

History of Water & Sewer Systems Serving Incline Village (and some surrounding areas)

- * The subject water and sewer systems were originally owned and operated by utility companies (Incline Village Water Company and Incline Village Sewer Company) formed by the owner of the real estate development company that started the Incline Village development.
- * The Commission originally approved tariffs for these original utility companies in March 1983. It is obvious from the Staff's workpapers related to the approval of those tariffs that the rates established for water and sewer service were premised on the fact that the development company had contributed the original utility facilities constructed in the development to the utility companies.
- * Staff workpapers related to rate changes approved and effective in October 1986 (water and sewer) again confirmed that the companies' rates were premised on the fact that the development company had contributed the original utility facilities for the development to the utility companies. Additionally, the Staff's workpapers related to these rate changes contain copies of the relevant portions of the utility companies' CY1985 annual reports showing that all water and sewer facilities had been recorded as CIAC on the companies' books.
- * Sometime in 1992, the current owner of Warren County Water & Sewer Company (Gary Smith) obtained the water and sewer utility systems owned by the original utility companies through a property tax delinquency sale. In September 1992, Mr. Smith filed an application with the Commission seeking approval of the transfer of the assets from the original utility companies to an entity registered under the fictitious name of Incline Village Water and Sewer Company. As best as can be determined, Mr. Smith's investment in the utility systems consisted of a payment of \$1.00 to the original utility companies and the payment of approximately \$10,000 in back property taxes that the utility companies owed to Warren and/or St. Charles Counties.
- * Rate changes approved and effective in August 1996 (sewer only), were clearly again premised on the fact that the original development company had contributed all of the original utility facilities to the original utility companies. However, it is also at this time that it is clear that investments made by the new owner (Mr. Smith) were recognized in the new entity's rates. (The water rates were also reviewed at this time, but were not changed.)
- * Staff workpapers from a small company rate increase request (for water and sewer service) that Mr. Smith submitted in July 1998 include various plant investments made by Mr. Smith to expand or improve the original utility systems in rate base for ratemaking purposes, but clearly again confirm that the original development company contributed all of the original utility facilities to the original utility companies. (Based upon the results of the Staff's audit of the operations at this time, Mr. Smith eventually withdrew this rate increase request.)
- * Staff workpapers from a small company rate increase request (for water and sewer service) that Mr. Smith submitted in July 2001 include various plant investments made by Mr. Smith to expand or improve the original utility systems in rate base for ratemaking purposes, but clearly again confirm that the original development company contributed all of the original utility facilities to the original utility companies. (Based upon the results of the Staff's audit of the operations at this time, Mr. Smith eventually withdrew this rate increase request.)

Exhibit No. 10
Case No(s). LM - 2004 - 0122
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