

ORIGINAL



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**ARIZONA CORPORATION COMMISSION**

060

October 14, 2005

Mr. Michael Webber  
Black Mountain Sewer Company  
111 W. Wigwam Blvd, Suite B  
Litchfield Park, AZ 85340

RE: BLACK MOUNTAIN SEWER COMPANY - APPLICATION FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON, DOCKET NO. SW-02361A-05-0657

LETTER OF DEFICIENCY

Dear Mr. Webber:

In reference to your rate application received on September 16, 2005, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found your application deficient because a cost of service study was not filed with your application. However, Staff will not require the cost of service study if the following information, which is listed on a separate attachment, is provided. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until October 31, 2005, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Crystal Brown. She can be reached at (602) 542-0564, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Dorf  
Chief, Financial & Regulatory Analysis Section  
Utilities Division

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Service List for: Black Mountain Sewer Company  
Docket No. SW-02361A-05-0657

Docket Control Center (sixteen copies)  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

Mr. Thomas Bourassa  
139 W. Wood Drive  
Phoenix, Arizona 85029

Mr. Jay L. Shapiro  
Fennemore Craig, P.C.  
3003 North Central Avenue, Ste. 2600  
Phoenix, Arizona 85012

## **BLACK MOUNTAIN SEWER COMPANY – INFORMATION NEEDED FOR SIMPLIFIED COST OF SERVICE ANALYSIS**

**Note:** For all expenses that are allocated, please select an efficient cost-effective methodology that in your professional judgment provides the best cost estimate. Additionally, please identify and support all allocations, percentages, averages, and ratios.

1. Allocate Revenue and Other Wastewater Revenues – Please allocate your Total Revenue and Total Other Waste Water Revenues to each of your customer classes. As part of your response, please provide information for each Commercial, Special Rate customer.
2. Allocate Operating Expenses to Individual Service Components – For each operating expense item in your income statement, please classify all of the expense to one or more of the following service components listed below:
  - a. Sanitary Sewage Flow – Includes the costs of operating and managing the volume of sanitary sewer and stormwater flow, beginning in the collection system and ending with treatment and discharge.
  - b. Sanitary Sewage Strength – Includes the costs of purification at the treatment plant. Sanitary strength is measured according to two characteristics: biochemical oxygen demand (“BOD”) and total suspended solids (“TSS”).
  - c. Stormwater Drainage Service – Includes all of the costs of operating and managing the volume and quality of urban stormwater runoff.
  - d. Account Service – Includes all of the costs of providing customer service, billing, and collection.
  - e. Effluent – Includes all the costs of producing and providing effluent.
3. Allocate Rate Base to Individual Service Components – For each element on your rate base schedule, please classify all of the rate base element to one or more of the following service components listed below:
  - a. Sanitary Sewage Flow – Includes all plant needed for sanitary sewage flow, beginning in the collection system and ending with treatment and discharge.
  - b. Sanitary Sewage Strength – Includes all plant needed for purification at the treatment plant. Sanitary strength is measured according to two characteristics: BOD and TSS.
  - c. Stormwater Drainage Service – Includes all plant needed for the collection and transportation of stormwater runoff.
  - d. Account Service – Includes all plant needed to provide customer service, billing and collection.
  - e. Effluent – Includes all plant needed for producing and providing effluent.

4. Determine Total Annual Units for Each Service Component – Please provide the total annual units for each service component listed below:

<b>Service Component</b>	<b>Units of Measure</b>	<b>Total Annual Units</b>
Basic Sanitary Sewage Flow- Residential	Gallons	
Basic Sanitary Sewage Flow- Commercial, Regular	Gallons	
Basic Sanitary Sewage Flow- Commercial, Special (Note: Identify flow for each special rate customer)	Gallons	
Total Basic Sanitary Sewer for all classes	Gallons	
Biochemical Oxygen Demand - Residential	Pounds	
Biochemical Oxygen Demand – Commercial, Regular	Pounds	
Biochemical Oxygen Demand – Commercial, Special (Note: Identify BOD for each special rate customer)	Pounds	
Total BOD for all classes	Pounds	
Suspended Solids - Residential	Pounds	
Suspended Solids – Commercial, Regular	Pounds	
Suspended Solids – Commercial, Special (Note: Identify BOD for each special rate customer)	Pounds	
Total Suspended Solids	Pounds	
Basic Impervious Area - Residential	1,000 Square Feet	
Basic Impervious Area – Commercial, Regular	1,000 Square Feet	
Basic Impervious Area – Commercial, Special (Note: Identify BOD for each special rate customer)	1,000 Square Feet	
Account Services	Bills	
Effluent	Gallons	