



WATERLAW®

PATRICK | MILLER | NOTO

October 25, 2016

Scott C. Miller*
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reply to Aspen office
*licensed in CO

Doug Dean, Director
Public Utilities Commission State of Colorado
1560 Broadway, Suite 250
Denver, CO 80202

RE: Dallas Creek Water Company Rate Increase Filing (our file # 300P12)

Dear Mr. Dean:

ASPEN:

197 Prospector Dr.
Suite 2104 A
Aspen, CO 81611
T. 970.920.1030
F. 970.925.6847

Dallas Creek Water Company (“DCWC”) has delayed filing for any rate case for nine years with the understanding that the rate increase from January 1, 2007 resulted in a more than 300 percent increase. DCWC has operated as long as possible without a rate increase in order to allow its customers to recover from the 2007 rate increase.

BASALT:

Waterlaw Riverwalk
229 Midland Avenue
Basalt, CO 81621
T. 970.920.1030
F. 970.927.1030

The current rate filing includes increases from 6.25% up to 10.41% on different rates. When averaged over the last nine years, the annual increases range from .69% to 1.16% per year. DCWC is also aware of the financial cost involved in filing a rate case, which are allowed to be recovered as part of the rates. As a result, DCWC felt that filing more frequently, albeit with smaller rate increases was not prudent for its customers.

DENVER:

999 18th St.
30th Floor
Denver, CO 80202
T. 303.893.9700
F. 303.893.7900

The proposed Base Service Fee in this filing includes a True-Up Adjustment that will reflect the actual legal expense incurred by the filing when it is finalized. The proposed rate of \$44.70 is based upon an estimated \$60,000 legal expense for the filing that will be recovered over four years. If another rate case is not necessary within this four year period, the Base Service Fee will be adjusted downward to reflect the full recovery of the legal expense for the filing. The downward adjustment will be approximately (\$1.45) per month per customer. The Base Service Fee will start out lower than the \$44.70 proposed rate on December 1, 2016 if the actual legal expenses are less than \$60,000 and may be adjusted higher if the legal expenses exceed \$60,000.

TULSA:

7633 E. 63rd Pl.
Suite 300-18
Tulsa, OK 74133
T. 800.282.5458
F. 970.927.1030

It is beneficial for DCWC customers to understand how their rates are calculated. To assist this understanding, DCWC has included with the filing an Excel worksheet containing the rate increase calculations. The Proposed Rate tab of the worksheet shows each expense category from the financial statement and how it is recovered in each rate. It is helpful to point out that preliminary work by DCWC with the Staff at PUC resulted in several compromise adjustments to the actual expenses of Dallas Creek Water Company’s 2015 Financial Statements, which are normally the costs that are used for rate case filings. The adjustments are listed below:

SCOTTSDALE:

16427 N. Scottsdale Rd.
Suite 410
Scottsdale, AZ 85254
T. 800.282.5458
F. 970.927.1030



1. All Bad Debt Write Off expense that resulted from the ALJ Decision in 2013 of Fairway Pines Estates Owners Association's complaint was removed from the rate filing.
2. Other legal costs incurred in defending various legal threats from groups of customers in the DCWC service area were also removed from this rate filing. These threats were unrelated to the ability of DCWC to produce and deliver safe drinking water to their customers.
3. A new part-time salary is added to the Water Rate in order to provide consistent back-up to the Water Operator and increase the timely maintenance of the distribution system.
4. Because maintenance and repair costs of the distribution system vary from year to year, it was agreed that a 5-year average cost would be used in the expenses included in the Meter-In Service Fee.

Although these adjustments were developed by DCWC and the PUC Staff as preliminary work to the filing in an attempt to keep legal costs at a minimum, there is no mandate that the adjustments must remain if a protest is filed by an intervenor. It is certainly the hope of DCWC that the filing can proceed with minimal expense so that DCWC's customers can realize the lowest possible rates necessary to operate the company's water system.

Very truly yours,

Patrick | Miller | Noto
A Professional Corporation

By: _____

Scott C. Miller

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SCM/jmg

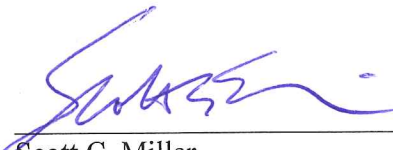
cc: Dallas Creek Water Company



VERIFICATION

STATE OF COLORADO)
) SS.
COUNTY OF EAGLE)

I, Scott C. Miller, verify the content of the above letter to the best of my knowledge, information, and belief.




Scott C. Miller

Subscribed and sworn to before me this 25th day of October, 2016.

Witness my hand and official seal.
My Commission expires: June 18, 2019.





Notary Public