

ORIGINAL



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MEMORANDUM

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2005 JUN 22 1P 3: 26

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

JUN 22 2005

DATE: June 21, 2005

DOCKETED BY
KJ

RE: ADDENDUM TO STAFF REPORT FOR CORONADO UTILITIES, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WASTEWATER SERVICE IN PINAL COUNTY, ARIZONA (DOCKET NO. SW-04305A-05-0086) and SW-04305A-05-0087

On February 10, 2005, Coronado Utilities, Inc. ("Coronado" or "Company"), filed an Application with the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide wastewater service to the community of San Manuel located in Pinal County, Arizona. On May 27, 2005, Staff filed its Staff Report pertaining to this filing.

Staff's recommended revenue of \$965,293 remains unchanged. Staff has revised its recommended rates and charges to reflect projected effluent and establishment fee revenue. Staff's initial rates were based on actual sales for the existing customers in 2004. Staff did not include effluent revenue because there were no effluent sales in 2004 and Staff was under the impression that the golf course had not been constructed. However, based upon the Company's response concerning the effluent sales, Staff has revised its rates to include Coronado's projected effluent sales in Year 3 and \$900 in establishment fees that were estimated for 2004.

The "Projected Operating Revenue" section of the original Staff Report should be revised to include discussions concerning the Effluent Sales and Establishment Fee Revenue attached to this memorandum. Additionally, Schedule CSB-WW3 of the original report should be replaced with Schedule CSB-WW3 attached to this memorandum. Further, the "Monthly Customer Charge" and "Volumetric Charge" sections and Schedule CSB-WW4, page 1 of 2 filed with the original Staff Report should be replaced with the revised sections and Schedule CSB-WW4, page 1 of 2 attached to this memorandum.

EGJ:CSB

Originator: Crystal S. Brown

Attachment: Original and sixteen copies

NOTICE OF ERRATA

INSERT THE FOLLOWING IN THE PROJECTED OPERATING REVENUE SECTION ON PAGE 3 OF THE BROWN MEMORANDUM ATTACHED TO THE ORIGINAL STAFF REPORT:

Effluent Sales Revenue

Staff reviewed the year three Effluent Sales Revenue and found it to be reasonable. Staff decreased Effluent Sales Revenue by \$1,390 from \$18,128 to \$16,738 to reflect year three revenue rather than year five revenue.

Establishment Fee Revenue

Staff decreased Establishment Fee Revenue by \$900 from \$1,800 to \$900. Staff determined from a discussion with a Company representative that 2004 establishment fee revenue was approximately half of the \$1,800 expected in year 5. This is based on three existing homes per month being sold and changing ownership. Staff used the annual \$900 as its Year 3 estimate of establishment fee revenue as Staff anticipates the change in customer base to be relatively stable.

INSERT THE FOLLOWING IN THE RATE DESIGN SECTION ON PAGES 4 AND 5 OF THE BROWN MEMORANDUM ATTACHED TO THE ORIGINAL STAFF REPORT:

Monthly Customer Charges

The Company proposes a monthly customer charge (flat rate) of \$42.00 for residential customers. The rate is based upon the amount of revenue allocated to the residential customer class divided by the number of annual residential customer billings. The Company proposes a \$5.00 monthly customer charge for each mobile home park resident, \$65.00 for each commercial customer, and no monthly customer charge for schools.

Staff recommends a \$48.63 residential monthly customer charge. The customer charge is based upon the Staff adjusted revenue allocated to the residential class divided by the number of annual residential customer bills. Staff proposes a \$7.50 monthly customer charge for all other customer classes. The \$7.50 is the Company's estimate of management and billing costs per month per customer.¹

Volumetric Charge

The Company proposes a \$0.42 per 100 gallons of water usage volumetric charge for commercial customers, mobile home parks, and schools.² Staff recommends \$1.1548, \$0.4725, and \$0.3122 per 100 gallons of water usage for the commercial, mobile home park and schools customer classes, respectively. Staff's recommended volumetric rate design (Plan A) is contingent upon the Company obtaining a formal written agreement

¹ Per response to data request CSB 2-11.

² Coronado was unable to obtain monthly water usage data for residential customers from Arizona Water Company.

with Arizona Water Company to obtain monthly water usage data for commercial customers, mobile home park customers and schools for as long as Coronado has a rate design based upon monthly water usage. If Coronado is unable to obtain the agreement, Staff recommends the Plan B - Alternative Rate Design that is based upon the capacity multipliers of various water meter sizes as shown on Schedule CSB-WW4.

Coronado Utilities, Inc.
Docket No. SW-04305A-05-0086
Test Year Ended: Third Year of Operation

Schedule CSB - WW3
Revised June 21, 2005

**PROJECTED STATEMENT
OF OPERATING INCOME**

	Company Proposed Year 5	Staff Adjustments	Staff Recommended Year 3
Revenues:			
Residential	\$750,240	(\$20,222)	\$730,018
Commercial	\$57,600	\$31,524	\$89,124
Mobile Home Park	\$122,208	(\$8,018)	\$114,190
Schools	\$9,600	\$4,723	\$14,323
Effluent Sales	18,128	(\$1,390)	16,738
Other Revenue	1,800	(\$900)	900
Total Operating Revenue	\$959,576	\$5,717	\$965,293
Operating Expenses:			
Salaries and Wages	\$91,000	\$0	\$91,000
Sludge Removal Expense	0	\$0	0
Purchased Power, Pumping Equip	80,640	\$0	80,640
Sewage Treatment and Testing	0	\$0	0
Repairs and Maintenance	4,000	\$0	4,000
Office Supplies and Expense	0	\$0	0
Outside Services	140,760	(\$12,960)	127,800
Rents	0	\$0	0
Transportation Expenses	0	\$0	0
General Insurance	5,000	\$0	5,000
Depreciation Expense	154,576	(\$2,640)	151,936
Income Tax	13,355	\$70,965	84,320
Property Tax	56,210	(\$3,903)	52,307
Miscellaneous Expense	176,683	(\$86,305)	90,378
Total Operating Expenses	\$722,224	(\$34,843)	\$687,381
OPERATING INCOME/(LOSS)	\$237,352	\$40,560	\$277,912
Other Income/(Expense):			
419 Interest and Dividend Income	\$6,867	(\$1,107)	\$5,760
421 Non-Utility Income	0	\$0	0
427 Interest Expense	196,850	(\$47,865)	148,985
4XX Reserve/Replacement Fund Deposit	0	\$0	0
426 Miscellaneous Non-Utility Expense	0	\$0	0
Total Other Income/(Expense)	(\$189,983)	\$46,758	(\$143,225)
NET INCOME/(LOSS)	\$47,369	\$87,318	\$134,687

RATE DESIGN

PLAN A

Monthly Customer Charges

-Proposed Rates-

	Company	Staff
Residential	\$42.00	\$48.63
Commercial	65.00	\$7.50
Mobile Home Park	5.00	\$7.50
School	N/A	\$7.50

Volumetric Rates

Commercial - per 100 gallons of water usage	\$0.4200	\$1.1548
Mobile Home Park - per 100 gallons of water usage	0.4200	0.4725
School - per 100 gallons of water usage	0.4200	0.3122

Effluent Sales

Per 1,000 Gallons for General Irrigation	\$0.15	\$0.15
Per Acre Foot (or 325,851 gallons) for General Irrigation	N/A	\$48.88

PLAN B - ALTERNATIVE RATE DESIGN¹

Monthly Customer Charges - Based on Water Meter Size

-Proposed Rates-

	Company	Staff
5/8" x 3/4" Meter	N/A	\$48.63
3/4" Meter	N/A	72.94
1" Meter	N/A	121.57
1½" Meter	N/A	243.14
2" Meter	N/A	389.03
3" Meter	N/A	729.43
4" Meter	N/A	1,215.72
6" Meter	N/A	2,431.45

¹ If Company cannot obtain a signed formal agreement with AWC for monthly water usage.