

ORIGINAL



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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Date: November 10, 2005

RE: STAFF REPORT FOR PERKINS MOUNTAIN UTILITY COMPANY AND PERKINS MOUNTAIN WATER COMPANY – APPLICATIONS FOR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WASTEWATER AND WATER SERVICES (DOCKET NOS. SW-20379A-05-0489 AND W-20380A-05-0490)

Attached is the Staff Report for Perkins Mountain Utility Company and Perkins Mountain Water Company applications for Certificates of Convenience and Necessity for wastewater and water services. Staff is recommending approval with conditions.

EGJ:BNC:rdp

Originator: Blessing Chukwu

Attachment: Original and 13 copies

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Service List for: Perkins Mountain Utility Company and Perkins Mountain Water Company
Docket Nos. SW-20379A-05-0489 and W-20380A-05-0490

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STAFF REPORT
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ARIZONA CORPORATION COMMISSION

PERKINS MOUNTAIN UTILITY COMPANY
AND
PERKINS MOUNTAIN WATER COMPANY

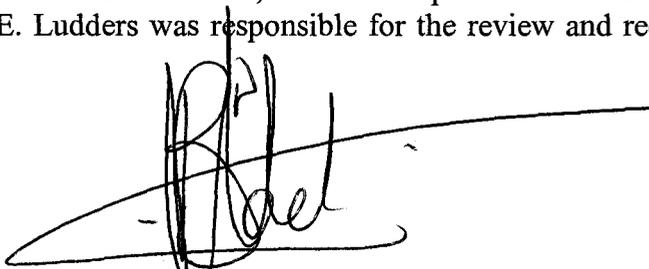
DOCKET NOS. SW-20379A-05-0489
AND
W-20380A-05-0490

APPLICATIONS FOR CERTIFICATES OF
CONVENIENCE AND NECESSITY

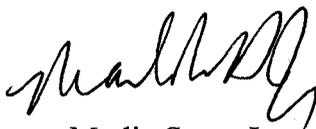
NOVEMBER 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Perkins Mountain Utility Company and Perkins Mountain Water Company (Docket Nos. SW-20379A-05-0489 and W-20380A-05-0490) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Marlin Scott, Jr. was responsible for the engineering and technical analysis. Ronald E. Ludders was responsible for the review and recommendation on rate base and usage rates.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant III

A handwritten signature in black ink, appearing to read 'Marlin Scott, Jr.', written in a cursive style.

Marlin Scott, Jr.
Utilities Engineer

A handwritten signature in black ink, appearing to read 'Ronald E. Ludders', written in a cursive style.

Ronald E. Ludders
Public Utilities Analyst V

EXECUTIVE SUMMARY
PERKINS MOUNTAIN UTILITY COMPANY AND
PERKINS MOUNTAIN WATER COMPANY
DOCKET NOS. SW-20379A-05-0489 and W-20380A-05-0490

On July 7, 2005, Perkins Mountain Utility Company ("PMUC" or "Wastewater Company") and Perkins Mountain Water Company ("PMWC" or "Water Company") collectively referred to as ("The Utilities") filed applications with the Arizona Corporation Commission ("ACC" or "Commission") for Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Mohave County, Arizona. On September 14, 2005, the Utilities filed an amendment to the applications to include a revised legal description. On August 25, 2005, Sports Entertainment, LLC ("Sports Entertainment") filed a request that the Utilities include a portion of Sports Entertainment's parcel in the proposed CC&N area. On September 19, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code. On September 27, 2005, Sports Entertainment, LLC filed an Application to Intervene.

PMUC and PMWC are Nevada Corporations, in good standing with the ACC Corporation Division, and formed to provide wastewater and water utility services to all of the residents and businesses in the Golden Valley South and The Villages at White Hills master-planned communities, and are seeking CC&Ns for these areas. Golden Valley South is expected to be comprised of more than 33,000 dwelling units at build-out whereas, The Village at White Hills is expected to comprise of more than 20,000 dwelling units. Rhodes Home Arizona, LLC ("Rhodes") is the developer for Golden Valley South and The Village at White Hills.

Sports Entertainment in its letter to Staff and in its Application to Intervene alleged that the Utilities had failed to include 120 acres of its 440 acre property in the master plan to provide services and requested that the whole property be included in the master plan to provide services. Staff believes that the inclusion of the 120 acres to the Utilities requested (The Village at White Hills) CC&N area is in the public interest since the 120 acres is near to or contiguous to the Utilities requested CC&N area.

Staff has reviewed the proposed total plant-in-service along with the Utilities' engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of the CC&N applications does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Water Service CC&N

Staff recommends the Commission approve PMWC application for CC&N within portions of Mohave County, Arizona, as amended, to provide water service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMWC's property devoted to water service is \$2,307,375.

2. That the Commission approve Staff's rates as shown on Water Schedule REL-5-Rate Design in the attached Rate Analyst Report. In addition to collection of its regular rates, PMWC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMWC to notify the Director of the Utilities Division, through the compliance section, within 15 days of providing service to its first customer.
5. That the Commission require PMWC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMWC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require PMWC to use the depreciation rates recommended by Staff.
8. That the Commission require PMWC to seek other means of financing that do not include contributions.
9. That the Commission require PMWC's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
10. That the Commission require PMWC to provide utility services to all of the 440 acres of land that is owned by Sports Entertainment.
11. That the Commission require PMWC to file with Docket Control, as a compliance item, an amended legal description for The Village at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting this application.
12. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.
13. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the developer's Letter of Adequate Water Supply demonstrating the availability of adequate water for the requested areas within 24 months after the effective date of the order granting this application.
14. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the

Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.

15. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 365 days of the decision in this matter.
16. That the Commission require PMWC to file with Docket Control, as a compliance item, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for Phase I of the extension area within 365 days of a decision in this case.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMWC be considered null and void should PMWC fail to meet Conditions Nos. 3, 11, 12, 13, 14, 15 and 16 listed above within the time specified.

Wastewater Service CC&N

Staff recommends the Commission approve PMUC application for CC&N within portions of Mohave County, Arizona, as amended, to provide wastewater service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMUC's property devoted to wastewater service is \$2,581,198.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule REL-5-Rate Design in the attached Rate Analyst Report. In addition to collection of its regular rates, PMUC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMUC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMUC to notify the Director of the Utilities Division, through the compliance section, within 15 days of providing service to its first customer.
5. That the Commission require PMUC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMUC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require PMUC to use the depreciation rates recommended by Staff.
8. That the Commission require PMUC to seek other means of financing that do not include contributions.
9. That the Commission require PMUC's charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).

10. That the Commission require PMUC to provide utility services to all of the 440 acres of land that is owned by Sports Entertainment.
11. That the Commission require PMUC to file with Docket Control, as a compliance item, an amended legal description for The Village at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting this application.
12. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by PMUC, but no later than 24 months after the effective date of the order granting this application
13. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of each project's APP within 24 months after a decision is issued in this proceeding
14. That the Commission require PMUC to obtain Section 208 approval from ADEQ within 24 months from the effective date of the decision in this matter and file with Docket Control as a compliance item in this docket, a copy of the Section 208 approval for the requested area within 24 months from the effective date of the decision in this matter.
15. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMUC be considered null and void should PMUC fail to meet the Conditions Nos. 3, 11, 12, 13, 14 and 15 listed above within the time specified.

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Introduction

On July 7, 2005, Perkins Mountain Utility Company ("PMUC" or "Wastewater Company") and Perkins Mountain Water Company ("PMWC" or "Water Company") collectively referred to as ("The Utilities") filed applications with the Arizona Corporation Commission ("ACC" or "Commission") for Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Mohave County, Arizona. On September 14, 2005, the Utilities filed an amendment to the applications to include a revised legal description.

On August 8, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Utilities' applications did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C) and R14-2-602(B). A copy of the Insufficiency Letter was sent to the Utilities via U.S mail. In the letter, Staff listed the deficiencies to be cured for administrative purposes.

On August 25, 2005, Mr. Scott Fisher of Sports Entertainment, LLC ("Sports Entertainment") filed a request that the Utilities include a portion of Sports Entertainment's parcel in the proposed CC&N area.

On August 29, 2005, and September 14, 2005, the Utilities provided additional documentation to support their relief requested.

On September 19, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

On September 21, 2005, a procedural order was issued which consolidated the above mentioned applications for purposes of hearing. The procedural order was subsequently amended on September 26, 2005.

On September 27, 2005, Sports Entertainment filed an Application to Intervene in both dockets.

Background

PMUC and PMWC are Nevada Corporations, in good standing with the ACC Corporation Division, and formed to provide wastewater and water utility services to all of the residents and businesses in the Golden Valley South and The Villages at White Hills master-planned communities, and are seeking CC&Ns for these areas.

Golden Valley South is a master planned community which includes an active retiree community with an 18-hole golf course, an interconnected community for all age groups, an industrial/business park area and community commercial areas. Golden Valley South is nine square-miles (approximately 5,750 acres) and is located approximately five miles southwest of

Kingman, Arizona. The development is expected to be comprised of more than 33,000 dwelling units at build-out.

The Village at White Hills is planned as a self-contained community that would provide affordable homes for commuters to the Las Vegas metropolitan area. The development is four and half square-miles (approximately 2700 acres) and is located approximately 40 miles northwest of Kingman. The Village at White Hills is expected to serve both residents and traveler and comprise of more than 20,000 dwelling units.

Rhodes Home Arizona, LLC ("Rhodes") is the developer for Golden Valley South and The Village at White Hills.

Request for Service

The Utilities filed with the applications the request for service the Utilities received from Desert Communities, Inc. and America Land Management, LLC for Golden Valley South and Sedora Holdings, LLC (aka Sedora, LLC) for The Village at White Hills. No request for service was submitted in the applications by the Utilities for the Sports Entertainment's property which was identified in the applications as part of The Village at White Hills.

On August 15, 2005, Sports Entertainment sent a letter to Staff indicating that the Utilities had notified Sports Entertainment requesting that the Utilities be allowed to provide utility services to Sports Entertainment's property located in The Village at White Hills. The letter further stated that the Utilities had failed to include a portion of the property and that Sports Entertainment would like to request that the whole property be included in the master plan to provide services. On September 27, 2005, Sports Entertainment filed an Application to Intervene in the docket.

Sports Entertainment owns approximately 440 acres of land ("Parcel Number 317-36-051" or "Subject Property") in Section 30 of Township 27 North, Range 20 West, in the White Water Hills area of Mohave County. The remaining 200 acres of land in Section 30 of Township 27 North, Range 20 West, Southwest of the Subject Property, are Federal land. According to the Application to Intervene, Sports Entertainment granted to Sagebrush Enterprises, Inc. an Option to purchase 320 acres of the Subject Property ("Option Property") and Sagebrush Enterprises, Inc. has exercised its Option to Purchase the Option Property. Sports Entertainment anticipates to close the sale of the 320 acres to Sagebrush Enterprises, Inc. in 2006. After the sale in 2006, Sports Entertainment will own only the remaining 120 acres of the Subject Property.

Staff has had discussions with both the representatives of the Utilities and Sports Entertainment regarding the August 15, 2005 letter, specifically the issue of including the remaining 120 acres in the Utilities' plan to provide utility services. Staff believes that the inclusion of the 120 acres to the Utilities requested (The Village at White Hills) CC&N area is in the public interest since the 120 acres is near to or contiguous to the Utilities requested CC&N area. As such, Staff recommends that the Utilities be required to provide utility services to all of

the 440 acres of land that is owned by Sports Entertainment. Staff further recommends that the Utilities be required to file with Docket Control an amended legal description for The Village at White Hills including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting this application.

The Proposed Wastewater System

For Golden Valley South, PMUC is proposing to construct an 8.0 million gallon per day ("MGD") activated sludge wastewater treatment plant ("WWTP") and approximately 100,000 lineal feet of collection system to serve 152 customers in the first year and 2,042 customers by the fifth year.

For The Villages at White Hills, PMUC is proposing to construct a 6.0 MGD activated sludge WWTP and approximately 41,000 lineal feet of collection system to serve zero customers in the first year and 1,025 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 25,000 lineal feet of force mains for beneficial use for irrigation of large landscaped areas or golf course if ultimately included in the land plan.

Cost Analysis

PMUC submitted an estimated total plant-in-service spreadsheet by the National Association of Regulatory Utility Commissioners ("NARUC") plant account which combined the two development projects (see PMUC's Schedule A-11 in the attached Engineering Report):

Year 1:	\$4,548,325
Year 2:	\$7,937,725
Year 3:	\$9,541,950
Year 4:	\$16,915,025
Year 5:	\$19,024,350

Staff has reviewed the proposed total plant-in-service along with PMUC's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

PMUC does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

The Wastewater Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that PMUC file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by PMUC, but no later than 24 months after the effective date of the order granting this application.

Since an Aquifer Protection Permit ("APP") represents a fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that PMUC file with Docket Control, as a compliance item, copies of each project's APP within 24 months after a decision is issued in this proceeding

Clean Water Act Section 208 Plan

Environmental quality regulations require PMUC to obtain approval of an individual wastewater facility plan, often referred to as "Section 208 Plan" from the designated water quality planning agency. Since the developments are in Mohave County and Mohave County does not have a Designated Planning Authority, the Section 208 Plan will be processed by ADEQ.

Staff recommends that PMUC obtain Section 208 approval from ADEQ within 24 months from the effective date of the decision in this matter and file with Docket Control as a compliance item in this docket a copy of the Section 208 approval for the requested area within 24 months from the effective date of the decision in this matter.

Wastewater Depreciation Rates

PMUC has adopted Staff's typical and customary Wastewater Depreciation Rates. These rates are presented in Table A of the attached Engineering Report and it is recommended that PMUC use these depreciation rates by individual NARUC category as delineated in Table A of the attached Engineering Report.

The Proposed Water System

For Golden Valley South, PMWC is proposing to construct 15 wells (each producing at 1,200 gallons per minute ("GPM")), 10 million gallons of storage (three sites minimum), booster systems, and approximately 133,000 lineal feet of transmission/distribution main to serve 150 customers in the first year and 2,040 customers by the fifth year.

For The Villages at White Hills, PMWC is proposing to construct 25 wells (each producing at 500 GPM), five tank/pumping sites (tanks ranging from 0.3 MG to 3.0 MG) and approximately 56,000 lineal feet of transmission/distribution main to serve zero customers in the first year and 1,025 customers by the fifth year.

Cost Analysis

PMWC submitted an estimated total plant-in-service spreadsheet by the NARUC plant account which combined the two development projects (see PMWC's Schedule A-11 in the attached Engineering Report):

Year 1:	\$4,812,375
Year 2:	\$9,932,275
Year 3:	\$11,980,317
Year 4:	\$15,058,359
Year 5:	\$19,424,751

Staff has reviewed the proposed total plant-in-service along with PMWC's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Finance of Utility Facilities

According to the applications, the Utilities intend to finance the required utility facilities through a combination of shareholder equity, Retained Earning, Contributions In Aid of Construction ("CIAC") provided through Hookup fees (see the Rate Design section of this Report for further discussion on CIAC), and advances in aid of construction. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

Staff recommends that PMWC file with Docket Control, as a compliance item, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for Phase I of the extension area within 365 days of a decision in this case.

ADEQ Compliance

PMWC does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

The Water Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Water Company file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.

Arizona Department of Water Resources ("ADWR") Compliance

PMWC will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

Staff recommends that the Water Company file with Docket Control, as a compliance item, copies of the developer's Letter of Adequate Water Supply for the requested areas within 24 months after the effective date of the order granting this application.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The arsenic levels for Golden Valley South and The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC should be able to resolve this issue.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

Staff recommends that the Company file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. Staff also recommends that the tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.

Water Depreciation Rates

PMWC has adopted Staff's typical and customary Water Depreciation Rates. These rates are presented in Table A of the attached Engineering Report and it is recommended that the Water Company use these depreciation rates by individual NARUC category as delineated in Table A of the attached Engineering Report.

Fair Value Rate Base

Consistent with Commission rules, the Utilities' applications included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers. Projections and assumptions are necessary to establish a fair value rate base and initial rates due to the lack of historical information. Since this is a new CC&N, original cost rate base is the same as fair value rate base. Staff adjusted rate base to reflect its removal of the Utilities' proposed hook-up fees, as explained in the Rate Design section of this Report.

Staff's elimination of the hook-up fees reduced the Utilities' cash projections and Contributions in Aid of Construction ("CIAC") while increasing the need for additional paid-in-capital as shown on Water and Wastewater Schedules REL-1-Balance Sheet in the attached Rate Analyst Report. Since the elimination of the hook-up fees also eliminates the amortization of the CIAC, the depreciation expense has been increased which has affected the Utilities' Income Statement (see Schedules REL-2 in the attached Rate Analyst Report). Further, the hook-up fee elimination has increased Water and Wastewater Schedules REL-4-Rate Base and Return and eliminated the original balances submitted by the Utilities.

Staff determined the projected rate base for the water plant to be \$2,307,375 at the end of the first year (see Water Schedule REL-4-Rate Base and Return in the attached Rate Analyst Report). Staff determined the rate base for the wastewater plant to be \$2,581,198 at the end of the first year (see Wastewater Schedule REL-4-Rate Base and Return in the attached Rate Analyst Report).

Revenue and Expenses

As justification for the initial rates, the Utilities have estimated their revenue and expenses. Staff has reviewed these estimates and found them to be reasonable. The projected income statements for water and wastewater are depicted in Water Schedule REL-2-Income Statement and Wastewater Schedule REL-2-Income Statement of the attached Rate Analyst Report.

Property taxes for the Utilities were adjusted to reflect the annual reduction in the Assessment Ratios used in determining the Utilities' property tax liabilities (see Schedule REL-6-Property Taxes in the attached Rate Analyst Report). The results of these adjustments are also reflected on Water and Wastewater Schedules REL-2-Income Statement and Schedules REL-12-

Cash Flow. Water and Wastewater Schedules REL-10 reflect changes to depreciation expenses and resulting Federal and State income taxes.

Rate Design

The Utilities' projected revenue is derived primarily from the residential class customers.

To promote conservation in the use of water, Staff has been recommending an inverted three-tiered rate structure for the commodity charges. PMWC has complied with the Commission's rate structure recommendations and has submitted a three-tier design. Staff has reviewed this design and finds it acceptable (see Water Schedule REL-5-Rate Design in the attached Rate Analyst Report).

The wastewater rates requested by PMUC are a fixed flat monthly fee of \$52.00 (see Wastewater Schedule REL-5-Rate Design of the attached Rate Analyst Report).

The Utilities' hook-up fees were removed by Staff. It is this Commission's normal procedure to allow hook-up fees only to companies already holding and operating under a CC&N. The elimination of the hook-up fees reduces the Utilities' source of capital for the water side of the business by \$132,224 in the first year of operations and \$2,581,702 in the fifth year for a total shortfall of \$6,005,428. In the wastewater side of the business, the elimination of the hook-up fee reduced capital by \$219,370 in the first year and \$4,267,909 in the fifth year for a total capital shortfall of \$9,955,619. The combined water/wastewater shortfall totals nearly \$16,000,000 in a five-year period. Staff recommends the Utilities seek other means of financing that do not include contributions.

Staff recommends that the Utilities' charge for minimum deposit be as per A.A.C. R14-2-403(B)(7) for water and A.A.C. R14-2-603(B)(7) and (8) for wastewater. Other service charges proposed by the Utilities were adjusted by Staff to more closely reflect those being proposed in other CC&N cases and approved by the Commission.

Staff recommends the approval of its rates, and charges as per Water and Wastewater Schedules REL-5 of the attached Rate Analyst Report and as supported by the Arizona Administrative Code, Article 4, Water Utilities and Article 6, Sewer Utilities and should be adopted by the Commission.

Staff further recommends that the Utilities be required to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or

permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that the Utilities be required to file with Docket Control, as a compliance item in this docket a copy of all related franchise agreements for the requested area within 365 days of the decision in this matter.

Recommendations

Water Service CC&N

Staff recommends the Commission approve PMWC application for CC&N within portions of Mohave County, Arizona, as amended, to provide water service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMWC's property devoted to water service is \$2,307,375.
2. That the Commission approve Staff's rates as shown on Water Schedule REL-5-Rate Design in the attached Rate Analyst Report. In addition to collection of its regular rates, PMWC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMWC to notify the Director of the Utilities Division, through the compliance section, within 15 days of providing service to its first customer.
5. That the Commission require PMWC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMWC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require PMWC to use the depreciation rates recommended by Staff.
8. That the Commission require PMWC to seek other means of financing that do not include contributions.

9. That the Commission require PMWC's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
10. That the Commission require PMWC to provide utility services to all of the 440 acres of land that is owned by Sports Entertainment.
11. That the Commission require PMWC to file with Docket Control, as a compliance item, an amended legal description for The Village at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting this application.
12. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.
13. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the developer's Letter of Adequate Water Supply demonstrating the availability adequate water for the requested areas within 24 months after the effective date of the order granting this application.
14. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
15. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 365 days of the decision in this matter.
16. That the Commission require PMWC to file with Docket Control, as a compliance item, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for Phase I of the extension area within 365 days of a decision in this case.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMWC be considered null and void should PMWC fail to meet Conditions Nos. 3, 11, 12, 13, 14, 15 and 16 listed above within the time specified.

Wastewater Service CC&N

Staff recommends the Commission approve PMUC application for CC&N within portions of Mohave County, Arizona, as amended, to provide wastewater service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMUC's property devoted to wastewater service is \$2,581,198.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule REL-5-Rate Design in the attached Rate Analyst Report. In addition to collection of its regular rates, PMUC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMUC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMUC to notify the Director of the Utilities Division, through the compliance section, within 15 days of providing service to its first customer.
5. That the Commission require PMUC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMUC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require PMUC to use the depreciation rates recommended by Staff.
8. That the Commission require PMUC to seek other means of financing that do not include contributions.
9. That the Commission require PMUC's charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).
10. That the Commission require PMUC to provide utility services to all of the 440 acres of land that is owned by Sports Entertainment.
11. That the Commission require PMUC to file with Docket Control, as a compliance item, an amended legal description for The Village at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting this application.
12. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 of each project when received by PMUC, but no later than 24 months after the effective date of the order granting this application

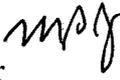
13. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of each project's APP within 24 months after a decision is issued in this proceeding
14. That the Commission require PMUC to obtain Section 208 approval from ADEQ within 24 months from the effective date of the decision in this matter and file with Docket Control, as a compliance item in this docket, a copy of the Section 208 approval for the requested area within 24 months from the effective date of the decision in this matter.
15. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMUC be considered null and void should PMUC fail to meet the Conditions Nos. 3, 11, 12, 13, 14 and 15 listed above within the time specified.

MEMORANDUM

DATE: October 19, 2005

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Perkins Mountain Water Company
Docket No. SW-20380A-05-0490 (CC&N – Water)

Introduction

Perkins Mountain Water Company (“Perkins Mtn. Water” or “Company”) has submitted a Certificate of Convenience and Necessity (“CC&N”) application to provide water service to two proposed master-planned communities in Mohave County. One requested area which would provide service to the Golden Valley South development (nine square-miles) is approximately five miles southwest of Kingman and the other requested area which would provide serve to The Villages at White Hills development (4-1/2 square-miles) is approximately 40 miles northwest of Kingman.

Company’s Proposed Water Systems

Golden Valley South

The Company is proposing to construct 15 wells (each at 1,200 gallons per minute (“GPM”)), 10 million gallons of storage (three sites minimum), booster systems and approximately 133,000 lineal feet of transmission/distribution main to serve 150 customers in the first year and 2,040 customers by the fifth year.

The Villages at White Hills

The Company is proposing to construct 25 wells (each at 500 GPM), five tank/pumping sites (tanks ranging from 0.3 MG to 3.0 MG) and approximately 56,000 lineal feet of transmission/distribution main to serve zero customers in the first year and 1,025 customers by the fifth year.

Cost Analysis

The Company submitted an estimated total plant-in-service spreadsheet by the National Association of Regulatory Utility Commissioners ("NARUC") plant account which combined the two development projects (see attached Company's Schedule A-11):

Year 1:	\$4,812,375
Year 2:	\$9,932,275
Year 3:	\$11,980,317
Year 4:	\$15,058,359
Year 5:	\$19,424,751

Staff has reviewed the proposed total plant-in-service along with the Company's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Company file with Docket Control same copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The arsenic levels for the Golden Valley South and The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC should be able to resolve this issue.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

Letter of Adequate Water Supply

Staff recommends that the Company file with Docket Control same copies of the developer's Letter of Adequate Water Supply demonstrating the availability of adequate water for the requested areas, where applicable or when required by statute, within 24 months after the effective date of the order granting this application.

Water Depreciation Rates

The Company has adopted Staff's typical and customary Water Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company's proposed water systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.
- D. The arsenic levels for the Golden Valley South and The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL, the ATC should be able to resolve this issue.
- E. The Company will not be located in an AMA and will not be subject to any AMA reporting and conservation requirements.

Recommendations

1. Staff recommends that the Company file with Docket Control same copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.
2. Staff recommends that the Company file with Docket Control same copies of the developer's Letter of Adequate Water Supply demonstrating the availability of adequate water for the requested area, where applicable or when required by statute, within 24 months after the effective date of the order granting this application.
3. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table A.

Table A. Water Depreciation Rates

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

MEMORANDUM

DATE: October 19, 2005

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Perkins Mountain Utility Company
Docket No. SW-20379A-05-0489 (CC&N – Wastewater)

Introduction

Perkins Mountain Utility Company (“Perkins Mtn. Utility” or “Company”) has submitted a Certificate of Convenience and Necessity (“CC&N”) application to provide wastewater service to two proposed master-planned communities in Mohave County. One requested area which would provide service to the Golden Valley South development (nine square-miles) is approximately five miles southwest of Kingman and the other requested area which would provide service to The Villages at White Hills development (4-1/2 square-miles) is approximately 40 miles northwest of Kingman.

Company’s Proposed Wastewater Systems

Golden Valley South

The Company is proposing to construct an 8.0 million gallon per day (“MGD”) activated sludge wastewater treatment plant (“WWTP”) and approximately 100,000 lineal feet of collection system to serve 152 customers in the first year and 2,042 customers by the fifth year.

The Villages at White Hills

The Company is proposing to construct a 6.0 MGD activated sludge WWTP and approximately 41,000 lineal feet of collection system to serve zero customers in the first year and 1,025 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 25,000 lineal feet of force mains for beneficial use for irrigation of large landscaped areas or golf course if ultimately included in the land plan.

Cost Analysis

The Company submitted an estimated total plant-in-service spreadsheet by the National Association of Regulatory Utility Commissioners ("NARUC") plant account which combined the two development projects (see attached Company's Schedule A-11):

Year 1:	\$4,548,325
Year 2:	\$7,937,725
Year 3:	\$9,541,950
Year 4:	\$16,915,025
Year 5:	\$19,024,350

Staff has reviewed the proposed total plant-in-service along with the Company's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Company file with Docket Control copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.

Aquifer Protection Permit and Section 208 Plan Amendment

Since an Aquifer Protection Permit ("APP") and the Section 208 Plan Amendment ("Amendment") represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control copies of each project's APP and Section 208 Plan Amendment within 24 months after a decision is issued in this proceeding

Wastewater Depreciation Rates

The Company has adopted Staff's typical and customary Wastewater Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company's proposed wastewater systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Recommendations

- 1. Staff recommends that the Company file with Docket Control as a compliance item in this docket, copies of the ATC for phase 1 of each project when received by the Company, but no later than 24 months after the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control same copies of each project's APP and Section 208 Plan Amendment within 24 months after a decision is issued in this proceeding.
- 3. Staff recommends that the Company use the wastewater depreciation rates by individual NARUC category as delineated in the attached Table A.

Table A. Wastewater Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.0
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant – Utilities Division

FROM: Ronald E. Ludders 
Public Utilities Analyst V – Utilities Division

Date: October 26, 2005

RE: PERKINS MOUNTAIN WATER COMPANY, W-20380A-05-0490 AND
PERKINS MOUNTAIN UTILITY COMPANY, WS-20379A-05-0489
APPLICATION FOR A NEW CERTIFICATE OF CONVENIENCE AND
NECESSITY

Introduction

On July 7, 2005, Perkins Mountain Water Company (“Water” or “Water Company”) and Perkins Mountain Utility Company (“Wastewater” or “Wastewater Company”) - submitted an application to the Arizona Corporation Commission (“Commission”) for a Certificate of Convenience and Necessity (“CC&N”) to provide public utility water service and wastewater service to a master-planned community in Mohave County, Arizona. The application indicates that there are presently no customers receiving service in the area of the requested CC&N. At the end of five years the Water and Wastewater Company is projecting to be serving 3,067 customers and ultimately will serve over 53,000 customers at build-out.

Fair Value Rate Base

Consistent with Commission rules, the Water and Wastewater Company’s filing included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers. Projections and assumptions are necessary to establish a fair value rate base and initial rates due to the lack of historical information. Since this is a new CC&N, original cost rate base is the same as fair value rate base. Staff adjusted rate base to reflect its removal of the Water and Wastewater Company’s proposed hook-up fees, as explained in the rate design section of this Report.

Staff’s elimination of the hook-up fees reduced the Water and Wastewater Company’s cash projections and Contributions in Aid of Construction (“CIAC”) while increasing the need for additional paid-in-capital as shown on Water and Wastewater Schedules REL-1-Balance Sheet. Since the elimination of the hook-up fees also eliminates the amortization of the CIAC, the depreciation expense has been increased which has affected the Water and Wastewater Company’s Income Statement, Schedules REL-2. Further, the hook-up fee elimination has increased Water and Wastewater Schedules REL-4-Rate Base and Return and eliminated the original balances submitted by the Water and Wastewater Companies.

Staff determined the projected rate base for the water plant to be \$2,307,375 at the end of the first year (Water Schedule REL-4-Rate Base and Return). Staff determined the rate base for the wastewater plant to be \$2,581,198 at the end of the first year (Wastewater Schedule REL-4-Rate Base and Return).

Revenue and Expenses

As justification for the initial rates, the Water and Wastewater Company has estimated its revenue and expenses. Staff has reviewed these estimates and found them to be reasonable. The projected income statements for water and wastewater are depicted in Water Schedule REL-2-Income Statement and Wastewater Schedule REL-2-Income Statement.

Property taxes for the Water and Wastewater Companies (Schedule REL-6-Property Taxes) were adjusted to reflect the annual reduction in the Assessment Ratios used in determining the Water and Wastewater Company's property tax liabilities. The results of these adjustments are also reflected on Water and Wastewater Schedules REL-2-Income Statement and Schedules REL-12-Cash Flow. Water and Wastewater Schedules REL-10 reflect changes to depreciation expenses and resulting Federal and State income taxes.

Rate Design

The Water and Wastewater Company's projected revenue is derived primarily from the residential class customers.

To promote conservation in the use of water, Staff has been recommending an inverted three-tiered rate structure for the commodity charges. The Water Company has complied with the Commission's rate structure recommendations and has submitted a three-tier design. Staff has reviewed this design and finds it acceptable (see Water Schedule REL-5-Rate Design).

The wastewater rates requested by the Wastewater Company are a fixed flat monthly fee of \$75.00 (see Wastewater Schedule REL-5-Rate Design).

The Water and Wastewater Company's hook-up fees were removed by Staff. It is this Commission's normal procedure to allow hook-up fees only to companies already holding and operating under a CC&N. The elimination of the hook-up fees reduces the Water and Wastewater Company's source of capital for the water side of the business by \$132,224 in the first year of operations and \$2,581,702 in the fifth year for a total shortfall of \$6,005,428. In the wastewater side of the business, the elimination of the hook-up fee reduced capital by \$219,370 in the first year and \$4,267,909 in the fifth year for a total capital shortfall of \$9,955,619. The combined water/wastewater shortfall totals nearly \$16,000,000 in a five-year period. Staff recommends the Water and Wastewater Company seek other means of financing that do not include contributions.

Staff recommends that the Water and Wastewater Company's charge for minimum deposit be as per Rule R14-2-403.B.7. Other service charges proposed by the Water and Wastewater Company were adjusted by Staff to more closely reflect those being proposed in other CC&N cases and approved by the Commission.

Staff recommends the approval of its rates, and charges as per Water and Wastewater Schedules REL-5 and as supported by the Arizona Administrative Code, Article 4, Water Utilities and Article 6, Sewer Utilities and should be adopted by the Commission.

Recommendations

Staff recommends:

- approval of Staff's rates as shown on Water Schedule REL-5-Rate Design and Wastewater Schedule REL-5-Rate Design. In addition to collection of its regular rates, the Water and Wastewater Company may collect from its customers a proportionate share of any privilege, sales or use tax.
- the Water and Wastewater Company be ordered to notify the Director of the Utilities Division, through the compliance section, within 15 days of providing service to its first customer.
- the Water and Wastewater Company be ordered to file a rate application no later than six-months following the fifth anniversary of the date the Company begins providing service to its first customer.
- the Water and Wastewater Company be ordered to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts for Water and Wastewater Utilities.
- the Water and Wastewater Company be ordered to use the depreciation rates recommended by Staff for water and wastewater utilities.

Perkins Mountain Water Company W-20380A-05-0490
Index to Schedules

The attached schedules are those adjusted by Staff. All other schedules submitted by the Company remain unchanged, except for Staff's elimination of Contributions in Aid of Construction.

Schedule Description

REL-1	Projected Balance Sheet
REL-2	Projected Income Statement
REL-4	Projected Rate Base and Return
REL-5	Recommended Rate Design
REL-6	Projected Property Taxes
REL-10	Projected Expenses
REL-12	Projected Cash Flow Statement

Perkins Mountain Water Company W-20380A-05-0490
 Projected Balance Sheet

Schedule REL-1

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$ (56,431)	\$ (364,124)	\$ (224,347)	\$ (719,472)	\$ (1,341,396)
Staff Adjusted Cash (Paid in Capital)	\$ 75,000	\$ 415,000	\$ 375,000	\$ 980,000	\$ 1,775,000
Total Cash	\$ 18,569	\$ 50,876	\$ 150,653	\$ 260,528	\$ 433,604
Accounts Receivable	-	-	-	-	-
Other	-	-	-	-	-
Total Current Assets	\$ 18,569	\$ 50,876	\$ 150,653	\$ 260,528	\$ 433,604
Fixed Assets					
Utility Plant in Service	\$ 4,812,375	\$ 9,932,275	\$ 11,980,317	\$ 15,058,358	\$ 19,424,750
(less) Accumulated Depreciation	98,961	389,847	799,697	1,273,740	1,861,640
Net Plant in Service	\$ 4,713,414	\$ 9,542,428	\$ 11,180,620	\$ 13,784,618	\$ 17,563,110
CWIP	1,023,980	409,608	615,608	873,278	360,000
Total Assets	\$ 5,755,963	\$ 10,002,912	\$ 11,946,881	\$ 14,918,424	\$ 18,356,714
Advances in aid of Construction	\$ 2,307,375	\$ 4,833,002	\$ 6,813,400	\$ 8,927,436	\$ 11,075,650
Meter Advances	-	880	3,112	8,832	14,968
Contributions in aid of Const. (net)	-	-	-	-	-
Total Capital	\$ 3,448,588	\$ 5,169,031	\$ 5,130,369	\$ 5,982,157	\$ 7,266,096
Total Liabilities and Capital	\$ 5,755,963	\$ 10,002,912	\$ 11,946,881	\$ 14,918,424	\$ 18,356,714

Perkins Mountain Water Company W-20380A-05-0490
 Projected Income Statement

Schedule REL-2

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Water Sales	\$ 25,904	\$ 238,504	\$ 630,079	\$ 1,189,995	\$ 1,859,036
Establishment Charge	4,500	11,610	21,150	24,900	29,790
Other Operating Revenue					
Total Operating Revenue	\$ 30,404	\$ 250,114	\$ 651,229	\$ 1,214,895	\$ 1,888,826
Operating Expenses					
Salaries and Wages	\$ 25,000	\$ 52,000	\$ 54,080	\$ 56,243	\$ 87,739
Employee Pensions and Benefits	6,000	12,480	12,979	13,498	21,057
Purchased Water	-	-	-	-	-
Purchased Power	1,385	12,794	34,223	65,259	102,292
Fuel for Power Production	250	258	265	273	281
Chemicals	206	1,902	5,087	9,700	15,204
Materials and Supplies	1,000	4,000	4,500	5,000	5,500
Contract Services					
Engineering	500	2,060	2,122	2,185	2,251
Accounting	1,250	5,150	5,305	5,464	5,628
Legal	1,250	5,150	5,305	5,464	5,628
Management	2,500	10,300	10,609	10,927	11,255
Testing	113	1,611	3,726	6,216	9,195
Other	7,950	35,689	51,331	77,625	108,883
Rental of Building/Property	750	3,090	3,183	3,278	3,377
Rental of Equipment	250	1,030	1,061	1,093	1,126
Transportation Expense	1,250	5,150	5,305	5,464	5,628
Insurance					
Vehicles	250	1,030	1,061	1,093	1,126
General Liability	375	1,545	1,591	1,639	1,688
Workman's Comp	375	1,545	1,591	1,639	1,688
Other	-	-	-	-	-
Advertising Expense	-	-	-	-	-
Rate Case Amortization	-	-	-	-	-
Regulatory Commission	-	-	-	-	-
Water Conservation	-	500	515	530	546
Bad Debt	152	1,251	3,256	6,074	9,444
Miscellaneous	750	3,090	3,183	3,278	3,377
Depreciation (net of CIAC amort)	98,961	290,886	409,850	474,043	587,900
Taxes other than Income					
Property Taxes	3,686	7,706	16,559	35,987	59,372
Payroll Taxes	2,500	5,200	5,408	5,624	8,774
Other Taxes and Licenses	-	-	-	-	-
Income Taxes	50	50	1,911	161,072	320,320
Total Operating Expenses	\$ 156,752	\$ 465,465	\$ 644,006	\$ 958,669	\$ 1,379,278
Operating Income or (Loss)	\$ (126,348)	\$ (215,351)	\$ 7,223	\$ 256,225	\$ 509,548
Other Income/Expenses					
Interest Income	(64)	(4,206)	(5,885)	(9,438)	(20,609)
Other Income					
Other Expense					
Interest Expense					
Total Other Income/Expense	\$ (64)	\$ (4,206)	\$ (5,885)	\$ (9,438)	\$ (20,609)
Net Income (Loss)	\$ (126,412)	\$ (219,557)	\$ 1,339	\$ 246,787	\$ 488,939

Perkins Mountain Water Company W-20380A-05-0490
 Projected Rate Base and Return

Schedule REL-4

	Year 1	Year 2	Year 3	Year 4	Year 5
Plant					
Plant In Service	\$ 4,812,375	\$ 9,932,275	\$ 11,980,317	\$ 15,058,358	\$ 19,424,750
(less) Accumulated Depreciation	98,961	389,847	799,697	1,273,740	1,861,640
Net Plant In Service	\$ 4,713,414	\$ 9,542,428	\$ 11,180,620	\$ 13,784,618	\$ 17,563,110
Deductions					
Advances In Aid of Construction	\$ 2,307,375	\$ 4,833,002	\$ 6,813,400	\$ 8,927,436	\$ 11,075,650
Meter Advances	-	880	3,112	8,832	14,968
Total Advances	\$ 2,307,375	\$ 4,833,882	\$ 6,816,512	\$ 8,936,268	\$ 11,090,618
Contributions in Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -
(less) Amortization of CIAC	-	-	-	-	-
Net AIAC	\$ -	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ 2,307,375	\$ 4,833,882	\$ 6,816,512	\$ 8,936,268	\$ 11,090,618
Rate Base	\$ 2,406,039	\$ 4,708,547	\$ 4,364,108	\$ 4,848,350	\$ 6,472,492
Operating Income	\$ (126,348)	\$ (215,351)	\$ 7,223	\$ 256,225	\$ 509,548
Rate of Return	-5.3%	-4.6%	0.2%	5.3%	7.9%

Monthly Customer Charges

3/4" Meter	\$ 30.00
1" Meter	\$ 40.00
1-1/2" Meter	\$ 100.00
2" Meter	\$ 160.00
3" Meter	\$ 300.00
4" Meter	\$ 500.00
6" Meter	\$ 1,000.00
8" Meter	\$ 1,600.00

Gallons included in Monthly Customer Charge 0

Commodity Charges - Per 1,000 Gallons of Usage

3/4" Meters	
0 to 4,000	\$ 2.00
4,001 to 20,000	\$ 3.80
20,001 gallons and above	\$ 5.50
1" Meters	
0 to 4,000	\$ 2.00
4,001 to 20,000	\$ 3.80
20,001 gallons and above	\$ 5.50
1-1/2" Meters	
0 to 42,000	\$ 3.80
42,001 gallons and above	\$ 5.50
2" Meters	
0 to 63,000	\$ 3.80
63,001 gallons and above	\$ 5.50
3" Meters	
0 to 120,000	\$ 3.80
120,001 gallons and above	\$ 5.50
4" Meters	
0 to 180,000	\$ 3.80
180,001 gallons and above	\$ 5.50
6" Meters	
0 to 207,000	\$ 3.80
207,001 gallons and above	\$ 5.50
8" Meters	
0 to 235,000	\$ 3.80
235,001 gallons and above	\$ 5.50
Monthly Service Charge for Fire Sprinkler	
4" or Smaller Connection	\$ 25.00
6" Connection	\$ 50.00
8" Connection	\$ 80.00

Service Line and Meter Installation Charges

3/4" Meter	\$ 440.00
1" Meter	\$ 500.00
1-1/2" Meter	\$ 715.00
2" Meter (Turbo)	\$ 1,170.00
2" Meter (Compound)	\$ 1,700.00
3" Meter (Turbo)	\$ 1,585.00
3" Meter (Compound)	\$ 2,190.00
4" Meter (Turbo)	\$ 2,540.00
4" Meter (Compound)	\$ 3,215.00
6" Meter (Turbo)	\$ 4,815.00
6" Meter (Compound)	\$ 6,270.00
8" Meter (Turbo)	Cost (a)
8" Meter (Compound)	Cost (a)

(a) cost to include parts, labor, overhead, and all applicable taxes, including income taxes

Service Charges

Establishment	\$ 30.00
Establishment (After Hours)	\$ 40.00
Re-Establishment (Within 12 Months)	*
Reconnection (Delinquent)	\$ 30.00
NSF Check	\$ 25.00
Meter Re-Read (If Correct)	\$ 20.00
Meter Test (If Correct)	\$ 20.00
Deferred Payment	1.5%
Late Payment Penalty (Per Month)	1.5%
Deposit Interest	**
Deposit	**
Moving meter/service at customer request	***

* Number of months off system times the monthly customer charge for meter size

** Per Commission Rule R14-2-403.B

*** Cost to include parts, labor, overhead and all applicable taxes

Hookup Fees (CIAC)

3/4" Meter	\$ -
1" Meter	\$ -
1-1/2" Meter	\$ -
2" Meter	\$ -
3" Meter	\$ -
4" Meter	\$ -
6" Meter	\$ -
8" Meter	\$ -

Perkins Mountain Water Company W-20380A-05-0490
 Projected Property Taxes

Schedule REL-6

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Annual Revenue	\$ 30,404	\$ 250,114	\$ 651,229	\$ 1,214,895	\$ 1,888,826
3-Yr Average Revenue	30,404	140,259	310,582	705,412	1,251,650
CWIP @ 12/31	1,023,980	409,608	615,608	873,278	360,000
Book Value of Transportation Equip	19,800	15,400	11,000	6,600	23,800
Calculate Full Cash Value					
2 x 3-Yr Average Revenue	\$ 60,808	\$ 280,518	\$ 621,165	\$ 1,410,825	\$ 2,503,300
+ 10% of CWIP	102,398	40,961	61,561	87,328	36,000
- Transportation Equip	(19,800)	(15,400)	(11,000)	(6,600)	(23,800)
Full Cash Value	\$ 143,406	\$ 306,078	\$ 671,725	\$ 1,491,553	\$ 2,515,500
Assessment Ratio	24.5%	24.0%	23.5%	23.0%	22.5%
Assessed Value	\$ 35,134	\$ 73,459	\$ 157,855	\$ 343,057	\$ 565,987
Property Tax Rate (Avg. Mohave Cty)	10.49%	10.49%	10.49%	10.49%	10.49%
Projected Property Tax	\$ 3,686	\$ 7,706	\$ 16,559	\$ 35,987	\$ 59,372

Perkins Mountain Water Company W-20380A-05-0490
 Projected Expenses

Schedule REL-10

Expense Category		Year 1	Year 2	Year 3	Year 4	Year 5
Operation and Maintenance						
Salaries and Wages		\$ 25,000	\$ 52,000	\$ 54,080	\$ 56,243	\$ 87,739
Employee Pensions and Benefits	24% of payroll	6,000	12,480	12,979	13,498	21,057
Purchased Water		-	-	-	-	-
Purchased Power	\$ 0.34 per 1,000 gal	1,385	12,794	34,223	65,259	102,292
Fuel for Power Production	(a)	250	258	265	273	281
Chemicals	\$ 0.05 per 1,000 gal	206	1,902	5,087	9,700	15,204
Materials and Supplies		1,000	4,000	4,500	5,000	5,500
Contract Services						
Engineering	(a)	500	2,060	2,122	2,185	2,251
Accounting	(a)	1,250	5,150	5,305	5,464	5,628
Legal	(a)	1,250	5,150	5,305	5,464	5,628
Management	(a)	2,500	10,300	10,609	10,927	11,255
Testing	\$ 3.00 per customer	113	1,611	3,726	6,216	9,195
Arsenic Treatment	\$ 0.40 per 1,000 gal]	-	667	8,830	24,959	44,296
Administrative	(a)	7,500	30,900	31,827	32,782	33,765
Billing	\$ 1.00 per customer	450	4,122	10,674	19,884	30,822
Rental of Building/Property	(a)	750	3,090	3,183	3,278	3,377
Rental of Equipment	(a)	250	1,030	1,061	1,093	1,126
Transportation Expense	(a)	1,250	5,150	5,305	5,464	5,628
Insurance						
Vehicles	(a)	250	1,030	1,061	1,093	1,126
General Liability	(a)	375	1,545	1,591	1,639	1,688
Workman's Comp	(a)	375	1,545	1,591	1,639	1,688
Other		-	-	-	-	-
Advertising Expense		-	-	-	-	-
Rate Case Amortization		-	-	-	-	-
Regulatory Commission		-	-	-	-	-
Water Conservation	(a)	-	500	515	530	546
Bad Debt	0.5% of revenue	152	1,251	3,256	6,074	9,444
Miscellaneous	(a)	750	3,090	3,183	3,278	3,377
Subtotal Operation and Maintenance		\$ 51,555	\$ 161,624	\$ 210,277	\$ 281,943	\$ 402,912
Depreciation (net of amortization of CIAC)		\$ 98,961	\$ 290,886	\$ 409,850	\$ 474,043	\$ 587,900
Taxes other than Income						
Property Taxes		3,686	7,706	16,559	35,987	59,372
Payroll Taxes	10% of payroll	2,500	5,200	5,408	5,624	8,774
Other Taxes and Licenses						
Income Taxes		50	50	1,911	161,072	320,320
Total Operating Expenses		\$ 156,752	\$ 465,465	\$ 644,006	\$ 958,669	\$ 1,379,278
(a) Inflation at	3.0%					
Cost of Power Assumptions						
Total Pumping Head	600 feet					
Pump/Motor efficiency	56%					
Cost per KWh	\$ 0.10					
Income Tax Calculation						
Revenue		\$ 30,404	\$ 250,114	\$ 651,229	\$ 1,214,895	\$ 1,888,826
Operating Expenses		156,702	465,415	642,095	797,597	1,058,958
Interest Expense		-	-	-	-	-
Taxable Income		\$ (126,298)	\$ (215,301)	\$ 9,134	\$ 417,297	\$ 829,868
State Tax	6.968%	50	50	636	29,077	57,825
Federal Taxable Income		\$ (126,348)	\$ (215,351)	\$ 8,498	\$ 388,220	\$ 772,042
Federal Tax		-	-	1,275	131,995	262,494
Total Income Tax		\$ 50	\$ 50	\$ 1,911	\$ 161,072	\$ 320,320
Combined Tax Rate		-0.04%	-0.02%	20.92%	38.60%	38.60%

Perkins Mountain Water Company W-20380A-05-0490
 Projected Cash Flow

Schedule REL-12

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash From Operations					
Beginning Cash Balance	\$ 50,000	\$ (56,431)	\$ (364,124)	\$ (224,347)	\$ (719,472)
Net Income (Loss)	(126,412)	(219,557)	1,339	246,787	488,939
Non-Cash Expense					
Depreciation Expense	98,961	290,886	409,850	474,043	587,900
Total Cash From Operations	\$ (27,451)	\$ 71,329	\$ 411,189	\$ 720,830	\$ 1,076,839
Cash from Financing Activities					
Long-Term Debt Issuance	\$ -	\$ -	\$ -	\$ -	\$ -
Short-Term Debt Issuance	-	-	-	-	-
Paid In Capital	3,450,000	1,600,000	-	-	-
Advances In Aid Of Construction	2,307,375	2,547,400	2,045,542	2,250,542	2,376,892
Meter Advances	-	880	2,320	6,040	7,060
Contributions In Aid Of Construction	-	-	-	-	-
Security Deposits	-	-	-	-	-
Total Cash From Financing Activities	\$ 5,757,375	\$ 4,148,280	\$ 2,047,862	\$ 2,256,582	\$ 2,383,952
Cash Disbursements					
Long-Term Debt Repayment	\$ -	\$ -	\$ -	\$ -	\$ -
Short-Term Debt Repayment	-	-	-	-	-
Dividends	-	-	-	-	-
Refund of Advances In Aid of Const.	-	21,773	65,144	136,506	228,677
Refund of Meter Advances	-	-	88	320	924
Capital Expenditures	5,836,355	4,505,528	2,254,042	3,335,712	3,853,113
Total Cash Disbursed	\$ 5,836,355	\$ 4,527,302	\$ 2,319,273	\$ 3,472,537	\$ 4,082,715
Ending Cash Balance	\$ (56,431)	\$ (364,124)	\$ (224,347)	\$ (719,472)	\$ (1,341,396)
Interest Calculations					
Interest Earned (a)	2.0%	\$ (64)	\$ (4,206)	\$ (5,885)	\$ (9,438)
Interest Expense					\$ (20,609)

(a) Calculated on Average Cash Balance

Perkins Mountain Utility Company - SW-20379A-05-0489
Index to Schedules

The attached schedules are those adjusted by Staff. All other schedules submitted by the Company remain unchanged, except for Staff's elimination of Contributions in Aid of Construction.

Schedule Description

REL-1	Projected Balance Sheet
REL-2	Projected Income Statement
REL-4	Projected Rate Base and Return
REL-5	Recommended Rate Design
REL-6	Projected Property Taxes
REL-10	Projected Expenses
REL-12	Projected Cash Flow Statement

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Balance Sheet

Schedule REL-1

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$ (136,399)	\$ (664,531)	\$ (1,406,848)	\$ (2,605,106)	\$ (1,598,780)
Staff Adjusted Cash (Paid in Capital)	\$ 150,000	\$ 775,000	\$ 1,650,000	\$ 3,080,000	\$ 2,460,000
Total Cash	\$ 13,601	\$ 110,469	\$ 243,152	\$ 474,894	\$ 861,220
Accounts Receivable	-	-	-	-	-
Other	-	-	-	-	-
Total Current Assets	\$ 13,601	\$ 110,469	\$ 243,152	\$ 474,894	\$ 861,220
Fixed Assets					
Utility Plant in Service	\$ 4,548,325	\$ 7,937,725	\$ 9,541,950	\$ 16,915,025	\$ 19,024,350
(less) Accumulated Depreciation	113,802	388,726	727,052	1,242,847	1,943,357
Net Plant in Service	\$ 4,434,523	\$ 7,548,999	\$ 8,814,898	\$ 15,672,178	\$ 17,080,993
CWIP	677,880	320,845	1,474,615	421,865	400,000
Total Assets	\$ 5,126,004	\$ 7,980,312	\$ 10,532,664	\$ 16,568,938	\$ 18,342,213
Liabilities and Capital					
Current and Accrued Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	-	-	-	-	-
Accrued Taxes	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Other	-	-	-	-	-
Total Current and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Deferred Credits					
Advances in aid of Construction	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Contributions in aid of Const. (net)	-	-	-	-	-
Accumulated Deferred Income Tax	-	-	-	-	-
Total Deferred Credits	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Total Liabilities	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Capital Account					
Common Stock	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Preferred	-	-	-	-	-
Paid in Capital	3,200,000	3,400,000	3,400,000	5,900,000	5,900,000
Additional Paid in Capital (Staff)	150,000	775,000	1,650,000	3,080,000	2,460,000
Total Paid in Capital	3,350,000	4,175,000	5,050,000	8,980,000	8,360,000
Retained Earnings	(127,321)	(241,080)	(109,960)	215,560	818,036
Total Capital	\$ 3,222,679	\$ 3,933,920	\$ 4,940,040	\$ 9,245,560	\$ 9,228,036
Total Liabilities and Capital	\$ 5,126,004	\$ 7,980,312	\$ 10,532,664	\$ 16,568,938	\$ 18,342,213

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Income Statement

Schedule REL-2

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Water Sales	\$ 57,347	\$ 403,537	\$ 895,093	\$ 1,590,133	\$ 2,419,129
Establishment Charge	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-
Total Operating Revenue	\$ 57,347	\$ 403,537	\$ 895,093	\$ 1,590,133	\$ 2,419,129
Operating Expenses					
Salaries and Wages	\$ 25,000	\$ 52,000	\$ 54,080	\$ 84,365	\$ 116,986
Employee Pensions and Benefits	6,000	12,480	12,979	20,248	28,077
Purchased Wastewater Treatment	-	-	-	-	-
Sludge Removal Expense	104	959	2,578	4,931	7,738
Purchased Power	11,656	62,274	108,824	176,463	257,168
Fuel for Power Production	250	258	265	273	281
Chemicals	518	4,795	12,891	24,654	38,690
Materials and Supplies	1,000	4,000	4,500	5,000	5,500
Contract Services					
Engineering	500	2,060	2,122	2,185	2,251
Accounting	1,250	5,150	5,305	5,464	5,628
Legal	1,250	5,150	5,305	5,464	5,628
Management	2,500	10,300	10,609	10,927	11,255
Testing	1,000	4,120	4,244	4,371	4,502
Administrative	7,500	30,900	31,827	32,782	33,765
Billing	456	4,146	10,698	19,908	30,846
Rental of Building/Property	750	3,090	3,183	3,278	3,377
Rental of Equipment	250	1,030	1,061	1,093	1,126
Transportation Expense	1,250	5,150	5,305	5,464	5,628
Insurance					
Vehicles	250	1,030	1,061	2,185	2,251
General Liability	375	1,545	1,591	1,639	1,688
Workman's Comp	375	1,545	1,591	1,639	1,688
Other	-	-	-	-	-
Advertising Expense	-	-	-	-	-
Rate Case Amortization	-	-	-	-	-
Regulatory Commission	-	-	-	-	-
Bad Debt	287	2,018	4,475	7,951	12,096
Miscellaneous	750	3,090	3,183	3,278	3,377
Depreciation (net of CIAC amort)	113,802	274,925	338,326	515,795	700,510
Taxes other than Income					
Property Taxes	4,181	12,023	25,649	46,846	77,699
Payroll Taxes	2,500	5,200	5,408	8,436	11,699
Other Taxes and Licenses	-	-	-	-	-
Income Taxes	50	50	86,201	229,854	405,164
Total Operating Expenses	\$ 183,804	\$ 509,287	\$ 743,259	\$ 1,224,492	\$ 1,774,615
Operating Income or (Loss)	\$ (126,457)	\$ (105,750)	\$ 151,834	\$ 365,640	\$ 644,514
Other Income/Expenses					
Interest Income	\$ (864)	\$ (8,009)	\$ (20,714)	\$ (40,120)	\$ (42,039)
Other Income	-	-	-	-	-
Other Expense	-	-	-	-	-
Interest Expense	-	-	-	-	-
Total Other Income/Expense	\$ (864)	\$ (8,009)	\$ (20,714)	\$ (40,120)	\$ (42,039)
Net Income (Loss)	\$ (127,321)	\$ (113,759)	\$ 131,120	\$ 325,521	\$ 602,475

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Rate Base and Return

Schedule REL-4

	Year 1	Year 2	Year 3	Year 4	Year 5
Plant					
Plant In Service	\$ 4,548,325	\$ 7,937,725	\$ 9,541,950	\$ 16,915,025	\$ 19,024,350
(less) Accumulated Depreciation	113,802	388,726	727,052	1,242,847	1,943,357
Net Plant In Service	\$ 4,434,523	\$ 7,548,999	\$ 8,814,898	\$ 15,672,178	\$ 17,080,993
Deductions					
Advances In Aid of Construction	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Total Advances	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Contributions in Aid of Construction (less) Amortization of CIAC	\$ -	\$ -	\$ -	\$ -	\$ -
Net AIAC	\$ -	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ 1,853,325	\$ 3,996,393	\$ 5,542,625	\$ 7,323,377	\$ 9,114,178
Rate Base	\$ 2,581,198	\$ 3,552,606	\$ 3,272,273	\$ 8,348,801	\$ 7,966,816
Operating Income	\$ (126,457)	\$ (105,750)	\$ 151,834	\$ 365,640	\$ 644,514
Rate of Return	-4.9%	-3.0%	4.6%	4.4%	8.1%

Monthly Customer Charges - Treatment

3/4"	Meter	\$	75.00
1"	Meter	\$	88.00
1-1/2"	Meter	\$	250.00
2"	Meter	\$	400.00
3"	Meter	\$	750.00
4"	Meter	\$	1,250.00
6"	Meter	\$	2,500.00
8"	Meter	\$	4,000.00

Gallons included in Monthly Customer Charge All

Effluent Sales

All meter Sizes	per acre-foot	\$	200.00
	per 1,000 gallons	\$	0.61

Hookup Fees (CIAC)

3/4"	Meter	\$	-
1"	Meter	\$	-
1-1/2"	Meter	\$	-
2"	Meter	\$	-
3"	Meter	\$	-
4"	Meter	\$	-
6"	Meter	\$	-
8"	Meter	\$	-

Service Charges

Establishment (a)	\$	30.00
Establishment (After Hours) (a)	\$	40.00
Re-Establishment (Within 12 Months)	*	
Reconnection (Delinquent) (a)	\$	30.00
NSF Check (a)	\$	25.00
Deferred Payment		1.5%
Late Payment Penalty (Per Month)		1.5%
Deposit Interest	**	
Deposit	**	
Moving service at customer request	***	

- (a) Collected only if customer is not also a water customer
- * Number of months off system times the monthly customer charge for meter size
- ** Per Commission Rule R14-2-603.B
- *** Cost to include parts, labor, overhead and all applicable taxes

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Property Taxes

Schedule REL-6

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Annual Revenue	\$ 57,347	\$ 403,537	\$ 895,093	\$ 1,590,133	\$ 2,419,129
3-Yr Average Revenue	57,347	230,442	451,992	962,921	1,634,785
CWIP @ 12/31	677,880	320,845	1,474,615	421,865	400,000
Book Value of Transportation Equip	19,800	15,400	11,000	26,400	17,600
Calculate Full Cash Value					
2 x 3-Yr Average Revenue	\$ 114,693	\$ 460,884	\$ 903,984	\$ 1,925,842	\$ 3,269,570
+ 10% of CWIP	67,788	32,085	147,462	42,187	40,000
- Transportation Equip	(19,800)	(15,400)	(11,000)	(26,400)	(17,600)
Full Cash Value	\$ 162,681	\$ 477,568	\$ 1,040,446	\$ 1,941,628	\$ 3,291,970
Assessment Ratio	24.5%	24.0%	23.5%	23.0%	22.5%
Assessed Value	\$ 39,857	\$ 114,616	\$ 244,505	\$ 446,574	\$ 740,693
Property Tax Rate (Avg. Mohave Cty)	10.49%	10.49%	10.49%	10.49%	10.49%
Projected Property Tax	\$ 4,181	\$ 12,023	\$ 25,649	\$ 46,846	\$ 77,699

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Expenses

Schedule REL-10

Expense Category	Year 1	Year 2	Year 3	Year 4	Year 5
Operation and Maintenance					
Salaries and Wages	\$ 25,000	\$ 52,000	\$ 54,080	\$ 84,365	\$ 116,986
Employee Pensions and Benefits 24% of payroll	6,000	12,480	12,979	20,248	28,077
Purchased Wastewater Treatment	-	-	-	-	-
Sludge Removal Expense \$ 0.04 per 1,000 gal	104	959	2,578	4,931	7,738
Purchased Power Treatment \$ 1.15 per 1,000 gal	2,981	27,572	74,123	141,762	222,467
Purchased Power Effluent \$ 0.22 per 1,000 gal	8,675	34,701	34,701	34,701	34,701
Fuel for Power Production (a)	250	258	265	273	281
Chemicals \$ 0.20 per 1,000 gal	518	4,795	12,891	24,654	38,690
Materials and Supplies	1,000	4,000	4,500	5,000	5,500
Contract Services					
Engineering (a)	500	2,060	2,122	2,185	2,251
Accounting (a)	1,250	5,150	5,305	5,464	5,628
Legal (a)	1,250	5,150	5,305	5,464	5,628
Management (a)	2,500	10,300	10,609	10,927	11,255
Testing (a)	1,000	4,120	4,244	4,371	4,502
Administrative (a)	7,500	30,900	31,827	32,782	33,765
Billing \$ 1.00 per customer	456	4,146	10,698	19,908	30,846
Rental of Building/Property (a)	750	3,090	3,183	3,278	3,377
Rental of Equipment (a)	250	1,030	1,061	1,093	1,126
Transportation Expense (a)	1,250	5,150	5,305	5,464	5,628
Insurance					
Vehicles (a)	250	1,030	1,061	2,185	2,251
General Liability (a)	375	1,545	1,591	1,639	1,688
Workman's Comp (a)	375	1,545	1,591	1,639	1,688
Other	-	-	-	-	-
Advertising Expense	-	-	-	-	-
Rate Case Amortization	-	-	-	-	-
Regulatory Commission	-	-	-	-	-
Bad Debt 0.5% of revenue	287	2,018	4,475	7,951	12,096
Miscellaneous (a)	750	3,090	3,183	3,278	3,377
Subtotal Operation and Maintenance	\$ 63,271	\$ 217,089	\$ 287,675	\$ 423,561	\$ 579,544
Depreciation (net of amortization of CIAC)	\$ 113,802	\$ 274,925	\$ 338,326	\$ 515,795	\$ 700,510
Taxes other than Income					
Property Taxes	4,181	12,023	25,649	46,846	77,699
Payroll Taxes 10% of payroll	2,500	5,200	5,408	8,436	11,699
Other Taxes and Licenses					
Income Taxes	50	50	86,201	229,854	405,164
Total Operating Expenses	\$ 183,804	\$ 509,287	\$ 743,259	\$ 1,224,492	\$ 1,774,615
(a) Inflation at 3.0%					
<u>Cost of Power Assumptions (Effluent)</u>					
Average Pumping Head 400 feet					
Pump/Motor efficiency 56%					
Cost per KWh \$ 0.10					
<u>Income Tax Calculation</u>					
Revenue	\$ 57,347	\$ 403,537	\$ 895,093	\$ 1,590,133	\$ 2,419,129
Operating Expenses	183,754	509,237	657,058	994,638	1,369,451
Interest Expense	-	-	-	-	-
Taxable Income	\$ (126,407)	\$ (105,700)	\$ 238,035	\$ 595,495	\$ 1,049,678
State Tax 6.968%	50	50	16,586	41,494	73,142
Federal Taxable Income	\$ (126,457)	\$ (105,750)	\$ 221,449	\$ 554,001	\$ 976,536
Federal Tax	-	-	69,615	188,360	332,022
Total Income Tax	\$ 50	\$ 50	\$ 86,201	\$ 229,854	\$ 405,164
Combined Tax Rate	-0.04%	-0.05%	36.21%	38.60%	38.60%

Perkins Mountain Utility Company - SW-20379A-05-0489
 Projected Cash Flow

Schedule REL-12

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash From Operations					
Beginning Cash Balance	\$ 50,000	\$ (136,399)	\$ (664,531)	\$ (1,406,848)	\$ (2,605,106)
Net Income (Loss)	(127,321)	(113,759)	131,120	325,521	602,475
Non-Cash Expense					
Depreciation Expense	113,802	274,925	338,326	515,795	700,510
Total Cash From Operations	\$ (13,519)	\$ 161,165	\$ 469,446	\$ 841,315	\$ 1,302,985
Cash from Financing Activities					
Long-Term Debt Issuance	\$ -	\$ -	\$ -	\$ -	\$ -
Short-Term Debt Issuance	-	-	-	-	-
Paid In Capital	3,200,000	200,000	-	2,500,000	-
Advances In Aid Of Construction	1,853,325	2,161,900	1,601,725	1,895,575	1,981,825
Contributions In Aid Of Construction	-	-	-	-	-
Security Deposits	-	-	-	-	-
Total Cash From Financing Activities	\$ 5,053,325	\$ 2,361,900	\$ 1,601,725	\$ 4,395,575	\$ 1,981,825
Cash Disbursements					
Long-Term Debt Repayment	\$ -	\$ -	\$ -	\$ -	\$ -
Short-Term Debt Repayment	-	-	-	-	-
Dividends	-	-	-	-	-
Refund of Advances In Aid of Const.	-	18,833	55,493	114,823	191,024
Capital Expenditures	5,226,205	3,032,365	2,757,995	6,320,325	2,087,460
Total Cash Disbursed	\$ 5,226,205	\$ 3,051,198	\$ 2,813,488	\$ 6,435,148	\$ 2,278,484
Ending Cash Balance	\$ (136,399)	\$ (664,531)	\$ (1,406,848)	\$ (2,605,106)	\$ (1,598,780)
Interest Calculations					
Interest Earned (a)	2.0%	(864)	(8,009)	(20,714)	(40,120)
Interest Expense					(42,039)

(a) Calculated on Average Cash Balance

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *BW*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: September 19, 2005

RE: **PERKINS MOUNTAIN WATER COMPANY (DOCKET NO. W-20380A-05-0490)**
PERKINS MOUNTAIN UTILITY COMPANY (DOCKET NO. SW-20379A-05-0489)
AMENDED LEGAL DESCRIPTION

The area requested by Perkins Mountain for a CC#N for water and wastewater has been plotted using an amended legal description for Page 2, which has been docketed (the original Page 1 did not need to be amended). The entire correct legal description is attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files.

:bsw

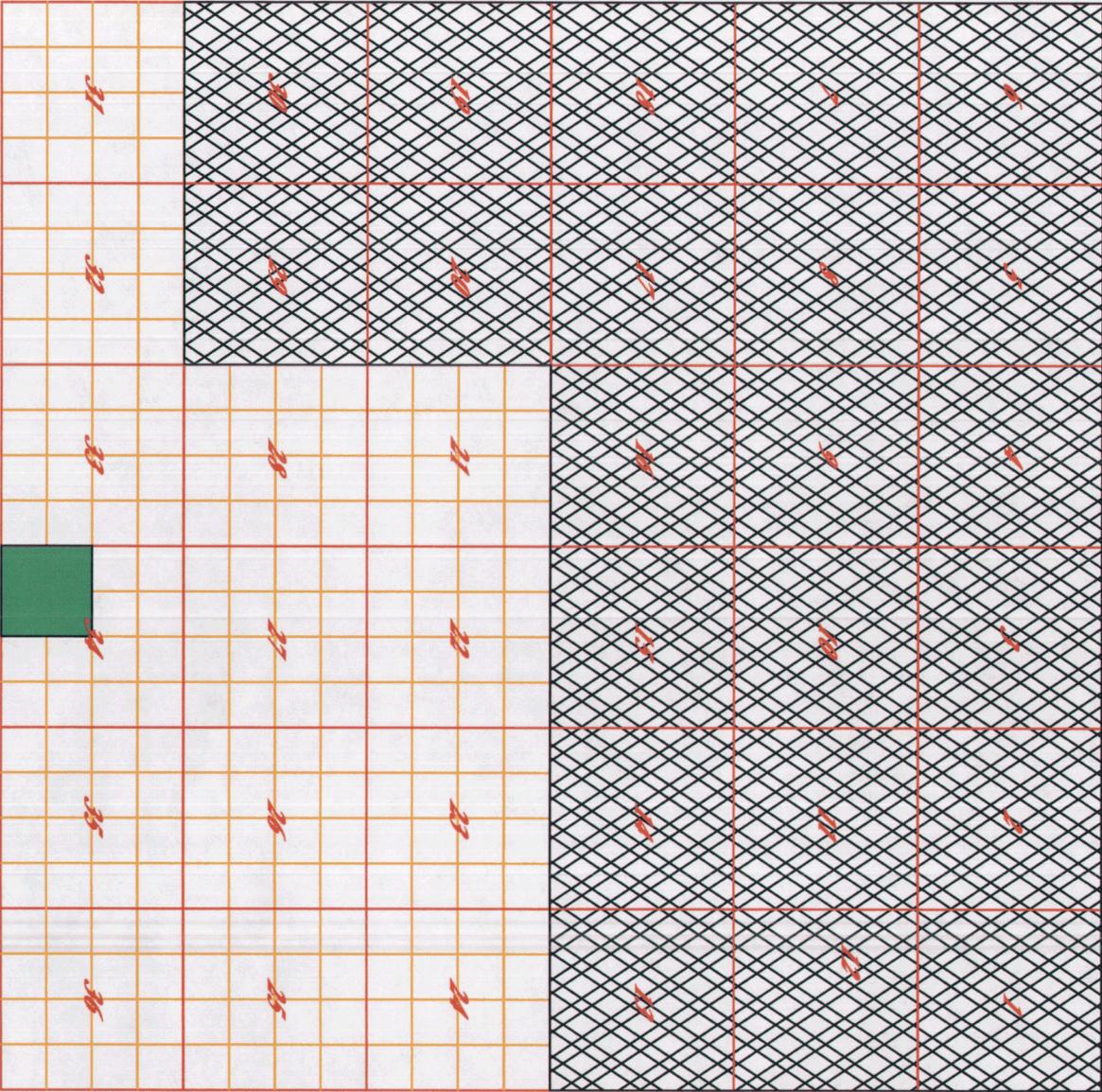
Attachments

cc: Docket Control
Ms. Kimberly Grouse
Ms. Deb Person (Hand Carried)
File

COUNTY

Mohave

RANGE 18 West



TOWNSHIP 21 North



W-2033 (2)

Valley Pioneer's Water Company, Inc.



W-20380 (4)

Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N

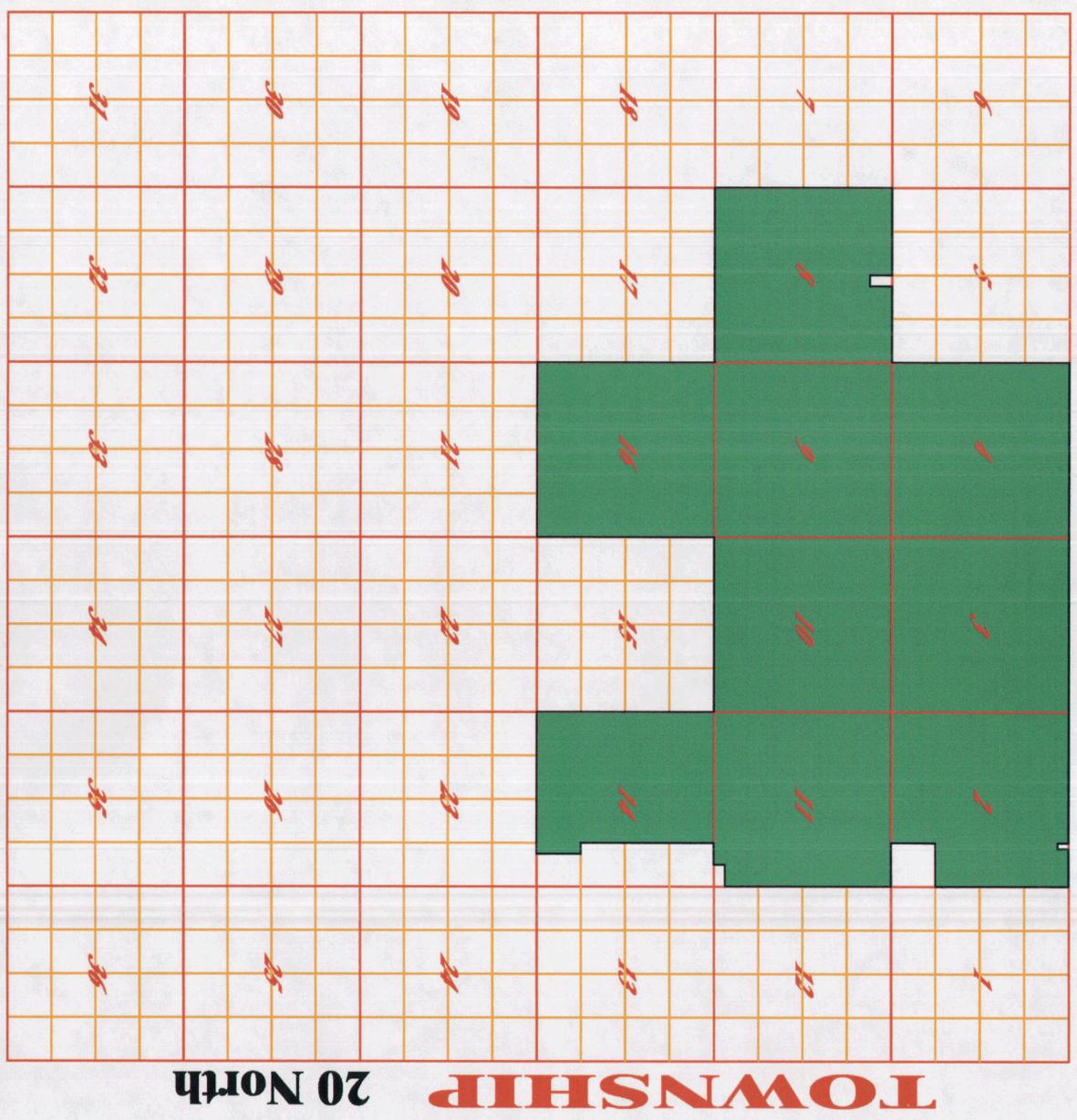


SW-20379 (4)

Perkins Mountain Utility Company
Docket No. SW-20379A-05-0489
Application for CC&N for Sewer

COUNTY: Mohave

RANGE 18 West

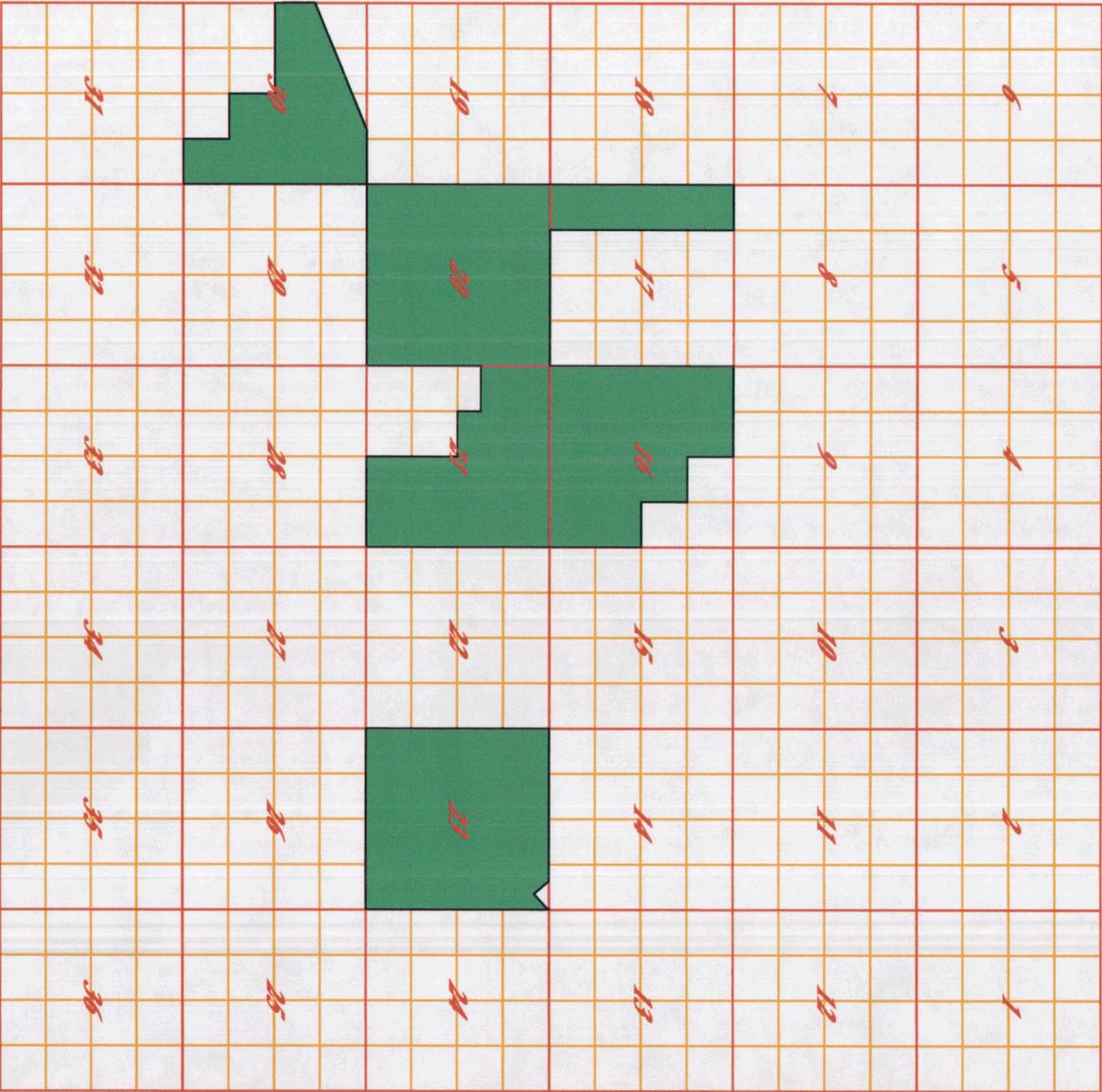


TOWNSHIP 20 North

- W-20380 (4)**
 Perkins Mountain Water Company
 Docket No. W-20380-A-05-0490
 Application for CC&N for Water
- SW-20379 (4)**
 Perkins Mountain Utility Company
 Docket No. SW-20379A-05-0489
 Application for CC&N for Sewer

COUNTY: Mohave

RANGE 20 West

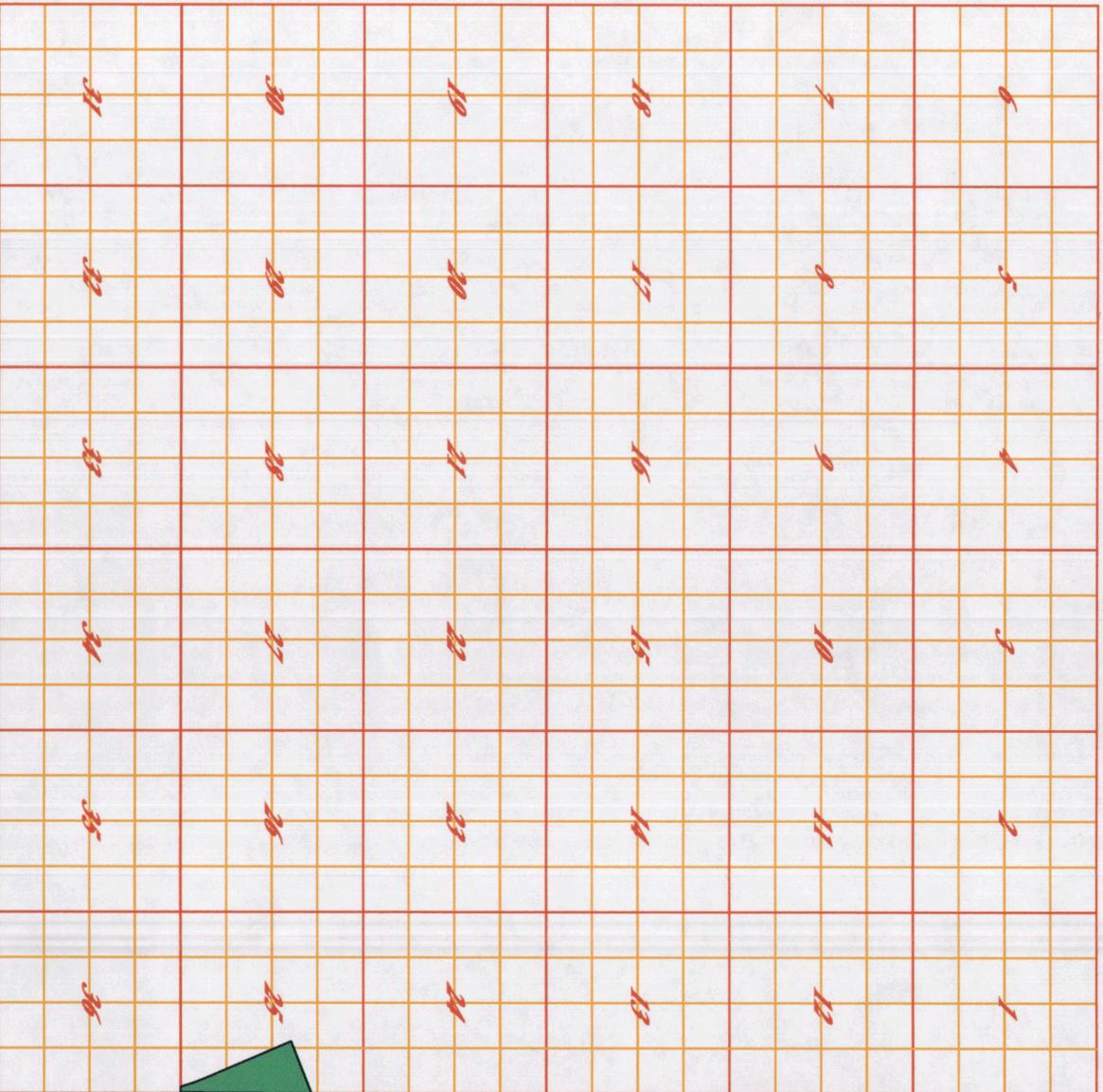


TOWNSHIP 27 North

- W-20380 (4)**
 Perkins Mountain Water Company
 Docket No. W-20380-A-05-0490
 Application for CC&N for Water
- SW-20379 (4)**
 Perkins Mountain Utility Company
 Docket No. SW-20379A-05-0489
 Application for CC&N for Sewer

COUNTY: Mohave

RANGE 21 West



TOWNSHIP 27 North

 W-20380 (4)

Perkins Mountain Water Company
 Docket No. W-20380-A-05-0490
 Application for CC&N for Water

 SW-20379 (4)

Perkins Mountain Utility Company
 Docket No. SW-20379A-05-0489
 Application for CC&N for Sewer

GOLDEN VALLEY SOUTH
CC & N BOUNDARY

LEGAL DESCRIPTION

TOWNSHIP 20 NORTH, RANGE 18 WEST, G. & S.R.M., MOHAVE COUNTY, AZ:

SECTION 2, EXCEPT THE W2 NW4 NW4 NE4 NE4, & THE SE4 SE4;
SECTION 3;
SECTION 4;
SECTION 8, EXCEPT THE W2 NW4 NW4 NE4;
SECTION 9;
SECTION 10;
SECTION 11, EXCEPT THE S2 SE4 SE4 SE4;
SECTION 14, EXCEPT THE E2 NE4, THE NE4 SE4, THE E2 W2 SE4 SE4, & THE E2 SE4
SE4;
SECTION 16;

TOWNSHIP 21 NORTH, RANGE 18 WEST, G. & S.R.M., MOHAVE COUNTY, AZ:

SW4 SECTION 34.

THE VILLAGES AT WHITE HILLS
CC & N SEWER/WATER BOUNDARY

LEGAL DESCRIPTION

[Revised 8-3-05]

TOWNSHIP 27 NORTH, RANGE 20 WEST, G. & S.R.M., MOHAVE COUNTY, AZ;

SECTION 16, EXCEPT THE NW4 NE4, & THE E2 NE4;

W2 W2 SECTION 17;

SECTION 20;

SECTION 21, EXCEPT THE SW4, & THE S2 SW4 NW4;

SECTION 23, EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

COMMENCING AT THE NORTHEAST CORNER OF SECTION 23; THENCE NORTH 89°37'39" WEST, 26.97 FEET TO THE POINT OF BEGINNING; THENCE SOUTH 41°25'03" EAST, 35.78 FEET; THENCE SOUTH 48°34'57" WEST, 599.97 FEET; THENCE NORTH 41°25'03" WEST, 572.03 FEET; THENCE SOUTH 89°37'39" EAST, 804.69 FEET TO THE POINT OF BEGINNING;

ALL OF SECTION 30 LYING SOUTHERLY OF THE CENTERLINE OF WHITE HILLS ROAD (O.R. 274/50-97) OF WHICH THE CENTERLINE IS DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHWEST CORNER OF THE NORTHWEST QUARTER (NW ¼) OF SECTION 30; THENCE SOUTH 00°28'34" WEST, ALONG THE WESTERLY LINE THEREOF, 1,493.03 FEET TO THE POINT OF BEGINNING; THENCE NORTH 68°20'45" EAST, DEPARTING SAID WESTERLY LINE, 223.94 FEET; THENCE NORTH 67°59'58" EAST, 3,686.73 FEET TO THE POINT OF TERMINATION, SAID POINT BEING ON THE NORTHERLY LINE OF THE NORTHEAST QUARTER (NE ¼) OF SECTION 30, EXCEPT THE SW4, & THE SW4 SE4;

TOWNSHIP 27 NORTH, RANGE 21 WEST, G. & S.R.M., MOHAVE COUNTY, AZ;

A PORTION OF THE E2 SECTION 25 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF THE SOUTHEAST QUARTER (SE ¼) OF SAID SECTION 25; THENCE SOUTH 00°28'58" WEST, ALONG THE EASTERLY LINE THEREOF, 2,643.95 FEET TO THE SOUTHEAST CORNER OF SAID SOUTHEAST QUARTER (SE ¼); THENCE NORTH 89°33'42" WEST, ALONG THE SOUTHERLY LINE THEREOF, 164.23 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO THE LEFT, OF WHICH THE RADIUS POINT LIES SOUTH 74°14'59" WEST, A RADIAL DISTANCE OF 5,821.58 FEET, SAID POINT BEING ON THE EASTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 95; THENCE NORTHERLY ALONG THE ARC, ALONG SAID EASTERLY RIGHT-OF-WAY LINE, THROUGH A CENTRAL ANGLE OF 07°34'58", 770.46 FEET; THENCE NORTH 23°19'59" WEST, CONTINUING ALONG SAID EASTERLY RIGHT-OF-WAY LINE, 2,685.36 FEET TO THE CENTERLINE OF WHITE HILLS ROAD (O.R. 274/50-97); THENCE NORTH 68°20'45" EAST, ALONG SAID CENTERLINE, 1,632.40 FEET TO THE EASTERLY LINE OF THE NORTHEAST QUARTER (NE ¼) OF SAID SECTION 25; THENCE SOUTH 00°28'34" WEST, ALONG SAID EASTERLY LINE, 1,151.09 FEET TO THE POINT OF BEGINNING.