

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

NOV 18 AM 11:21
COMMISSION CLERK
FPSC

DATE: November 18, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Brady, Redemann) *pb ppr J. D. O'S*
Office of the General Counsel (Gervasi) *psj WCH* *19/8*

RE: Docket No. 041040-WU – Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C.
Counties: Baker and Union

AGENDA: 11/30/04 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 -- Interested Persons May Participate

CRITICAL DATES: 01/10/05 – Statutory deadline for ruling on original certificate pursuant to Section 367.031, Florida Statutes

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041040.RCM.DOC

Case Background

On September 3, 2004, B & C Water Resources, L.L.C. (B & C or utility) filed an application for an original water certificate in Baker and Union Counties. The proposed service area comprises approximately 104,840 acres, of which 33,340 are in Baker County and 71,500 are in Union County. This area is currently undeveloped with no permanent, permitted, potable water wells. The service area is located in both the St. Johns River Water Management District and the Suwannee River Water Management District. None of the service area is in a water use caution area.

The utility intends to initially provide potable water service to 27 hunt camps dispersed throughout the service area. Service to the hunt camps will begin as soon as practicable after approval of certification by the Commission. However, based upon the projected growth in Baker and Union Counties, the applicant proposes to develop approximately 1,000 single family homes over the next 20 years. The utility does not propose to provide wastewater service at the

present time. Any current wastewater requirements will be met by private septic systems. When further development occurs, the utility plans to readdress the issue.

The utility's initial application was found to be deficient with respect to the filing fee. The utility corrected the deficiency on October 11, 2004, making that date the official filing date of the completed application. Pursuant to Section 367.031, Florida Statutes, the Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application.

Neither Baker nor Union County has given the Commission jurisdiction over investor-owned water and wastewater utilities in those counties pursuant to Section 367.171(1), Florida Statutes. Nevertheless, Section 367.171(7), Florida Statutes, provides, in pertinent part, that the Commission has "exclusive jurisdiction over all utility systems whose service transverses county boundaries, whether the counties involved are jurisdictional or nonjurisdictional. . . ." B & C is a single utility system whose facilities and land are functionally related in providing service. According to the application, the utility's system will be managed from a single centrally-located office. Personnel responsible for management, maintenance, customer service and administrative support will be the same for the utility's operations in both counties. Staffing, planning, and budgeting will be done on a system-wide basis rather than on a county by county basis. Operating costs will not vary materially from county to county and rates will be uniform throughout the utility's proposed service area.¹ Moreover, Baker and Union Counties share contiguous county boundaries.² Because B & C is a single utility system whose service will transverse the contiguous boundaries of Baker and Union Counties, B & C is subject to the exclusive jurisdiction of the Commission.

This recommendation addresses the application for original water certificate and initial rates and charges. The Commission has jurisdiction pursuant to Sections 367.171(7), 367.031, and 367.045, Florida Statutes.

¹ See Board of County Commissioners of St. Johns County v. Beard, 601 So. 2d 590, 592-93 (Fla. 1st DCA 1992) (finding that Jacksonville Suburban Utilities Corporation's facilities and land were functionally related such that it comprised a single utility system whose service transverses county boundaries within the meaning of Section 367.171(7), Florida Statutes, and rejecting the notion that the functional relationship referred to requires an actual physical connection between the utility's facilities.).

² See Hernando County v. FPSC, 685 So.2d 48, 52 (Fla. 1st DCA 1996) (finding that that the requirements of Section 367.171(7) can only be satisfied by evidence that the facilities forming the asserted system exist in contiguous counties across which the service travels. The court further noted that to satisfy the prerequisites of the statute, the Commission must find that the utility facilities are operationally integrated, or functionally related, in utility service delivery rather than fiscal management.). Id. at 51.

Discussion of Issues

Issue 1: Should the application by B & C Water Resources, L.L.C. for a water certificate be granted?

Recommendation: Yes. B & C Water Resources, L.L.C. should be granted Certificate No. 626-W to serve the territory described in Attachment A. The effective date should be the date of the Commission vote. B & C should be required to file an executed and recorded lease agreement within 30 days of the date of the Commission's order granting the certificate. (Brady, Redemann, Gervasi)

Staff Analysis: As stated in the case background, B & C completed its application for an original certificate to provide water service on October 11, 2004. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and Rule 25-30.033, Florida Administrative Code, and other administrative rules concerning an application for an original certificate and initial rates and charges.

Notice. Pursuant to Rule 25-30.030, Florida Administrative Code, the application contained evidence that the required notices were given. No objections to the application were received by the Commission and the protest period has expired. The only response to the notice was filed on October 15, 2004, from the North Central Florida Regional Planning Council indicating that it had no comments with regard to the utility's project.

Service Territory and System Maps. The utility has provided adequate service territory and system maps. Staff has verified that the maps accurately represent the territory described in Attachment A. As noted in the case background, the territory comprises approximately 104,840 acres with 33,340 acres in Baker County and 71,500 acres in Union County.

Land Ownership. Rule 25-30.033(j), Florida Administrative Code, requires evidence in the form of a warranty deed that the utility owns the land upon which the utility treatment facilities will be located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The land within the proposed service territory is owned by the utility's affiliate, Plum Creek Timberlands, L.P. (Plum Creek), which has leased the land to 27 hunt clubs which are spread throughout the acreage. Due to the remoteness of the hunt camps, B & C proposes to provide each hunt camp with separate potable water facilities. A lease agreement was provided with the application which indicates that B & C intends to lease the land under each well site from Plum Creek. The primary term of the lease is for ten years from the effective date, and as long thereafter as water is produced in paying quantities from the leased premises. The parties intend to execute the lease agreement upon approval of certification by the Commission. Staff has reviewed the lease agreement and believes that the provisions fulfill the requirement of the rule because the term of the lease agreement has been designed to be as long as the utility is still charging for service. The utility should be required to file an executed and recorded lease agreement within 30 days of the date of the Commission's order granting the certificate.

Consistency with Comprehensive Plans. Pursuant to a memorandum of understanding with the Department of Community Affairs (DCA), the DCA provided input on the need for service and comprehensive plan consistency for Union and Baker Counties.

Since the proposed service area is predominantly designated agriculture by Union County, the DCA believes there is no need for service beyond the 27 hunt camps. In addition, the DCA believes the utility's proposal is not compatible with the county's Urban Development Area (UDA) strategies which designates four UDAs to receive higher density uses. Only a portion of B & C's proposed service area is in a designated UDA.

The DCA notes that Baker County has recognized the need to provide adequate public facilities to populations in unincorporated areas. However, the county does not anticipate the need for a county water district up through the current 2010 planning timeframe because there has not been enough development. In addition, the county has assigned a very low density to the majority of B & C's proposed service area.

The DCA concludes that, given the future land use assignments by Union and Baker Counties, and the lack of direction in the comprehensive plans towards central water service in the proposed service area, there is no need for all the requested service area. However, the DCA added that it has been encouraged by discussions with Plum Creek on the large scale planning opportunities afforded by extensive, unified ownership and looks forward to the discussions continuing and resulting in Plum Creek initiating such a program.

In its response to the DCA comments, the utility noted that approximately 1,082 families currently use the hunt club campsites and all require potable water. Further, the utility does not believe it is prudent to only certify the camp site areas, since all the land is owned by Plum Creek. In addition, the utility noted that the Commission has consistently determined that a piecemeal approach to certification is not in the public interest.³ Finally, the utility believes that the local comprehensive plans of Baker and Union Counties do not prohibit the establishment of a water service territory as described in its application and neither County has filed an objection.

Pursuant to Section 367.045(5)(b), Florida Statutes, the Commission need not consider whether the issuance of a certificate of authorization is inconsistent with the local comprehensive plan of a county or municipality unless a timely objection to the notice of filing is received. While the DCA has indicated there is no need for all the requested service area and that the proposed development is not contemplated by either County's comprehensive plans, neither County has objected nor has the DCA filed an objection to the application. Further, consistent with Commissions decisions in other similar cases, staff recommends that piecemeal certification is not in the public interest. In this respect, the DCA also appears to recognize the benefits of having unified ownership over large tracts of land. Finally, staff would note that the Counties ultimately retain control over any future development through mechanisms such as zoning and construction permits.

³ See Order No. PSC-04-0980-FOF-WU, issued October 8, 2004, in Docket No. 021256-WU, In re: Application for Certificate to Provide Water Service in Volusia and Brevard Counties by Farnton Water Resources, L.L.C. See also Order No. PSC-92-0104-FOF-WU, issued March 27, 1992, in Docket No. 910114-WU, In re: Application of East Central Florida Services, Inc. for an Original Certificate in Brevard, Orange, and Osceola Counties.

Public Interest. Rule 25-30.033(1)(e), Florida Administrative Code, requires the utility to provide a statement showing its financial and technical ability to provide service, the need for service, and the steps the applicant has taken to determine if there are any other utilities in the area which could potentially provide service. The utility's application contained the following information.

With respect to need for service, the application contained letters of request for potable water service from three hunt camps. As noted, the application indicates there are approximately 1,082 families which are members of 27 hunt camps located throughout the proposed service area. All require potable water at the campsites for consumption, cooking, bathing, and cleaning. The application further indicates that the utility and Plum Creek are in the initial stages of discussions with the relevant local governments and the DCA to meet anticipated future growth needs in the area.

With respect to service from other sources, the application indicates that there are no other utilities in the area which have facilities capable of providing the level of service that will be needed. In reaching this conclusion, the application indicates that information had been reviewed in the records of the Commission, the Florida Department of Environmental Protection, and the Florida Department of Health. The closest utility is the City of Butler (Butler) which has lines approximately 1,000 feet from the outside boundary of the proposed service territory. However the outside boundary is 2.5 miles from the nearest hunt camp proposed to be served. In addition, there is an intervening lake between the nearest hunt camp and Butler's point of connection. As such, the utility concludes that it would not be cost effective for Butler to provide service. Because Plum Creek owns all of the land within the proposed service area, the application states that B & C is in an optimal position to provide water service in the most efficient and cost-effective manner.

With respect to financial ability, the application included an organizational chart (Attachment B) in which Plum Creek Timber Company, Inc. (PCTC) is shown at the top of the organization. According to the annual statements provided with the application, PCTC is one of the largest timberland owners in the nation with annual revenues in 2003 of \$1,196,000,000. As described more fully in Issue 3, B & C intends to finance construction of the water facilities with 60% debt and 40% equity from PCTC. A copy of the funding agreement between B & C and PCTC was provided which indicates that PCTC agrees to provide the utility with the funding necessary to build and operate the utility system.

With respect to technical ability, the application indicates that B & C's land affiliate, Plum Creek, has vast experience in water management through its silvi/agricultural oversight and has been a leader in water conservation and innovative management techniques for nonpotable water. The utility has also retained the services of a consultant with the experience to construct, operate, and maintain the utility's proposed water system.

Conclusion. Based upon all of the above, staff recommends that B & C has shown that there is a need for potable water service in the proposed service area and that it is in the best position to provide such service. B & C has also demonstrated that it has the financial and technical ability to provide the service. Therefore, staff recommends that B & C's application for a water certificate is in the public interest and that it should be granted Certificate No. 626-W

Docket No. 041040-WU
Date: November 18, 2004

to serve the territory described in Attachment A. The effective date should be the date of Commission vote. B & C should be required to file an executed and recorded lease agreement within 30 days of the date of the Commission's order granting the certificate.

Issue 2: What are the appropriate initial water rates and return on investment for this utility?

Recommendation: The utility's proposed potable water rates and miscellaneous service charges described in the staff analysis should be approved. B & C should charge the approved rates and charges until authorized to change them by this Commission in a subsequent proceeding. Within 30 days from the date of the Commission's vote in this docket, the utility should be required to file a proposed notice for staff review of its approved rates and charges that will be given to each hunt camp in its service territory prior to billing monthly water service. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. A return on equity of 11.40% plus or minus 100 basis points should be approved. (Brady, Redemann)

Staff Analysis: B & C's proposed rates are based on its projected rate base, cost of capital, and expenses at 80% of design capacity. In reviewing the utility's proposed rates and charges, it appears that the utility's calculations are reasonable and consistent with those normally used by the Commission in setting initial rates and charges for a utility. The analysis below describes how the utility derived its proposed rates and charges for potable water service.

PROJECTED RATE BASE

The utility's proposed rate base of \$121,455 is shown on Schedule No. 1. The rate base schedule is for informational purposes to establish initial rates and is not intended to formally establish rate base. This is consistent with Commission practice for original certificate applications.

Utility Plant in Service (UPIS). The proposed UPIS amount of \$248,440 includes the cost for the construction of 27 new potable water wells along with the associated treatment and pumping equipment, structures and improvements, storage tanks, meter installations, and organizational costs. The design capacity will be approximately 134,250 gallons per day (GPD). Staff has reviewed the utility's proposed UPIS costs and the amounts appear reasonable. Therefore, staff recommends that the utility's proposed balance of \$248,440 be included in UPIS.

Land. As noted in Issue 1, the utility intends to lease the land under each of its proposed 27 well sites from its affiliate, Plum Creek. Therefore staff recommends that no cost for land be included in rate base.

Accumulated Depreciation. Since the utility intends to complete construction of the wells within one year of certification and to immediately begin servicing the 27 hunt camps, the utility's proposed accumulated depreciation balance of \$11,635 was based on account balances as of December 31, 2005. The accumulated depreciation balance was calculated using the guidelines for average service lives as set forth in Rule 25-30.140, Florida Administrative Code. Staff recommends that the utility's proposed accumulated depreciation balance of \$11,635 is appropriate and that it be included in rate base.

Contributions In Aid of Construction (CIAC) and Accumulated Amortization. Pursuant to Rule 25-30.580, Florida Administrative Code, the maximum amount of net CIAC should not exceed 75% of net plant at design capacity. The minimum amount of CIAC should not be less than the percentage of facilities represented by the water transmission and distribution system. Due to the sparse location of the 27 hunt camps throughout the 104,840 acre service territory, each camp site will have its own well. Therefore, there are no transmission and distribution facilities. The utility's proposed CIAC balance of \$123,264 is based on its proposed plant capacity and meter installation charges which are described in Issue 3. The associated accumulated amortization balance is \$6,478. Staff recommends that the utility's projected CIAC and accumulated amortization balances of \$123,264 and \$6,478, respectively, are reasonable and should be included in rate base.

Working Capital. The utility proposes to include a working capital allowance of \$1,436 based on 1/8 of its operating and maintenance expenses. Normally for pro forma plant there would be no need for working capital. However, in this instance, the hunting camps exist and service will begin almost immediately. Staff therefore recommends that a working capital allowance is reasonable and the amount of \$1,436 should be included in rate base.

Summary of Projected Rate Base. Based on the above, staff recommends that for purposes of setting initial rates and charges, the utility's proposed rate base of \$121,455 should be used. The schedule of rate base is for informational purposes to establish initial rates and is not intended to formally establish rate base.

COST OF CAPITAL

The utility's proposed capital structure, which consists of 40% equity and 60% debt, is shown on Schedule No. 2. The utility proposed an overall cost of capital of 7.56%. The proposed cost of equity of 11.40% is based on the Commission's current leverage formula⁴. The utility's cost of debt of 5.0% is based on the parent company's average borrowing rate. Staff recommends that the utility's proposed overall cost of capital is reasonable and should be used for calculating the utility's revenue requirements. Staff further recommends that the Commission approve a return on equity of 11.40% with a range of plus or minus 100 basis points.

RETURN ON INVESTMENT

The utility's proposed return on investment of \$9,182, shown on Schedule 3, is based on its proposed rate base and overall cost of capital of 7.56%. This amount appears reasonable and staff recommends that it be included in the utility's revenue requirement.

REVENUE REQUIREMENT

The utility's proposed revenue requirement of \$27,047 is shown on Schedule No. 3. The following analysis describes the utility's proposed revenue requirement.

⁴ Order No. PSC-04-0587-PAA-WS, issued June 10, 2004, in Docket No. 040006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

Operating and Maintenance Expenses. The utility's proposed operating and maintenance expense of \$11,491 is based on fuel for power production, chemicals, contractual services, and rent for the well sites. Staff recommends that the amount is reasonable and should be included in the revenue requirement.

Depreciation Expense and CIAC Amortization. The utility's proposed depreciation expense and CIAC amortization of \$11,635 and \$6,478, respectively, are based on the guideline rates reflected in Rule 25-30.140, Florida Administrative Code. Staff recommends that these amounts are reasonable and should be included in the revenue requirement.

Regulatory Assessment Fees (RAFs). The utility's proposed taxes of \$1,217 consists entirely of RAFs in the amount of 4.5% of gross revenues. Since land is rented, there is no property tax expense. Since the utility is a limited liability company, there is no income tax liability. Staff recommends that the RAF amount is reasonable and should be included in the revenue requirement.

Summary of Revenue Requirement. In summary, based on staff's analysis of the utility's proposed operating and maintenance expenses, depreciation, amortization, taxes, and return on investment, staff recommends that the utility's proposed revenue requirement of \$27,047 should be used in setting initial rates for B & C.

RATES

Potable Water Service. The utility's proposed monthly residential and general service water rates are based on a revenue requirement of \$27,047 and its anticipated customer base at 80% of design capacity. The proposed base facility charge and gallonage charge rate structure is considered a conservation rate structure. Staff recommends that the utility's proposed monthly rates for residential and general service customers, as shown on Schedule No. 4, are reasonable and should be approved.

Miscellaneous Service Charges. The application contains a request for miscellaneous service charges consistent with Rule 25-30.460, Florida Administrative Code, which defines four categories of miscellaneous service charges. Staff recommends that the proposed miscellaneous service charges, as shown on Schedule No. 4, are appropriate and should be approved.

CONCLUSION

Staff recommends that the utility's proposed potable water rates and miscellaneous service charges should be approved. B & C should charge these rates and charges until authorized to change them by this Commission in a subsequent proceeding. Within 30 days from the date of the Commission's vote in this docket, the utility should be required to file a proposed notice for staff review of its approved rates and charges that will be given to each hunt camp in its service territory prior to billing monthly water service. The utility has filed a proposed tariff based on its proposed rates and charges. The tariff should become effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. A return on equity of 11.40% plus or minus 100 basis points should be approved.

Issue 3 What are the appropriate service availability charges for the utility?

Recommendation: The utility's proposed service availability policy and charges set forth within the staff analysis should be approved effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. (Brady, Redemann)

Staff Analysis: The utility proposes to provide service to any customer within its service area upon application and payment of meter installation and plant capacity charges. Schedule No. 4 shows the utility's proposed plant capacity charge of \$293.66 per ERC and meter installation charges, which are based on approximately 47% of the estimated plant costs and 100% of the costs of the meters and installation. Staff recommends that the proposed service availability policy and charges are consistent with the guidelines in Rule 25-30.580, Florida Administrative Code and should be approved. The service availability charges should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code.

Docket No. 041040-WU
Date: November 18, 2004

Issue 4: Should this docket be closed?

Recommendation: No. If no timely protest is received to the proposed agency action issues on initial rates and service availability charges, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open pending receipt of an executed and recorded lease agreement and proposed customer notice. Upon receipt of such documents, the docket should be administratively closed. (Gervasi)

Staff Analysis: If no timely protest is received to the proposed agency action issues on initial rates and service availability charges, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open pending receipt of an executed and recorded lease agreement and proposed customer notice. Upon receipt of such documents, the docket should be administratively closed.

B & C WATER RESOURCES, L.L.C.

WATER SERVICE TERRITORY

SERVING ONLY BAKER COUNTY, FLORIDA

TOWNSHIP 3 SOUTH, RANGE 19 EAST: All of Section 23, lying South of U.S. Highway 90; All of Section 24, lying South of U.S. Highway 90; All of Section 25; All of Section 26, lying South of U.S. Highway 90; All of Section 27, lying South of U.S. Highway 90; All of Section 28, lying South of U.S. Highway 90; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 3 SOUTH, RANGE 20 EAST: All of Section 11; All of Section 13; All of Section 15; All of Section 16; All of Section 17, lying South of U.S. Highway 90; All of Section 18, lying South of U.S. Highway 90; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 25, lying West of County Road 229; All of Section 26; All of Section 27; All of Section 29; All of Section 30; All of Section 31; All of Section 33; All of Section 35

TOWNSHIP 3 SOUTH, RANGE 21 EAST: All of Section 29; All of Section 30; All of Section 31; All of Section 32

TOWNSHIP 4 SOUTH, RANGE 19 EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16

TOWNSHIP 4 SOUTH, RANGE 20 EAST: All of Section 6; All of Section 7; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 18

TOWNSHIP 4 SOUTH, RANGE 21 EAST: All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10, lying East of County Road 121; All of Section 11, lying East of County Road 121; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18

TOWNSHIP 4 SOUTH, RANGE 22 EAST: All of Section 7; All of Section 18

SERVING ONLY UNION COUNTY, FLORIDA

TOWNSHIP 4 SOUTH, RANGE 19 EAST: All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; The east 1/2 of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4 SOUTH, RANGE 20 EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31; All of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4 SOUTH, RANGE 21 EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; The Northeast 1/4, the North 1/2 of the Southeast 1/4 and the Southwest 1/4 of the Northwest 1/4; Section 27; The North 1/2, the Northwest 1/4 of the Southeast 1/4 and the Northeast 1/4 of the Southwest 1/4; The North 1/2 of Section 28; All of Section 29; All of Section 30; All of Section 31; Section 32: the West 1/2; All of Section 36

TOWNSHIP 4 SOUTH, RANGE 22 EAST: All of Section 19; All of Section 30

TOWNSHIP 5 SOUTH, RANGE 18 EAST: All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 34; All of Section 35, lying North of County Road 238; All of Section 36, lying North of County Road 238

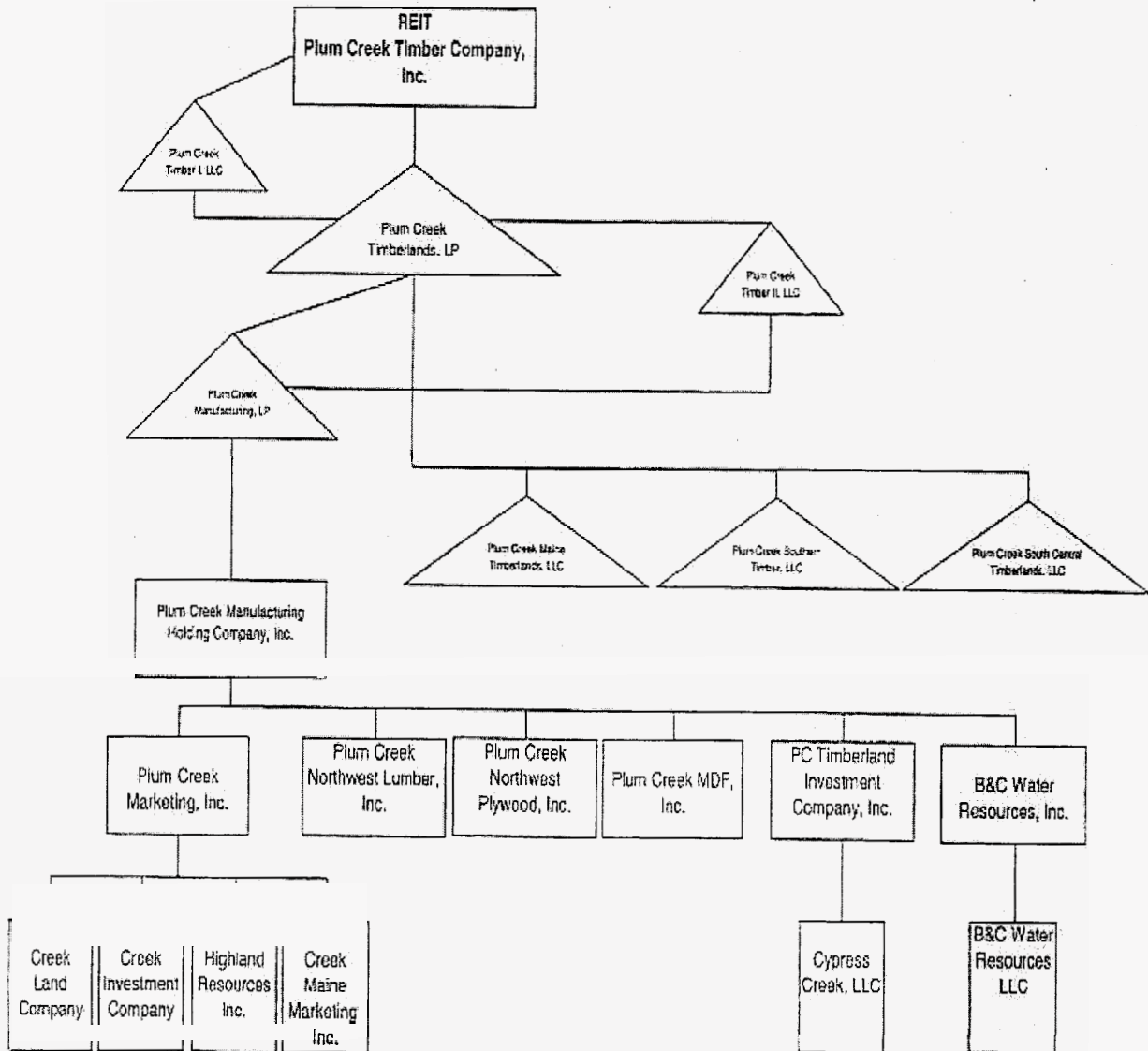
TOWNSHIP 5 SOUTH, RANGE 19 EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 7; All of Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25, lying North of County Road 100; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31, lying North of County Road 238; All of Section 32; lying North of County Road 238; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5 SOUTH, RANGE 20 EAST: All of Section 1, lying South of County Road 16; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21, lying North of County Road 121; All of Section 22, lying North of County Road 121; All of Section 23, lying North of County Road 121; All of Section 28; The Southeast 1/4 of the Northwest 1/4 of Section 29 lying South of County Road 238 and the North 1/2 of the Northwest 1/4 of Section 29; The North 1/2 of Section 30; The Southeast 1/4 and the East 1/2 of the Southwest 1/4 of Section 32; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5 SOUTH, RANGE 21 EAST: All of Section 6; All of Section 7; The West 1/4 and the Northwest 1/4 of Southeast 1/4 of Section 8; All of Section 17, lying South of County Road 121 and State Highway 16; Section 18: The South 1/2 of the Southeast 1/4 lying East of County Road 229 and the East 2/3 of the Northeast 1/4 of the Southeast 1/4; All of Section 19, lying North of County Road 229; All of Section 20, lying North of County Road 229; All of Section 29; All of Section 30

TOWNSHIP 6 SOUTH, RANGE 20 EAST: All of Section 2, lying North of County Road 100; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 8; All of Section 9; All of Section 10; All of Section 16; All of Section 18

Plum Creek Timber Company - REIT Structure



B & C WATER RESOURCES, L.L.C.

WATER RATE BASE

AT 80% DESIGN CAPACITY

<u>DESCRIPTION</u>	<u>UTILITY PROPOSED AND STAFF RECOMMENDED</u>
Utility Plant in Service	\$ 248,440
Accumulated Depreciation	\$(11,635)
Contributions in Aid of Construction	\$(123,264)
Accumulated Amortization of CIAC	\$ 6,478
Working Capital Allowance	<u>\$ 1,436</u>
Total Rate Base	\$ 121,455

B & C WATER RESOURCES, L.L.C.

COST OF CAPITAL

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>WEIGHT</u>	<u>COST RATE</u>	<u>WEIGHTED COST</u>
Common Equity	\$ 48,582	40.00%	11.40%	4.560%
Debt	<u>\$ 72,873</u>	<u>60.00%</u>	5.00%	<u>3.000%</u>
	\$121,455	100.00%		7.560%

B & C WATER RESOURCES, L.L.C.

REVENUE REQUIREMENT

<u>DESCRIPTON</u>	<u>UTILITY PROPOSED AND STAFF RECOMMENDED</u>
Operation & Maintenance Expenses	\$ 11,491
Depreciation Expenses	11,635
CIAC Amortization	(6,478)
Regulatory Assessment Fees	<u>1,217</u>
Total Expenses	\$ 17,865
Return on Investment	<u>9,182</u>
Revenue Requirement	\$ 27,047

B & C WATER RESOURCES, L.L.C.

RATES AND CHARGES

Monthly Water Rates
Residential & General Service

Base Facility Charge

5/8 x 3/4"	\$ 12.61
3/4"	18.92
1.0"	31.53
1.5"	63.05
2.0"	100.88

Charge per 1,000 gallons \$ 2.94

Miscellaneous Service Charges

Initial Connection	\$15.00
Normal Reconnection	15.00
Violation Reconnection	Actual Cost
Premises Visit (in lieu of disconnection)	10.00

Service Availability Charges

Meter Installation Fee

5/8 x 3/4"	\$200.00
3/4"	250.00
1.0"	300.00
1.5"	450.00
2.0"	600.00

Plant Capacity Charge

Residential per ERC (350 GPD)	\$293.66
General Service per ERC (350 GPD)	293.66
All others per gallon	0.84