

**BEFORE THE BOARD OF COMMISSIONERS
FOR THE CITY OF LAS CRUCES UTILITIES**

IN THE MATTER OF THE APPLICATION)	
OF THE CITY OF LAS CRUCES UTILITIES)	
FOR AN INCREASE IN RATES FOR)	
WATER SERVICE,)	
)	Case No. 2009-001 (W)
CITY OF LAS CRUCES UTILITIES,)	
)	
Applicant.)	
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NOTICE TO WATER SERVICE CUSTOMERS OF LAS CRUCES UTILITIES

NOTICE is hereby given, pursuant to Rule 10.C of the Interim Rules Governing Rate Proceedings Before the Board of Commissioners for the City of Las Cruces Utilities and Appeals Pursuant to City Council Resolution No. 09-170 (the "Interim Rules"), approved on June 11, 2009, by Resolution No. 08-09-066 of the Board of Commissioners for the City of Las Cruces Utilities (the "Utilities Board"), that:

1. On August 21, 2009, Las Cruces Utilities ("LCU") filed with the Utilities Board its Application for an Increase in Rates for Water Service (the "Application"), including written direct testimony and exhibits. LCU's Application proposes new rate schedules or tariff sheets and revised rates for each class of service, elimination of certain existing rate schedules, and implementation of certain new rate schedules, all of which are described in more detail below.

2. LCU's Application seeks approval of the proposed rates in accordance with the new procedures for consideration of rates for the LCU water, wastewater, natural gas and solid waste utilities that have been adopted by the Las Cruces City Council in the past several years. In November 2005, the voters approved amendments to the City

Charter authorizing the City Council to delegate its authority to regulate the rates charged for services by City-owned and operated public utilities to a municipal board of utility commissioners. On December 4, 2006, the City Council approved Ordinance No. 2342, which established the Utilities Board and amended Sections 2-1041(a) and 2-186 of the Municipal Code. The City Council also adopted Resolution No. 07-190, which approved By-Laws of the Utilities Board and, among other things, authorized the Utilities Board to provide strategic policy direction to LCU and to set City utility rates based on a utility basis cost of service methodology. On January 7, 2008, the City Council adopted Resolution No. 08-187 and approved the first amendment to the Utilities Board By-Laws.

3. On September 11, 2008, in its Resolution No. 08-09-024, the Utilities Board adopted a document entitled "Rate Making Procedures for the Las Cruces Utilities Board of Commissioners," which was prepared for the Utilities Board under a contract with New Mexico State University's Center for Public Utilities in connection with training provided to the Utilities Board. These Rate Making Procedures were amended by Utilities Board Resolution No. 08-09-039, on December 11, 2008.

4. Consistent with the Rate Making Procedures adopted by the Utilities Board, on January 20, 2009, the City Council approved its Resolution No. 09-170 and established an Ad Hoc City board known as the Ratepayer Advisory Committee (the "RAC") to intervene in the 2009-2010 Utilities Board rate hearings and present evidence on behalf of the residential and small commercial utility customers.

5. On June 11, 2009, in Resolution No. 08-09-066, the Utilities Board approved the Interim Rules, which are patterned after the procedural rules utilized by the New Mexico Public Regulation Commission, the state agency that regulates rates and

services of privately owned utilities. The Interim Rules are available on the LCU's page of the City of Las Cruces' website at <http://www.las-cruces.org/PDFs/rules.pdf> or from the Utilities Board's chief clerk or her designee at 680 North Motel Boulevard, Las Cruces, New Mexico 88007, telephone: (575) 528-3636. Pursuant to the Interim Rules and the Utilities Board's Resolution No. 08-09-066, the undersigned Chair of the Utilities Board is acting as Procedural Master in this case.

6. The Interim Rules govern this rate proceeding, including the procedures to be used by the Utilities Board, LCU, the RAC and other interested persons, except as modified by order of the Procedural Master or the Utilities Board. The Rate Making Procedures dictate the schedule to be established for timely consideration of LCU's request for increased rates and other changes in rate tariffs.

7. LCU in its Application proposes to increase rates for water service by \$2,510,322, based on a utility basis cost of service methodology using LCU's data for the test year of the twelve months ending December 31, 2008. This increase in base rates for water utility service does not reflect LCU's proposal to collect as a separate surcharge to utility bills the expenses it incurs as payment in lieu of taxes ("PILT") in connection with revenue-based franchise fees charged to LCU by the City. With that surcharge included, the overall proposed revenue increase is 24.6% above adjusted water service revenues for the twelve months ending December 31, 2008.

8. The proposed rate increase will affect all of LCU's water service rate classes.

9. LCU's elimination of certain rate schedules will affect the rate classification of certain customers. LCU is proposing to eliminate the present

Commercial – Industrial Service rate schedule and to provide service to the customers currently taking service under that tariff under one of two new rate schedules, Small Commercial Service or Large Commercial Service. The Small Commercial Service rate schedule will apply to businesses or institutions, including governmental entities, whose consumption is less than 50,000 gallons per month. The Large Commercial Service rate schedule will apply to businesses or institutions, including governmental entities, whose consumption equals or exceeds 50,000 gallons per month. The Large Industrial Service rate schedule will continue to apply to businesses or institutions with consumption equal to or greater than 1,250,000 gallons per month. Additionally, the two current rate schedules that apply to multiple unit, master-metered residential premises, Multi-Unit Service (Up to 11 Units) and Multi-Unit Service (More than 12 Units), will be eliminated and such premises will receive service under the Small Commercial Service or Large Commercial Service schedule as applicable in accordance with the customer's monthly consumption level. The Bulk Water–City Service Center schedule, under which no service presently is provided, also will be eliminated. The Off-Peak Commercial Service and Off-Peak Industrial Service rate schedules will be eliminated and seasonal rates, with higher volumetric charges during the peak billing months of July through October, will be implemented for most of LCU's rate classes.

10. LCU's proposed changes in rates also will affect irrigation uses of certain customers. The current Municipal Parks Irrigation Service rate schedule will be re-titled "Parks" and a new rate schedule, "Golf Course," will be offered to golf courses for irrigation on a seasonal, non-interruptible basis. The current Golf Course rate schedule will be re-titled "Parks and Golf Course Interruptible Time of Use," its availability will

be expanded to include municipal parks as well as golf courses, and provisions for LCU-directed interruptions of service during on-peak or off-peak hours will be incorporated. LCU is further proposing a new Reclaimed Water Service rate schedule, which will offer treated wastewater from the LCU wastewater utility's new East Mesa Water Reclamation Plant to certain types of customers located within the service areas of LCU's reclaimed water distribution or "purple pipe" system for certain irrigation and other non-potable uses.

11. LCU is proposing to offer a new Landscape Meter tariff to all its water service customer classes for irrigation purposes other than irrigation of golf courses and municipal parks. A water utility customer who selects this option and installs a separate landscape meter will pay a monthly access charge equal to 50% of the access fee for ordinary water service applicable to that customer and will pay for water consumption measured through the landscape meter at the otherwise applicable summer volumetric charge per thousand gallons for potable water. As described in LCU's application for increases in its wastewater service rates in Utilities Board Case No. 2009-002 (WW), filed concurrently with its Application in this proceeding regarding water rates, the wastewater service consumption of customers who choose to obtain Landscape Meter water service will be calculated differently from the wastewater service consumption of customers who do not.

12. The following table compares the proposed water service rates with the current water service rates for each customer class:

Class	Current Access Charge	Proposed Access Charge	Current Charge per 1,000 gallons (first 3,000)	Proposed Charge per 1,000 gallon (first 3,000)	Current Charge per 1,000 gallons	Proposed Charge per 1,000 gallons (summer)	Proposed Charge per 1,000 gallons (non-summer)
Residential	\$6.82	\$10.00	\$0.770	\$0.70	\$1.630	\$2.15	\$1.75
Multi-Unit (up to 11)*	\$6.82	----	N/A	----	\$1.293	----	----
Multi-Unit (over 11)*	\$14.11	----	N/A	----	\$1.293	----	----
Commercial-Industrial**	\$15.55	----	N/A	N/A	\$1.431	----	----
Off-Peak Commercial	\$16.03	----	N/A	----	\$0.881	----	----
Small Commercial	----	\$21.45	N/A	N/A	----	\$1.25	\$0.90
Large Commercial	----	\$165.00	N/A	N/A	----	\$1.32	\$1.15
[Large] Industrial	\$996.04	\$1,000.00	N/A	N/A	\$1.852	\$1.65	\$1.50
Off-Peak Industrial	\$996.04	----	N/A	----	\$1.080	----	----
[Municipal] Parks*** [Irrigation]	\$81.98	\$100.00	N/A	N/A	\$1.336	\$2.05	\$1.50
Golf Course	----	\$1,000.00	----	N/A	----	\$1.65	\$1.65
Municipal Parks [Paz] Irrigation Non-Potable	\$0.00	\$0.00	N/A	N/A	\$1.126	\$1.38	\$1.38
Reclaimed Water	----	\$20.00	----	N/A	----	50% tariff	50% tariff
Bulk Water Hydrant-Metered	\$15.55	\$16.00	N/A	N/A	\$1.43	\$2.05	\$1.60
Bulk Water-City Service Center****	\$16.03	----	N/A	N/A	\$0.88	----	----
[Parks &] Golf Course [Interruptible Time of Use] ***	\$966.17 on peak \$350.10 off peak	\$1,150.00 Golf Course \$100.00 Parks	N/A	N/A	\$1.280 on peak \$1.065 off peak	\$3.36 on peak \$1.12 off peak	\$3.36 on peak \$1.12 off peak

Landscape Meter	----	50% tariff	----	N/A	----	Applicable summer rate	Applicable summer rate
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* Customers currently taking service under the Multi-Unit Service rates will receive service under the new Small Commercial or Large Commercial service rates as applicable.

** Customers currently taking service under the Commercial-Industrial Service rate will receive service under the new Small Commercial or Large Commercial rates as applicable.

*** Customers currently taking service under the Municipal Parks Irrigation rate or the Golf Course rate may take service under the non-interruptible Parks rate or Golf Course rate, respectively, or under the Parks and Golf Course Interruptible Time of Use Irrigation rate, if they meet the eligibility criteria.

**** There are currently no customers taking service under the Bulk Water-City Service Center rate schedule. The Bulk Water-Hydrant-Metered rate schedule would apply should new customers seek to take service at the City Service Center.

13. As described in LCU’s Application, the proposed rates stated above do not include LCU’s costs for payments in lieu of taxes relating to franchise fees, which are proposed to be collected through a separate surcharge on each monthly bill.

14. LCU also proposes to increase fees for water connection charges. These charges vary in accordance with the diameter of the service line employed by each new customer and are set forth in LCU’s Application and direct testimony and exhibits. For a typical ¾-inch residential connection, this fee will increase from \$198.00 for the service line and \$27.00 for the meter installation to \$1,020.00 for the first 25 feet or less of service line, if needed, and \$187.00 for the meter installation, plus additional charges for lengths in excess of 25 feet, pavement cutting, manifolds, main line extensions and main line water taps.

15. The average monthly Water Utility bill for a residential customer under current rates is \$23.80 during the summer months and \$17.28 during the rest of the year. Under the proposed new rates, the average monthly bill for the same residential customer would be \$31.49 during the summer months and \$20.85 during the rest of the year. Of

course, each customer's billings will be determined by that customer's actual water consumption.

16. The above rate changes stated by class are for informational purposes only. The final decision of the Utilities Board may vary the rates ultimately charged to each rate class or for each consumption level.

17. Under the Interim Rules and Rate Making Procedures as amended, a complete procedural schedule will be established for this case that will be designed to allow for a public hearing and this issuance of a final, written decision by the Utilities Board no later than 280 days after the first regular meeting of the Utilities Board following the submission of LCU's Application and testimony and exhibits, *i.e.*, about the time of the Utilities Board's regularly scheduled meeting of May 2010.

18. The Interim Rules allow any interested party to participate in a rate proceeding before the Utilities Board in either of two ways, as an intervenor or as a commenter. Intervenors participate as formal parties to the proceeding, subject to all the Utilities Board's rules and orders and other requirements of law, and must obtain the Utilities Board's consent to intervene. Commenters may make oral or written comment to the Utilities Board, but their comments will not be considered as evidence in this case.

19. The Utilities Board also encourages residential and small commercial ratepayers to contact the RAC, which was created for the sole purpose of acting as an intervenor on behalf of residential and small commercial customers as a class. By communicating their concerns to the RAC at early stages of the rate proceeding, residential and small commercial customers can best assist the RAC in developing and

presenting to the Utilities Board testimony and other evidence reflecting the interests of residential and small commercial customers as a class.

20. In accordance with the authority granted by the Utilities Board in the Interim Rules the Chair as Procedural Master for this proceeding has established the following initial procedural schedule for this Utilities Board Case No. 2009-001 (W).

A. On or before August 30, 2009, LCU shall publish this Notice to Water Service Customers of Las Cruces Utilities one time in the Las Cruces Sun News. LCU shall ensure that an affidavit of publication is filed promptly upon publication of that notice.

B. No later than August 25, 2009, LCU shall cause the Notice appended hereto as Attachment "A" to be posted on its page of the City's website, <http://www.las-cruces.org>. LCU shall file promptly an affidavit reflecting such Internet posting.

C. On or before September 21, 2009, any person desiring to become a party to this case must file a motion to intervene, pursuant to Rule 4 of the Interim Rules.

D. Objections to motions to intervene must be in writing and must be filed within thirteen (13) days after service of the motion to intervene or at the time of the public hearing on intervention motions, whichever is earlier.

E. A public hearing on any motions for intervene shall be held by the Utilities Board beginning at 1:00 p.m. on Thursday, October 8, 2009, at the offices of the Utilities Board, 680 North Motel Boulevard, Las Cruces, New Mexico 88007.

F. Following the Utilities Board's ruling on motions to intervene, the Utilities Board or the Procedural Master shall issue an order establishing the remaining

procedural dates and requirements for this proceeding, including the deadlines for filing of direct testimony by the RAC and any intervenors, the deadline for the filing of rebuttal testimony by LCU and any other parties, the date of public hearing on the merits of the rate application, the deadline for the submission of written comments in accordance with Rule 4.A of the Interim Rules and the date or dates of public hearings for the purpose of oral comments, which may or may not coincide with the date of the public evidentiary hearing on the merits of the rate application.

G. The procedural dates, locations and other requirements provided in this notice are subject to modification upon further order of the Procedural Master or the Utilities Board.

21. A copy of LCU's Application and all other documents included in the public record of this proceeding shall be available for public inspection at the Thomas Branigan Memorial Library, 200 East Picacho Avenue, Las Cruces, New Mexico 88001, during ordinary library hours.

22. Interested persons should consult the City of Las Cruces' website, <http://www.las-cruces.org>, or contact the chief clerk of the Utilities Board or the chief clerk's designee at the offices of the Utilities Board, 680 North Motel Boulevard, Las Cruces, New Mexico 88007, telephone: (575) 528-3636, for further information and to confirm the time, date and location of any public hearing in this proceeding, as hearings are occasionally rescheduled.

23. Any person filing pleadings, documents or testimony in this case shall serve copies on LCU, the RAC and all other parties of record electronically or by mailing of paper copies as provided in Rule 8 of the Interim Rules. Motions to intervene and any

objections to motions to intervene shall be served on all existing parties, including but not limited to LCU and the RAC, and upon all proposed intervenors of record.

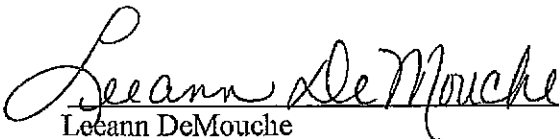
24. Any person whose written testimony or affidavit has been filed in support of or in opposition to any motion for leave to intervene shall attend the hearing on motions to intervene and shall be prepared to submit to examination under oath. Any person whose written testimony has been filed in respect to LCU's rate proposal shall attend the hearing on merits of the case and submit to examination under oath.

25. The Interim Rules shall apply to this rate proceeding, including the procedures to be used by the Utilities Board, LCU, the RAC and other interested persons, except as modified by order of the Procedural Master or the Utilities Board.

26. Any person with a disability requiring special assistance to participate in this proceeding should contact the Utilities Board at least 24 hours prior to the commencement of the hearing.

I S S U E D at Las Cruces, New Mexico this 24th day of August, 2009.

**THE BOARD OF COMMISSIONERS FOR
THE CITY OF LAS CRUCES UTILITIES**



Leeann DeMouche
Board Chair and Procedural Master