | | \$465 | \$465 | \$12,229 |
| Northwest Minor Sewer Plant | Feb-07 | 25 | \$8,562 | | | | | | \$314 | \$314 | \$8,248 |
| Fencing | Jul-08 | 15 | \$28,703 | | | | | | | | |
| Metering | Jul-08 | 7 | \$7,476 | | | | | | | | |
| Software | Jan-09 | 5 | \$2,520 | | | | | | | | |
| Pumps | Jul-09 | 7 | \$11,068 | | | | | | | | |
| Pumps | Jan-10 | 7 | \$782 | | | | | | | | |
| | | | <u>\$459,081</u> | <u>235,074.00</u> | | <u>264,867.65</u> | <u>(\$72,969.65)</u> | <u>191,898.00</u> | <u>10,460.95</u> | <u>\$10,461</u> | <u>\$211,893</u> |

Footnotes:

(1) Reservoir value less depreciation \$200,000 - \$22,222 = \$173,778; split between Land \$32,951 and Reservoir \$140,827

(2) Service Life at 6/1/2004 transfer

(3) Purchase Price \$200,000
 Plus closing cost \$350
 Less Imputed Interest \$8,452
 Proposed Plant Value at 2/6/2007 transfer \$191,898

| | | 2008 | 2008 | Plant | 2009 | 2009 | Plant | 2010 | 2010 | Plant | |
|-----------------------------|-----------|---------------|---------------|------------|---------------|---------------|------------|---------------|---------------|------------|------|
| | Acq. Date | Annual SL Dep | Accum. SL Dep | Balance | Annual SL Dep | Accum. SL Dep | Balance | Annual SL Dep | Accum. SL Dep | Balance | Code |
| | | | | 12/31/2008 | | | 12/31/2009 | | | 12/31/2010 | |
| 2 Domestic Pumps | Feb-07 | \$0 | \$1,727 | \$0 | \$0 | \$1,727 | \$0 | \$0 | \$1,727 | \$0 | 311 |
| 1 Fire Pump | Feb-07 | \$2,161 | \$4,141 | \$5,222 | \$2,161 | \$6,302 | \$3,061 | \$2,161 | \$8,463 | \$900 | 311 |
| Reservoir | Feb-07 | \$5,868 | \$11,247 | \$129,580 | \$5,868 | \$17,114 | \$123,712 | \$5,868 | \$22,982 | \$117,845 | 330 |
| Water System | Feb-07 | \$281 | \$539 | \$6,491 | \$281 | \$820 | \$6,210 | \$281 | \$1,101 | \$5,929 | 330 |
| Land | Feb-07 | \$0 | \$0 | \$32,951 | \$0 | \$0 | \$32,951 | \$0 | \$0 | \$27,478 | 303 |
| 2007 Water Line | Feb-07 | \$368 | \$705 | \$8,495 | \$368 | \$1,073 | \$8,127 | \$368 | \$1,441 | \$7,759 | 330 |
| Northwest Minor Water Plant | Feb-07 | \$508 | \$973 | \$11,721 | \$508 | \$1,481 | \$11,213 | \$508 | \$1,989 | \$10,705 | 330 |
| Northwest Minor Sewer Plant | Feb-07 | \$342 | \$656 | \$7,906 | \$342 | \$999 | \$7,563 | \$342 | \$1,341 | \$7,221 | 331 |
| Fencing | Jul-08 | \$957 | \$957 | \$27,746 | \$1,914 | \$2,870 | \$25,833 | \$1,914 | \$4,784 | \$23,919 | 347 |
| Metering | Jul-08 | \$534 | \$534 | \$6,942 | \$1,068 | \$1,602 | \$5,874 | \$1,068 | \$2,670 | \$4,806 | 334 |
| Software | Jan-09 | | | \$504 | \$504 | \$504 | \$2,016 | \$504 | \$1,008 | \$1,512 | 342 |
| Pumps | Jul-09 | | | | \$791 | \$791 | \$10,277 | \$1,581 | \$2,372 | \$8,696 | 311 |
| Pumps | Jan-10 | | | | | | | \$112 | \$112 | \$670 | 311 |
| | | \$11,019 | \$21,480 | \$237,053 | \$13,804 | \$35,284 | \$236,837 | \$14,706 | \$49,990 | \$217,440 | |

Footnotes

(1) Reservoir value less depreciation \$200,000 -
 Land \$32,951 and Reservoir \$140,827

(2) Service Life at 6/1/2004 transfer

(3) Purchase Price \$200,000
 Plus closing cost \$350
 Less Imputed Interest \$8,452
 Proposed Plant Value at \$191,898
 2/6/2007 transfer