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MEMORANDUM

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: Docket Control

FROM: Steven M. Olea
Acting Director
Utilities Division

DATE: October 23, 2001

RE: STAFF REPORT FOR CATHERINE B. SICKLES DBA ANTELOPE WATER COMPANY'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W-01639A-01-0592)

Attached is the Staff Report for Catherine B. Sickles dba Antelope Water Company's application for a permanent rate increase. Staff recommends approval of its proposed rates. Staff further recommends that a hearing should not be held in this matter.

SMO:JDL:rdp

Originator: John D Lawrence

Attachment: Original and ten copies

Arizona Corporation Commission

DOCKETED

OCT 23 2001

DOCKETED BY

Service List for: Catherine B. Sickles dba Antelope Water Company
Docket No. W-01639A-01-0592

Ms. Catherine B. Sickles DBA
Antelope Water Company
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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**CATHERINE B. SICKLES DBA
ANTELOPE WATER COMPANY**

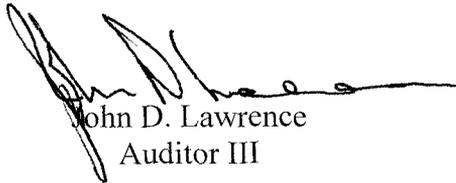
DOCKET NO. W-01639A-01-0592

**APPLICATION FOR A
PERMANENT RATE INCREASE**

OCTOBER 2001

STAFF ACKNOWLEDGMENT

The Staff Report for Catherine B. Sickles dba Antelope Water Company, Docket No. W-01639A-01-0592, was the responsibility of the Staff members listed below. John D. Lawrence was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. John Chelus was responsible for the engineering and technical analysis. John La Porta was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.



John D. Lawrence
Auditor III



John Chelus
Utilities Engineer



John La Porta
Consumer Services Specialist I

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Attachment

Engineering Report

Fact sheet

Company Statistics:

Original CC&N: Decision No. 34356, dated February 18, 1963
Current Rates: Decision No. 51355, dated September 16, 1980
Type of Organization: Sole Proprietorship
Physical Location: Yarnell, Arizona

Rates:

Permanent Rate Application Filed: July 26, 2001
Current Test Year Ended: December 31, 2000
Prior Test Year Ended: December 31, 1979

Monthly Charges:

	Current Rates	Company Proposed Rates	Staff Proposed Rates
Monthly Minimum Charge 5/8" X 3/4" Meter	\$20.00	\$30.00	\$35.00
Gallons included in Minimum	0	0	0
Commodity Charge Excess of Minimum- per 1,000 Gallons:			
All Gallons	\$1.50	\$1.50	\$7.67

Customers:

Test Year Customers: 3
Prior Test Year Customers: 3
All Customers: 5/8" X 3/4" residential meter
Notified: July 23, 2001
Complaints Filed: 1

Summary of Filing

The Test Year results, as adjusted by Staff, for Catherine B. Sickles DBA Antelope Water Company ("Antelope" or "Company") show Total Operating Revenue of \$806 and an Operating Loss of \$894 on an Original Cost Rate Base ("OCRB") of \$10,880 for no rate of return (Schedule 1).

Antelope's proposed rates, as filed, produce Total Operating Revenue of \$651 and Operating Income of \$302 for a 45.44 percent rate of return on an OCRB of \$665. The Company's proposed rates would increase the monthly minimum charge by \$10.00 from \$20.00 to \$30.00 and maintain the commodity charge at \$1.50 per thousand gallons. The Company's proposed rates would increase the typical residential bill (5/8 X 3/4 - inch meter) with median estimated usage of 1,278 gallons by \$10.00 from \$21.92 to \$31.92, an increase of 45.6 percent.

Staff recommends rates that produce Total Operating Revenue of \$1,700 to provide Antelope with positive cash flow of \$342.00. While Staff's recommended rates produce zero Operating Income and a zero rate of return on an adjusted OCRB of \$10,880, Staff has allowed the operator/owner a \$100.00 per month operator fee. Staff's allowed operator fee compensates the owner for her investment in and management of the system. The average residential bill would increase from the present \$22.40 to \$47.22, for an increase of 110.8 percent.

Background

On July 26, 2001, Antelope filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). Antelope's application states that a rate increase is needed because its well had gone dry and needed to be deepened and required a new submersible pump. The application was found sufficient on August 24, 2001.

The Company's current rates were approved in Decision No. 51355, dated September 16, 1980, based on the test year ended December 31, 1979. Ms. Sickles and her late husband acquired all available lots in the Yarnell Country Club Estates subdivision in a bankruptcy sale. As a condition of the purchase, the bankruptcy court required the Sickles' to continue operating the water company, which had been established by the developer of the subdivision. The Certificate of Convenience and Necessity covers a total of 40 acres.

During the current test year that ended December 31, 2000, Ms. Sickles served two customers in addition to her own home. Ms. Sickles has no water meter on the line to her house and only one of the two customers had a metered connection. The absence of metered lines prevented determination of consumption by Ms. Sickles and one of her two customers. There does not appear to be any potential for growth of this customer base any time soon. In addition, the Company has no water meter on the well, making it impossible to establish the total number of gallons pumped during the test year. Therefore, Staff used estimated consumption to calculate revenues using current and recommended rates.

During the Test Year, Antelope charged the metered customer in accordance with its tariffs. The unmetered customer was only charged the monthly minimum, and Ms. Sickles was not billed for service. As of July 2001, both customers were metered; however, Ms. Sickles still does not have a meter on her service line.

Ms. Sickles does not have a separate electric meter for the well site. Ms. Sickles' house and horse corral are on the same electric meter as the well. She apportions one third of each electric bill to the water system. Ms. Sickles states that it has always been done this way, and has no way to establish how much she paid to pump water to her customers.

The Company's books and records are not kept in a formal manner. Ms. Sickles pays all the Company expenses from her personal checkbook.

Consumer Services

Currently there is a formal complaint before the Commission filed by Harry & Andrea Baker, the customer who received unmetered service during the test year. In July 2001, Antelope had a meter installed on the service line to the Baker's residence and a dispute has arisen over who is responsible for the cost of the meter. This matter will be dealt with in a separate case.

Engineering Analysis

Staff Engineering conducted a field inspection of the system on September 17, 2001, accompanied by Ms. Sickles (see the attached Staff Engineering Report).

The water system consists of one well, one 1,000-gallon fiberglass storage tank, one 100-gallon pressure tank, one 1-hp booster pump and the distribution system.

Total water pumped and total water usage could not be determined since only one of the three connections was metered. Water loss could not be determined due to the lack of data.

Purchased power could not be determined since the well electric meter is also connected to the owner's home.

The Company is presently using component depreciation rates ordered in 1980. Staff Engineering recommends using updated account specific rates as shown on Page 4 of the attachment to accurately match service lives with cost recovery.

Compliance

Antelope does not have either a Backflow Tariff or a Curtailment Plan on file with the Commission.

Arizona Department of Environmental Quality ("ADEQ") considers this a private water system since it serves less than four connections. ADEQ has no jurisdiction over private water systems.

The Company's service area is not located in an Active Management Area and is not subject to conservation and monitoring requirements of the Arizona Department of Water Resources.

Rate Base

As shown on Schedule 2, page 1, Staff recommends a rate base of \$10,880. This figure represents a \$10,215 increase from the Company's proposed amount of \$665. Staff's rate base figure results from adjustments that decreased Accumulated Depreciation and increased plant in service to recognize capital expenditures not recorded to the plant accounts by the Company. Plant balances and depreciation rates were established in 1980 and the adjustments reflect the plant authorized in the prior rate case adjusted for additions and retirements for the years 1980 through July 2001.

As shown on Schedule 2, page 3, Adjustment A, Accumulated Depreciation has been adjusted to remove depreciation recorded erroneously by the Company on equipment that was either fully depreciated or no longer in service.

As shown on Schedule 2, page 2, Adjustments A, B and C were made to reflect 2001 plant additions and retirements. Adjustment A increased Wells & Springs to record costs of redrilling and deepening the Company's single well. Adjustment B increased Pumping Equipment to record costs of installing a new submersible pump and to remove the cost of the old submersible pump. Adjustment C reflects the cost of installing the new meter that is the subject of a formal complaint as discussed previously on the Baker's property. Staff's treatment conservatively assumes that the Company bears all costs of the meter.

Operating Revenue

As shown on Schedule 3, Page 1, Staff increased Test Year Total Operating Revenue from \$503 to \$806 (Adjustment A). Staff's adjustment reflects estimated monthly use for Ms. Sickles and the unmetered customer at 2,500 and 1,000 gallons, respectively. The unmetered customer is a part-time resident.

Operating Expenses

Staff made two adjustments that collectively increased operating expenses by \$1,642.

Adjustment B increased Outside Services and Rate Case Expense by \$1,300 to recognize \$1,200 for a system operator and \$100 for rate case expenses. Adjustment C increased Depreciation Expense by \$342 to reflect application of Staff Engineering's recommended depreciation rates to Staff's recommended plant by account (Schedule 2, page 3 of 3).

Revenue Requirement and Rate Design

Staff recommends operating revenue of \$1,700, an increase of \$894 or 110.9 percent above estimated Test Year revenue of \$806. Staff's recommended revenue provides no return on a rate base of \$10,880, but it does provide for positive cash flow of \$342. Staff's recommended rates are expected to provide sufficient cash flow for the Company to pay its bills. A zero return on rate base is appropriate because two major components of operating margin, Revenue and Purchased Pumping Power were, by necessity, estimated, because the Company was unable to provide adequate Test Year data. Finally Staff notes that this recommended increase is substantial; under the circumstances, Staff's proposed rates are just and reasonable.

Staff recommends a \$35.00 minimum charge with no gallons included. Staff's recommended minimum charge generates 74.1 percent of recommended revenue providing a high degree of revenue stability. Based on Staff's estimate of Test Year consumption a flat commodity rate of \$7.67 per 1,000 gallons is required to recover the remaining 25.9 percent of recommended revenue. Staff's recommended and the Company's proposed rate designs are presented on Schedule 5.

Staff Recommendations

Staff recommends approval of its proposed rates and charges as shown on Schedule 4 of this report.

Staff further recommends approval of the above rates and charges without a hearing.

Staff further recommends that Antelope file with the Commission a schedule of its approved rates and charges within 30 days after the decision in this matter is issued.

Staff further recommends that the Company be ordered to submit a rate case application by June 30, 2004, using a Test Year ending no later than December 31, 2003.

Staff further recommends that the Company be ordered to install a separate electric meter for the well no later than December 31, 2002.

Staff further recommends that Antelope be ordered to install water meters on both the well head and Ms. Sickles' residence no later than December 31, 2002.

Staff further recommends that the Company be ordered to immediately apply the depreciation rates shown in the attachment, Page 4, to this report.

Staff further recommends that Antelope be ordered to maintain the books and records in compliance with the standards established by the National Association of Regulatory Utility Commissioners for water utilities and in compliance with Arizona Administrative Code ("AAC") R14-2-4-411(D)(2) by January 1, 2002.

Staff further recommends that in addition to the collection of Antelope's regular rates and charges that the Company shall collect from its customers their proportionate share of any Privilege, Sales or Use Tax as provided for in AAC R14-2-409(D).

Staff further recommends that the Company file a Backflow Tariff with the Commission within 30 days of the Commission's order in this matter.

Staff further recommends that the Company file a Curtailment Plan with the Commission for approval within 120 days after the Commission's order in this matter.

Catherine B. Sickles DBA Antelope Water Company

Docket No. W-01639A-01-0592

Schedule 1

Test Year Ended December 31, 2000

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Water Sales	\$503	\$806	\$651	\$1,700
Other Operating Revenue	0	0	0	0
Total Operating Revenue	\$503	\$806	\$651	\$1,700
Operating Expenses:				
Operation and Maintenance	\$218	\$1,518	\$218	\$1,518
Depreciation	107	449	107	449
Taxes Other than Income	24	24	24	24
Income Tax	0	0	0	0
Total Operating Expense	\$349	\$1,991	\$349	\$1,991
Operating Income/(Loss)	\$154	(\$1,185)	\$302	(\$291)
Rate Base O.C.L.D.	\$665	\$10,880	\$665	\$10,880
Rate of Return - O.C.L.D.	23.16%	N/A	45.42%	N/A
OPERATING MARGIN	30.62%	N/A	46.39%	N/A
INTEREST COVERAGE	N/A	N/A	N/A	N/A

NOTE: 1. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

2. Interest Coverage represents the ability of the Company to pay interest expenses before taxes.

Catherine B. Sickles DBA Antelope Water Company

Docket No. W-01639A-01-0592

Test Year Ended December 31, 2000

Schedule 2

Page 1 of 3

RATE BASE

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$5,337	\$5,607	A	\$10,944
Less:				
Accum. Depreciation	4,687	(4,446)	B	241
Net Plant	\$650	\$10,053		\$10,703
Less:				
Plant Advances	\$0	\$0		\$0
Customer Meter Deposits	0	0		0
Total Advances	\$0	\$0		\$0
Contributions Gross	\$0	\$0		\$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	\$0	\$0		\$0
Total Deductions	\$0	\$0		\$0
Plus:				
1/24 Power	\$6	\$0		\$6
1/8 Operation & Maint.	9	162	C	171
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$15	\$162		\$177
Rate Base	\$665	\$10,215		\$10,880

Explanation of Adjustment:

- A- See Schedule 2, Page 2 for explanation.
- B- See Schedule 2, Page 3 for explanation.
- C- See Schedule 3, Page 2 for explanation.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment		Staff Adjusted
301 Intangibles	\$0	\$0		\$0
303 Land & Land Rights	0	0		0
304 Structures & Improvements	500	0		500
307 Wells & Springs	1,750	4,851 A		6,601
311 Pumping Equipment	1,645	443 B		2,088
320 Water Treatment Equipment	0	0		0
330 Distribution Reservoirs	444	0		444
331 Trans & Dist Mains	900	0		900
333 Services	0	0		0
334 Meters	98	313 C		411
335 Hydrants	0	0		0
340 Office Furniture & Fixtures	0	0		0
341 Transportation Equipment	0	0		0
343 Tools & Work Equipment	0	0		0
345 Power Operated Equipment	0	0		0
346 Communications Equipment	0	0		0
348 Other Tangible Plant	0	0		0
105 C.W.I.P.	0	0		0
TOTALS	\$5,337	\$5,607		\$10,944

Explanation of Adjustment:

- A- The prior rate case established the balance in this account as \$2,250. To record the cost of re-drilling and deepening the well.
- B- To record costs of replacing the submersible pump and retirement of the old pump.
- C- To record the cost of installing a new water meter.

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$4,687
Accumulated Depreciation - Per Staff	241 A
Total Adjustment	<u><u>(\$4,446)</u></u>

Explanation of Adjustment:

- A - To adjust for equipment which is fully depreciated or no longer in service. See Schedule 3, Page 2 for detail.

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
Water Sales	\$503	\$303	A	\$806
Other Operating Revenue	0	0		0
Total Operating Revenue	\$503	\$303		\$806
Operating Expenses:				
Purchased Pumping Power	\$151	\$0		\$151
Purchased Water	0	0		0
Salaries and Wages	0	0		0
Repair and Maintenance	64	0		64
Water Testing	0	0		0
Chemicals	0	0		0
Transportation Expense	0	0		0
Office Supplies & Expense	3	0		3
Insurance	0	0		0
Outside Services & Rate Case Expense	0	1,300	B	1,300
Rents	0	0		0
Depreciation	107	342	C	449
Property Tax	24	0		24
Taxes Other Than Income	0	0		0
Income Taxes	0	0		0
Miscellaneous Expense	0	0		0
Total Operating Expenses	\$349	\$1,642		\$1,991
OPERATING INCOME/(LOSS)	\$154	(\$1,339)		(\$1,185)
Other Income/(Expense):				
Interest Income	\$0	\$0		\$0
Other Income	0	0		0
Interest Expense	0	0		0
Other Expense	0	0		0
Total Other Income/(Expense)	\$0	\$0		\$0
NET INCOME/(LOSS)	\$154	(\$1,339)		(\$1,185)

STAFF ADJUSTMENTS

A - REVENUES-per Company \$503
 Per Staff 806 \$303

Adjustment has been made per Staff's calculation of estimated consumption.

B - OUTSIDE SERVICES & RATE CASE EXPENSE - Per Company \$0
 Per Staff 1,300 \$1,300

To allow wages for an operator of \$100 per month and rate case expense of \$100.

C - DEPRECIATION - Per Company \$107
 Per Staff 449 \$342

Explanation of Adjustment:

Plant in Service	Staff Adjusted Balance		Fully Depreciated	Staff Recommended Depreciation Rate		Proforma Depreciation Expense		Accumulated Depreciation
	Staff Adjusted Balance	Fully Depreciated		Staff Recommended Depreciation Rate	Proforma Depreciation Expense			
Structures & Improvements	\$500	\$0	\$500	3.33%	\$ 17	\$ 241		
Wells & Springs	6,601	2,250	4,351	3.33%	145			
Pumping Equipment	2,088	0	2,088	12.50%	261			
Distribution Reservoirs	444	444	0	5.00%				
Trans & Dist Mains	900	900	0	2.00%				
Meters	411	98	313	8.33%	26			
Totals	\$ 10,944	\$ 3,692	\$ 7,252		\$ 449	\$ 241		

Catherine B. Sickles DBA Antelope Water Company

Docket No. W-01639A-01-0592

Test Year Ended December 31, 2000

Schedule 4

RATE DESIGN

	Current Rates	Proposed Rates	
		Company	Staff
<u>Monthly Usage Charge</u>			
5/8" x 3/4" Meter	\$20.00	\$30.00	\$35.00
Excess of Minimum - per 1,000 Gallons:			
All Gallons	\$1.50	\$1.50	\$7.67
Gallons Included in Minimum	0	0	0
<u>Service Line and Meter Installation Charges</u>			
5/8" x 3/4" Meter	\$100.00	\$0.00	\$400.00
<u>Service Charges</u>			
Establishment	\$0.00	\$0.00	\$0.00
Establishment (After Hours)	0.00	0.00	0.00
Reconnection (Delinquent)	0.00	0.00	0.00
Meter Test (If Correct)	0.00	0.00	0.00
Deposit	0.00	0.00	*
Deposit Interest	0.00%	0.00%	*
Re-Establishment (Within 12 Months)	0.00	**	**
NSF Check	35.00	35.00	25.00
Deferred Payment	0.00%	0.00%	0.00%
Meter Re-Read (If Correct)	0.00	0.00	0.00

* Per Commission Rules (R14-2-403.B)

** Months off system times the minimum (R14-2-403.D)

TYPICAL BILL ANALYSIS
 General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 3

<u>Company Proposed</u>		<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	(*)	1,593	\$22.40	\$32.40	\$10.00	44.6%
Median Usage	(*)	1,278	\$21.92	\$31.92	\$10.00	45.6%
<u>Staff Proposed</u>						
Average Usage	(*)	1,593	\$22.40	\$47.22	\$24.82	110.8%
Median Usage	(*)	1,278	\$21.92	\$44.80	\$22.88	104.4%

* Usage figures are based upon Staff's estimate.

Present & Proposed Rates (Without Taxes)
 General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$20.00	\$30.00	50.0%	\$37.00	85.0%
1,000	21.50	31.50	46.5%	42.67	98.5%
2,000	23.00	33.00	43.5%	50.34	118.9%
3,000	24.50	34.50	40.8%	58.01	136.8%
4,000	26.00	36.00	38.5%	65.68	152.6%
5,000	27.50	37.50	36.4%	73.35	166.7%
6,000	29.00	39.00	34.5%	81.02	179.4%
7,000	30.50	40.50	32.8%	88.69	190.8%
8,000	32.00	42.00	31.3%	96.36	201.1%
9,000	33.50	43.50	29.9%	104.03	210.5%
10,000	35.00	45.00	28.6%	111.70	219.1%
15,000	42.50	52.50	23.5%	150.05	253.1%
20,000	50.00	60.00	20.0%	188.40	276.8%
25,000	57.50	67.50	17.4%	226.75	294.3%
50,000	95.00	105.00	10.5%	418.50	340.5%

**Summary of Engineering Report
of John A. Chelus
for Antelope Water Company
Docket No. W-01639A-01-0592
October 23, 2001**

1. Engineering recommends that at least \$100 per month be included for salaries and wages to adequately maintain the system.
2. The system is considered a private water system because it serves less than four service connections. Therefore, ADEQ does not regulate this system and it has no Public Water System Number.
3. The Company should be ordered to install a well meter and a meter to the owner's residence by December 31, 2002, so that adequate data can be obtained about water loss. Once installed the Company should read all service meters and the well meter at the same time each month.
4. The Company should be ordered to install a separate electric meter to the well by December 31, 2002.
5. Engineering recommends using the depreciation rates table contained in the report.
6. The Company is not located within any Active Management Area and is not subject to conservation and monitoring requirements.
7. The Company has had two customers for almost 35 years. There is no indication that any new customers will be added in the near future.
8. The Company installed a new well in April of 2001, after the existing well's casing collapsed. This cost the Company approximately \$6000. The new well was operating at the time of inspection.

**ENGINEERING REPORT
FOR
ANTELOPE WATER COMPANY
DOCKET NO. W-01639A-01-0592**

A. PURPOSE OF REPORT

This report was prepared in response to a rate application filed by Antelope Water Company ("Company"). John A. Chelus, Utilities Engineer, inspected the water system on September 17, 2001. The Company was represented by Catherine B. Sickles, the owner.

B. LOCATION OF WATER SYSTEM

The Company is located in Peeples Valley near Yarnell, Arizona on Hwy 89, in Yavapai County. It is located at milepost 281, which is Hayes Ranch Road. The Company serves parts of Sections 26 and 35 in Township 11 North Range 5 West. Figures 1 & 2 show the location of the Company in relation to other regulated companies in Yavapai County.

C. DESCRIPTION OF WATER SYSTEM

The system presently serves two (2) residential customers in addition to the owner. Originally, a development called Yarnell Country Club Estates was started around 1954. It had 106 platted lots. After the developer went bankrupt, Bud and Catherine Sickles bought 94 of the 106 lots in 1967. The purchase included the water company. There are a total of five residential homes in the certificated area. This includes the Sickles residence, one original ranch house owned by the Sickles, which is not occupied, two residences on the system, and one residence that is not on the system. It is unknown where the third resident gets water. Of the two residential customers, one lives there full time. Besides being connected to the system, he has his own private wells. The other customer only visits the home infrequently on the weekends. This is a semi-public water system since it serves less than 15 service connections and less than 25 people. It consists of a one well, one 1,000 gallon fiberglass storage tank, one 100 gallon pressure tank, one 1 hp booster pump and distribution system.

Well and Storage Data

	Well No. 1
ADWR ID No.	55-586487
Location Number	B(11-5)26ADD
Casing Size	6 inch PVC
Casing Depth	303 ft.
Meter Size	None
Pump Size	1/2 hp
Pump Yield	6 gpm
Date Drilled	April 9, 2001
Storage Tank	1,000 gallons
Pressure Tank	100 gallons
Booster Pump	1 hp
Mains	790 ft- 2 inch Galvanized Steel
Customer Meters	2 - 5/8" x 3/4"

D. GROWTH

The Company has had two customers for almost 35 years. There are no indications any new customers will be added in the near future.

E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located within any Active Management Area and consequently is not subject to conservation and monitoring requirements.

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

The system is considered a private water system because it serves less than four service connections. Therefore, ADEQ does not regulate this system and it has no Public Water System Number.

G. WATER USAGE

The Company did not have enough data to make a determination of total water usage. They reported selling 15,000 gallons of water during the Test Year, but one of the two customers has only recently had a meter installed. The original meter had been covered over sometime in 1984. This meter is the subject of a formal complaint that has just been filed with the Utilities Division. The Company does not have a well meter on its well to determine the amount of water pumped.

H. OTHER

Water Testing Costs

Because the Company is a semi-public system, which serves less than 15 service connections or 25 people, it is not required to monitor for water quality.

Water Loss

Water Loss could not be determined because the Company does not have a well meter and because the Company owner does not have a meter to her house. The Company should be ordered to install a well meter and a meter to the owner's residence by December 31, 2002, so that adequate data can be obtained about water loss. Once installed the Company should read all service meters and the well meter at the same time each month.

Electric Meter

Electricity to the well is supplied through the same meter that supplies the Company owner's residence. Because of this, it is not possible to determine how much power is being used by the well and booster pumps. The Company should be ordered to install a separate electric meter to the well by December 31, 2002.

Compliance with Previous Orders

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

Salaries and Wages

The Company reported wages of \$0.00 for the Test Year. The owner has had no compensation for the hours spent maintaining the system. Engineering estimates that at least 2.5 hours per week should be required to properly maintain this system and read meters. Engineering recommends that at least \$100 per month be included for salaries and wages to adequately maintain the system.

Storage Requirements

The Company does not have adequate data to determine storage requirements, but based on the size of the components and the fact that there are only two customers, the system appears to have adequate storage and well capacity. It is unlikely the system will be growing in the near future.

New Well

The Company installed a new well in April of 2001, after the existing well's casing collapsed. This cost the Company approximately \$6000. The new well was operating at the time of inspection.

Depreciation Rates

The following table shows general guidelines for annual depreciation rates by NARUC Account Number. These rates represent typical and customary values within a range of anticipated equipment life. Staff Engineering recommends using these rates.

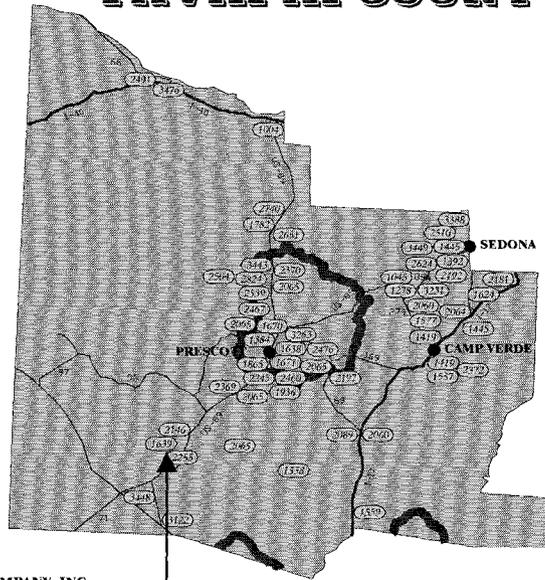
TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

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
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5 percent to 50 percent. The depreciation rate would be set in accordance with the specific capital items in that account.

YAVAPAI COUNTY



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|------|----------------------------------------------|------|------------------------------------------------|
| 1782 | ABRA WATER COMPANY, INC. | 2197 | HUMBOLDT WATER SYSTEM, INC. |
| 2740 | ANTELOPE LAKES WATER COMPANY | 2824 | ICR WATER USERS ASSOCIATION |
| 1639 | ANTELOPE WATER COMPANY | 2624 | MICHAELS RANCH WATER USERS' ASSOCIATION |
| 3443 | APPALOOSA WATER COMPANY | 2651 | JUNIPER WELLS WATER COMPANY |
| 1445 | ARIZONA WATER COMPANY | 1557 | LAKE VERDE WATER COMPANY |
| 1004 | ASHFORK DEVELOPMENT ASSOCIATION, INC. | 2192 | LITTLE PARK WATER COMPANY, INC. |
| 3476 | BN LEASING CORPORATION | 2245 | LOMA ESTATES WATER COMPANY |
| 1624 | BIG PARK WATER COMPANY | 2504 | MEADOW WATER COMPANY |
| 2510 | BOYNTON CANYON ENCHANTMENT HOMEOWNERS ASSOC. | 2460 | MILLSITE WATER USERS, INC. |
| 2089 | BRADSHAW MOUNTAIN VIEW WATER COMPANY | 2064 | MONTEZUMA ESTATES PROPERTY OWNERS ASSOC. |
| 2476 | BRADSHAW WATER COMPANY, INC. | 1577 | OAK CREEK PUBLIC SERVICE COMPANY |
| 1419 | CAMP VERDE WATER SYSTEM | 1392 | OAK CREEK WATER COMPANY NO. 1 |
| 2370 | CHINO MEADOWS II WATER COMPANY, INC. | 2146 | PEEPLER VALLEY WATER COMPANY |
| 1278 | CLEMENCEAU WATER COMPANY | 2181 | PINE VALLEY WATER COMPANY |
| 1559 | COLDWATER CANYON WATER COMPANY | 1936 | POTATO PATCH WATER SERVICE, INC. |
| 2060 | CORDES LAKES WATER COMPANY | 3448 | RAINBOW PARKS, INC. |
| 1045 | COTTONWOOD WATER WORKS, INC. | 3449 | SEDONA VENTURE (MHC OPERATING LTD PARTNERSHIP) |
| 1558 | CROWN KING WATER COMPANY, INC. | 3388 | SEVEN CANYONS WATER COMPANY |
| 1384 | DELL'S WATER COMPANY, INC. | 1671 | SHERMAN PINES WATER COMPANY |
| 3263 | DIAMOND VALLEY WATER USERS ASSOCIATION | 2372 | VERDE LAKES WATER CORPORATION |
| 2491 | GRAND CANYON CAVERNS | 3231 | VERDE SANTA FE WATER COMPANY, L.L.C. |
| 1670 | GRANITE DELLS WATER COMPANY | 2369 | WALDEN MEADOWS COMMUNITY COOPERATIVE |
| 2467 | GRANITE MOUNTAIN WATER COMPANY, INC. | 3122 | WICK WATER L.L.C. |
| 2539 | GRANITE OAKS WATER USERS ASSOCIATION | 2065 | WILHOIT WATER COMPANY, INC. |
| 1865 | GROOM CREEK WATER USERS ASSOCIATION | 2255 | YARNELL WATER IMPROVEMENT ASSOCIATION |
| 1638 | HOLIDAY HILLS WATER COMPANY | | |

Figure 1

COUNTY: *Yavapai*

RANGE 5 West



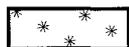
U-1639 (1)
Antelope Water Company



Peeples Valley Water Company
Contiguous Area



U-2146 (1)
Peeples Valley Water Company



U-2255 (2)
Yarnell Water Improvement Association

Figure 2