average concentrations of arsenic, fluorides, and total dissolved solids. However, preliminary
sampling indicates that fluoride concentrations will be within the Maximum Contaminant Level of
4.0 mg/l. Although Staff indicated that arsenic concentrations are not yet known, at hearing Mr.
Poulos testified that two nearby wells of Picacho Water Company have recorded arsenic levels of 16
and 22 parts per billion ("ppb"). Santa Rosa built into its capital cost estimates arsenic removal
expenses associated with achieving the new federal guidelines (effective in 2006) of 10 ppb of
arsenic. Santa Rosa’s estimates are based on the assumption that its wells will encounter arsenic
readings similar to those recorded by Picacho Water Company (Tr. 22-23).

11. Pursuant to the Commission’s rules, SRWC provided five-year projections for plant
values, operating revenues and expenses, and number of customers. Such projections are necessary
to establish rates for new companies due to the lack of historical data. Staff reviewed SRWC’s
projections and recommended that the Commission find SRWC’s fair value rate base to be
$3,918,169.

12. SRWC proposed an initial residential/commercial rate composed of a $15.00 base rate
and a single tier $3.95 commodity rate per 1,000 gallons. Staff agreed with the Company’s base rate
but recommended a three-tier inverted block commodity rate structure, to encourage conservation
efforts. Staff’s recommended rates would generate an average water bill of $57.38, which is
comparable to SRWC’s proposed average customer bill. SRWC’s proposed rates and charges, and
Staff’s recommended rates and charges, are as follows:

<table>
<thead>
<tr>
<th>Proposed Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MONTHLY USAGE CHARGE:</strong></td>
</tr>
<tr>
<td><strong>Company</strong></td>
</tr>
<tr>
<td>5/8&quot; x ¾&quot; Meter</td>
</tr>
<tr>
<td>¾&quot; Meter</td>
</tr>
<tr>
<td>1&quot; Meter</td>
</tr>
<tr>
<td>1 ½&quot; Meter</td>
</tr>
<tr>
<td>2&quot; Meter</td>
</tr>
<tr>
<td>3&quot; Meter</td>
</tr>
<tr>
<td>4&quot; Meter</td>
</tr>
<tr>
<td>6&quot; Meter</td>
</tr>
<tr>
<td>8&quot; 6&quot; Meter</td>
</tr>
<tr>
<td>10&quot; 6&quot; Meter</td>
</tr>
</tbody>
</table>
Gallons included in minimum 0 0

Commodity Charge per 1,000 gallons:
- From 0 to 8,000 Gallons $3.95  $3.75
- From 8,001 to 20,000 3.95  4.50
- In excess of 20,000 3.95  5.25

SERVICE LINE AND METER INSTALLATION CHARGES

<table>
<thead>
<tr>
<th>Size</th>
<th>5/8&quot; x ¾&quot;</th>
<th>¾&quot;</th>
<th>1&quot;</th>
<th>1 ½&quot;</th>
<th>2&quot;</th>
<th>3&quot;</th>
<th>4&quot;</th>
<th>6&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meter</td>
<td>$0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

SERVICE CHARGE:

- Establishment $30.00  $30.00
- Establishment (After Hours) 37.50  37.50
- Reconnection (Delinquent) 25.00  25.00
- Meter Test (If Correct) 35.00  35.00
- Deposit * *
- Deposit Interest * *
- Re-establishment (Within 12 Months) ** **
- NSF Check 15.00  15.00
- Deferred Payment 1.50%  1.50%
  Per month of unpaid balance

- Meter Reread (If Correct) 25.00  25.00
- Late Payment Penalty (per month) 0.00%  1.5%
- Main Extension Cost  Cost

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

- 4” or smaller *** ***
- 6” *** ***
- 8” *** ***
- 10” *** ***
- Larger than 10” *** ***