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2006 JUN 12 P 4: 36

AZ CORP COMMISSION
DOCUMENT CONTROL

5 Attorneys for Northern Sunrise Water Company
6 and Southern Sunrise Water Company

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION OF
9 NORTHERN SUNRISE WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
10 NECESSITY TO PROVIDE WATER UTILITY
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

11 IN THE MATTER OF THE APPLICATION OF
12 SOUTHERN SUNRISE WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
13 NECESSITY TO PROVIDE WATER UTILITY
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

14
15 IN THE MATTER OF THE JOINT APPLICATION
OF NORTHERN SUNRISE WATER COMPANY
16 AND SOUTHERN SUNRISE WATER COMPANY
FOR THE APPROVAL OF SALE AND TRANSFER
17 OF WATER UTILITY ASSETS, AND
CANCELLATION OF CERTIFICATES OF
18 CONVENIENCE AND NECESSITY, FOR
MIRACLE VALLEY WATER COMPANY,
19 COCHISE WATER COMPANY, HORSESHOE
RANCH WATER COMPANY, CRYSTAL WATER
20 COMPANY, MUSTANG WATER COMPANY,
CORONADO ESTATES WATER COMPANY, AND
21 SIERRA SUNSET WATER COMPANY, LOCATED
IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251
W-20454A-06-0251
W-01646A-06-0251
W-01868A-06-0251
W-02235A-06-0251
W-02316A-06-0251
W-02230A-06-0251
W-01629A-06-0251
W-02240A-06-0251

**APPLICANTS' NOTICE OF
FILING OF LATE-FILED
EXHIBITS**

22
23 Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water
24 Company ("Southern Sunrise") (collectively, "Applicants") hereby submit this Notice of Late-
25 Filed Exhibits in the above-referenced matter. The attached **Exhibit A** is filed in response, and as
26 an alternative, to Staff's late-filed Exhibit 4, pages 3 of 3 and 4 of 4 ("Exhibit 4"). For purposes

1 of clarifying the record, Applicants hereby do raise an objection to Staff's late-filed Exhibit 4.
2 Staff applied the "negative goodwill" rate base adjustment first proposed by Commissioner Marc
3 Spitzer, and adopted by the Arizona Corporation Commission ("Commission") in Decision No.
4 68412 ("Spitzer Adjustment"), solely to Land and Land Rights.

5 Applicants assert that it is inappropriate to apply the Spitzer Adjustment to land value and
6 land rights because the "negative goodwill" did not rise from McLain's ownership of the land.
7 Rather, the Commission applied "negative goodwill" to the McLain systems' rate base because of
8 inadequate service caused by physical infrastructure and plant equipment that had deteriorated the
9 water systems considerably. As a result, Applicants have applied the Spitzer Adjustment solely
10 to infrastructure and plant equipment, as more fully set forth in **Exhibit A**.

11 DATED this 12th day of June, 2006.

12 FENNEMORE CRAIG, P.C.

13
14 By: 

15 Jay L. Shapiro
16 Patrick J. Black
17 Attorneys for Applicants,
18 Northern Sunrise Water Company and
19 Southern Sunrise Water Company

20 ORIGINAL and 33 copies delivered
21 this 12th day of June, 2006 to:

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26 Copy hand-delivered
this 12th day of June, 2006, to:

Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

1 Ernest Johnson
2 Arizona Corporation Commission
3 1200 W. Washington St.
4 Phoenix, AZ 85007

4 Chris Kempley
5 Arizona Corporation Commission
6 1200 W. Washington St.
7 Phoenix, AZ 85007

7 Copy mailed
8 this 12th day of June, 2006, to:

9 Steven L. Wene, Esq.
10 MOYES STOREY
11 1850 North Central Avenue, #1100
12 Phoenix, AZ 85004

11 Johnny McLain
12 7110 East Jaxel Road
13 Hereford, AZ 85615

13 Johnny and Linda McLain
14 P.O. Box 2903
15 Sierra Vista, AZ 85636

15 Arizona Small Utilities Association
16 210 North Central Avenue, Suite 6B
17 Avondale, AZ 85323

17 Copy emailed and mailed
18 this 12th day of June, 2006 to:

19 Jane Rodda, Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 400 West Congress
23 Tucson, AZ 85701
24 JRodda@azcc.gov

25 *Maria San Jose*

24 1803689

Exhibit A

to

**Applicants' Notice of Filing
Late-Filed Exhibits**

ALLOCATION OF SPITZER ADJUSTMENT BASED ON HARD ASSET VALUES
NOT INCLUDING LAND

Mustang

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 5,000 | \$ 10,000 | | \$ 10,000 |
| 304 Structures and Improvements | - | - | - | \$ - |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 8,216 # | 8,216 | (680) | \$ 7,536 |
| 330 Distr. Reservoirs & Standpipe | - | - | - | \$ - |
| 331 Transmission and Distribution | 7,056 # | 7,056 | (584) | \$ 6,472 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 20,272</u> | <u>\$ 25,272</u> | <u>\$ (1,264)</u> | <u>\$ 24,008</u> |

Crystal

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 2,500 | \$ 5,000 | | \$ 5,000 |
| 304 Structures and Improvements | 194 | 194 | (13) | \$ 181 |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 5,878 | 5,878 | (392) | \$ 5,486 |
| 330 Distr. Reservoirs & Standpipe | - | - | - | \$ - |
| 331 Transmission and Distribution | 8,931 | 8,931 | (595) | \$ 8,336 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 17,503</u> | <u>\$ 20,003</u> | <u>\$ (1,000)</u> | <u>\$ 19,003</u> |

Sierra

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 500 | \$ 1,000 | | \$ 1,000 |
| 304 Structures and Improvements | 141 | 141 | (7) | \$ 134 |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 6,500 | 6,500 | (343) | \$ 6,157 |
| 330 Distr. Reservoirs & Standpipe | 4,680 | 4,680 | (247) | \$ 4,433 |
| 331 Transmission and Distribution | 6,176 | 6,176 | (325) | \$ 5,851 |
| 333 Services | 1,065 | 1,065 | (56) | \$ 1,009 |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 19,062</u> | <u>\$ 19,562</u> | <u>\$ (978)</u> | <u>\$ 18,584</u> |

NOT INCLUDING LAND

Coronado

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 6,373 | \$ 12,746 | | \$ 12,746 |
| 304 Structures and Improvements | - | - | - | \$ - |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 4,000 | 4,000 | (335) | \$ 3,665 |
| 330 Distr. Reservoirs & Standpipe | - | - | - | \$ - |
| 331 Transmission and Distribution | 14,821 | 14,821 | (1,243) | \$ 13,578 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 25,194</u> | <u>\$ 31,567</u> | <u>\$ (1,578)</u> | <u>\$ 29,989</u> |

NORTHERN

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 14,373 | \$ 28,746 | \$ - | \$ 28,746 |
| 304 Structures and Improvements | 335 | 335 | (20) | \$ 315 |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 24,594 | 24,594 | (1,750) | \$ 22,844 |
| 330 Distr. Reservoirs & Standpipe | 4,680 | 4,680 | (247) | \$ 4,433 |
| 331 Transmission and Distribution | 36,984 | 36,984 | (2,748) | \$ 34,236 |
| 333 Services | 1,065 | 1,065 | (56) | \$ 1,009 |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 82,031</u> | <u>\$ 96,404</u> | <u>\$ (4,820)</u> | <u>\$ 91,584</u> |

ALLOCATION OF SPITZER ADJUSTMENT BASED ON HARD ASSET VALUES

NOT INCLUDING LAND

Miracle

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|------------------|-----------------------|-------------------------------|------------------|
| 303 Land and Land Rights | \$ 2,500 | \$ 7,750 | | \$ 7,750 |
| 304 Structures and Improvements | - | - | - | \$ - |
| 307 Wells and Springs | - | - | - | \$ - |
| 311 Pumping Equipment | 6,855 | 6,855 | (506) | \$ 6,349 |
| 330 Distr. Reservoirs & Standpipe | - | - | - | \$ - |
| 331 Transmission and Distribution | 9,394 | 9,394 | (694) | \$ 8,700 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 18,749</u> | <u>\$ 23,999</u> | <u>\$ (1,200)</u> | <u>\$ 22,799</u> |

Horseshoe

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|-------------------|-----------------------|-------------------------------|-------------------|
| 303 Land and Land Rights | \$ 15,000 | \$ 30,000 | | \$ 30,000 |
| 304 Structures and Improvements | 1,287 | 1,287 | (243) | \$ 1,044 |
| 307 Wells and Springs | 21,050 | 21,050 | (3,967) | \$ 17,083 |
| 311 Pumping Equipment | 1,500 | 1,500 | (283) | \$ 1,217 |
| 330 Distr. Reservoirs & Standpipe | 30,556 | 30,556 | (5,759) | \$ 24,797 |
| 331 Transmission and Distribution | 62,273 | 62,273 | (11,737) | \$ 50,536 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | 300 | 300 | (57) | \$ 243 |
| | <u>\$ 131,966</u> | <u>\$ 146,966</u> | <u>\$ (22,045)</u> | <u>\$ 124,921</u> |

Cochise

| | <u>RCND</u> | <u>ROO Amount</u> | <u>Spitzer Adjustment</u> | <u>68412</u> |
|-----------------------------------|-------------------|-----------------------|-------------------------------|-------------------|
| 303 Land and Land Rights | \$ 172,129 | \$ 346,257 | | \$ 346,257 |
| 304 Structures and Improvements | - | - | - | \$ - |
| 307 Wells and Springs | 5,775 | 5,775 | (1,028) | \$ 4,747 |
| 311 Pumping Equipment | 34,492 | 34,492 | (6,139) | \$ 28,353 |
| 330 Distr. Reservoirs & Standpipe | 95,000 | 95,000 | (16,909) | \$ 78,091 |
| 331 Transmission and Distribution | - | - | - | \$ - |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | - | - | - | \$ - |
| | <u>\$ 307,396</u> | <u>\$ 481,524</u> | <u>\$ (24,076)</u> | <u>\$ 457,448</u> |

SOUTHERN

| | <u>RCND</u> | <u>ROO</u> <u>Amount</u> | <u>Spitzer</u> <u>Adjustment</u> | <u>68412</u> |
|-----------------------------------|-------------------|-----------------------------|-------------------------------------|-------------------|
| 303 Land and Land Rights | \$ 189,629 | \$ 384,007 | \$ - | \$ 384,007 |
| 304 Structures and Improvements | 1,287 | 1,287 | (243) | \$ 1,044 |
| 307 Wells and Springs | 26,825 | 26,825 | (4,995) | \$ 21,830 |
| 311 Pumping Equipment | 42,847 | 42,847 | (6,928) | \$ 35,919 |
| 330 Distr. Reservoirs & Standpipe | 125,556 | 125,556 | (22,668) | \$ 102,888 |
| 331 Transmission and Distribution | 71,667 | 71,667 | (12,430) | \$ 59,237 |
| 333 Services | - | - | - | \$ - |
| 335 Hydrants | 300 | 300 | (57) | \$ 243 |
| | <u>\$ 458,111</u> | <u>\$ 652,489</u> | <u>\$ (47,321)</u> | <u>\$ 605,168</u> |

TOTAL

| | <u>RCND</u> | <u>ROO</u> <u>Amount</u> | <u>Spitzer</u> <u>Adjustment</u> | <u>68412</u> |
|-----------------------------------|-------------------|-----------------------------|-------------------------------------|-------------------|
| 303 Land and Land Rights | \$ 204,002 | \$ 412,753 | \$ - | \$ 412,753 |
| 304 Structures and Improvements | 1,622 | 1,622 | (263) | \$ 1,359 |
| 307 Wells and Springs | 26,825 | 26,825 | (4,995) | \$ 21,830 |
| 311 Pumping Equipment | 67,441 | 67,441 | (8,678) | \$ 58,763 |
| 330 Distr. Reservoirs & Standpipe | 130,236 | 130,236 | (22,915) | \$ 107,321 |
| 331 Transmission and Distribution | 108,651 | 108,651 | (15,178) | \$ 93,473 |
| 333 Services | 1,065 | 1,065 | (56) | \$ 1,009 |
| 335 Hydrants | 300 | 300 | (57) | \$ 243 |
| | <u>\$ 540,142</u> | <u>\$ 748,893</u> | <u>\$ (52,141)</u> | <u>\$ 696,752</u> |