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ORIGINAL

Arizona Corporation Commission



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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
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JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF RIO VERDE UTILITIES, INC. FOR
AN INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN MARICOPA COUNTY, ARIZONA.

DOCKET NO. WS-02156A-00-0321

IN THE MATTER OF THE APPLICATION
OF RIO VERDE UTILITIES, INC. FOR
AUTHORITY TO ISSUE PROMISSORY
NOTE(S) AND OTHER EVIDENCES OF
INDEBTEDNESS PAYABLE AT PERIODS OF
MORE THAN TWELVE MONTHS AFTER
THE DATE OF ISSUANCE.

DOCKET NO. WS-02156A-00-0323

STAFF'S NOTICE OF FILING ERRATA

On December 15, 2000, the Utilities Division staff ("Staff") of the Arizona Corporation Commission filed in this docket the prefiled direct testimony of Rodney L. Moore. After filing, errors were discovered on page 12, line 27 of that testimony, and in Schedule A and Schedule RLM-1. Attached to this filing are an amended page 12, an amended Schedule A, and an amended Schedule RLM-1 TO Mr. Moore's prefiled direct testimony. Please replace the page 12, the Schedule A and the Schedule RLM-1 filed on December 15, 2000 with the attached amended pages.

RESPECTFULLY SUBMITTED this 18th day of December, 2000.

Teena Wolfe
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

1 The original and fifteen
2 copies of the foregoing
3 were filed this 18th day
4 of December, 2000, with:

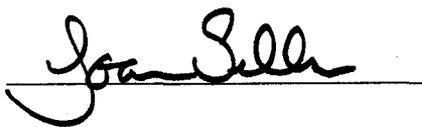
5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Copies of the foregoing were
10 mailed the 18th day of
11 December, 2000, to:

12 Richard L. Sallquist
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20 Phoenix, Arizona 85004
21 Attorneys for Rio Verde Community Association
22 and Rio Verde Country Club

23 Scott Wakefield
24 Residential Utility Consumer Office
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26 Suite 1200
27 Phoenix, Arizona 85004

28 

AMENDED

Direct Testimony of Rodney L. Moore
Docket Nos. WS-02156A-00-0321, et al.
Page 12

1 the Company's calculation of Test Year pro forma income tax expense based on Staff's
2 adjustments to Operating Expenses and the use of interest synchronization. The interest
3 expense figure for Income Tax purposes was calculated by multiplying Staff's
4 recommended rate base of \$2,657,164 times a 5.07 percent Staff-recommended cost of
5 long-term debt.

6
7 Q. What was Staff's adjustment to Interest Income?

8 A. Staff Adjustment M. Staff decreased this expense category by \$9,765. This adjustment
9 represents the amount of interest earned on the existing debt reserve fund. The removal
10 of the proposed debt reserve requirement is explained in the Staff witness Mr. William A.
11 Rigsby's Testimony.

12
13 Q. What was Staff's adjustment to Interest Expense?

14 A. Staff Adjustment N. Staff decreased this expense category by \$120,546. This adjustment
15 removed the Company's pro forma below-the-line interest expense on the proposed long-
16 term debt. This adjustment is consistent with Staff's recommendation to delay a decision
17 on a CoBank loan, that is being requested by Rio Verde Utilities, Inc. financing
18 application, until the actual terms of the loan can be reviewed. Further explanation is in
19 Staff witness Mr. William A. Rigsby's Testimony.

20
21 **REVENUE REQUIREMENT AND RATE DESIGN**

22 Q. Has Staff prepared a schedule representative of the Company's and Staff's proposed rates
23 and charges?

24 A. Yes. Please refer to Schedule RLM-6.

25
26 Q. Please explain Staff's recommended revenue requirements.

27 A. Staff is recommending rates which produce an operating income of \$809,466. The
28 Company requested a revenue level of \$825,235, which included \$70,000 derived from

COMPUTATION OF INCREASE IN GROSS REVENUE

	Company As Filed		Staff Adjusted
Adjusted Rate Base	\$ 2,967,530		\$ 2,760,524
Adjusted Operating Income	\$ 183,425		\$ 146,603
Current Rate Of Return	6.18%		5.31%
Required Operating Income	\$ 313,341		\$ 266,942
Required Rate Of Return	10.56%		9.67%
Operating Income Deficiency	\$ 129,914		\$ 120,339
Gross Revenue Conversion Factor	1.6469		1.6469
Increase in Gross Revenue Requirement	\$ 213,957		\$ 198,186
Test Year Revenue	\$ 611,278		\$ 611,278
Total Required Gross Revenue	\$ 825,235		\$ 809,466
Required Increase In Gross Revenue	35.00%		32.42%

SUMMARY OF FILING

	Present Rates		Proposed Rates	
	Company As Filed	Staff As Adjusted	Company As Filed	Staff As Adjusted
Revenues				
Sewer Revenues	\$ 538,937	\$ 538,937	\$ 752,894	\$ 807,125
Hook-Up Fees	70,000	70,000	70,000	-
Miscellaneous Service Revenue	2,341	2,341	2,341	2,341
TOTAL OPERATING REVENUE	\$ 611,278	\$ 611,278	\$ 825,235	\$ 809,466
Operating Expenses				
Operation And Maintenance	\$ 395,226	\$ 347,667	\$ 395,226	\$ 347,668
Depreciation	91,101	76,889	91,101	76,889
Taxes Other Than Income		35,821		35,821
Income Tax	(58,474)	4,298	25,568	82,146
TOTAL OPERATING EXPENSES	\$ 427,853	\$ 464,675	\$ 511,895	\$ 542,524
Operating Income/(Loss)	\$ 183,425	\$ 146,603	\$ 313,340	\$ 266,942
Rate Base - O.C.R.B.	\$ 2,967,530	\$ 2,760,524	\$ 2,967,530	\$ 2,760,524
Rate Of Return - O.C.R.B.	6.18%	5.31%	10.56%	9.67%
REQUIRED OPERATING INCOME	N/A	N/A	\$ 313,340	\$ 266,942