

HOW RATES ARE SET

Great Basin Water Co. (“GBWC”) is a regulated utility. That term – regulated utility – is important because it means the Public Utilities Commission of Nevada regulates GBWC’s finances and determines the rates that we charge our customers. The Commission’s mission is to supervise and regulate the operation and maintenance of utility services in Nevada, including GBWC.

Some may think that we can raise rates whenever we want. Actually, the opposite is true. As a regulated utility, **our rates can change only with Commission approval.** Here is how it works. When our costs change or when capital investments are made to upgrade services to our customers, we file a request with the Commission to adjust rates, and at a minimum GBWC is required to file a rate case every three years. After a request for a rate change, the Commission’s Staff will:

- scrutinize our costs,
- conducts an audit,
- review thousands of pages of information, and
- take public testimony.

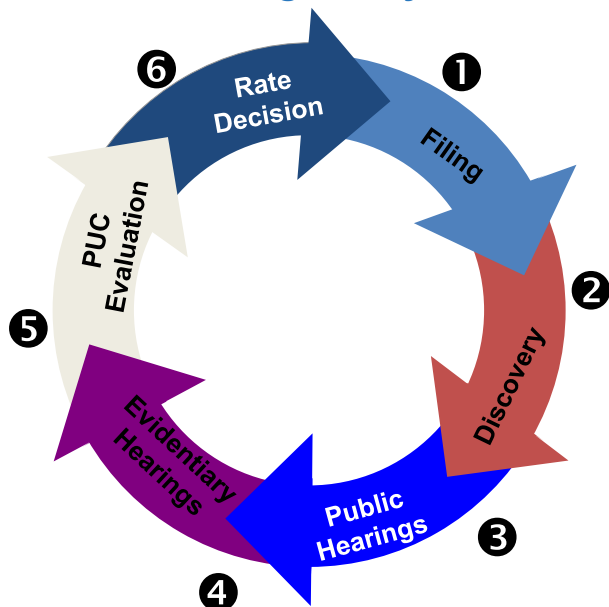
Based on its investigation, the Commission Staff will propose rates it believes serve the public interest – rates that are reasonable and fair for customers, while allowing Great Basin Water Co. the opportunity to be a viable, healthy business and earn a fair return for shareholders. That is important so we can continue delivering safe, reliable service to you.

The Bureau of Consumer Protection (“BCP”), which is a division of the Attorney General’s office acts as a consumer advocate representing the using and consuming public (the customers). BCP advocates the consumer’s voice in cases involving the rates and services of privately owned utility companies before the Public Utilities Commission of Nevada. The BCP will also review the company’s books and records to ensure only prudent costs are included in customers’ rates.

The Public Utilities Commission of Nevada will set rates based on the information the Commission receives from the Company, the Commission Staff, the BCP, and the customer.

How long does it take to adjust rates? The Public Utilities Commission usually takes about seven months to decide if a rate change is warranted.

Illustrative Regulatory Rate Setting Process



Regulatory Commissions Tend to Focus on:

- Amount and prudence of investment in facilities
- Operating and maintenance costs and taxes associated with providing the service
- Appropriate rate of return on invested capital
- Tariff or rate design that allocates operating revenue requirements equitably across the customer base
- Quality of service the utility provides, including issues raised by customers