

ORIGINAL



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June 15, 2006

HAND DELIVERY

Jim Dorf
Arizona Corporation Commission
Utilities Division
1200 W. Washington
Phoenix, AZ 85007

RECEIVED
2006 JUN 16 A 8:30
AZ CORP COMMISSION
DOCUMENT CONTROL

Re: Utility Source, L.L.C. Application for a Certificate of Convenience and Necessity Extension; Docket No. WS-04235A-06-0303; Insufficiency Response

Dear Jim:

Please find attached to the Company's Responses to the deficiency items cited in your May 31, 2006 Insufficiency Letter.

- Item 1. Please see the attached revised Cover Sheet.
- Item 2. The requested revised Schedules were hand delivered to the Commission Staff by Mr. Bourassa and docketed on May 31, 2006. Another copy is attached hereto for your convenience.
- Item 3. Please see it attached inventories for the Water and the Sewer Divisions on the Commission's prescribed form.
- Item 4. Please see the attached Water Sold/Pumped Data Sheet.
- Item 5. Please see the attached to monthly Wastewater flow sheet.
- Item 6. Counsel for the Applicant discussed the alleged errors with the Consumer Service Division employee and explained the proposed tariffs contained in Exhibit G to the Application, which satisfied the inquiry.

Jim Dorf
June 15, 2006
Page 2

In the event you have any questions regarding these matters, please do not hesitate to call.

Sincerely,



Richard L. Sallquist

Enclosures

cc: Docket Control (15 copies w/o attachments)
Darin Carlson
Lonnie McCleve
Tom Bourassa

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF UTILITY SOURCE,
L.L.C. – WATER DIVISION, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: SW-_____

**WATER DIVISION
SUPPORTING RATE SCHEDULES**

THOMAS J. BOURASSA

Utility Source, LLC - Water and Wastewater Division
 Test Year Ended December 31, 2005
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa
WS-04235A-06-0303

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	(e) Cost Rate	Dollar Amount	Percent of Total	(e) Cost Rate
1	Long-Term Debt	-	0.00%	0.00%	-	0.00%	0.00%
2							
3	Stockholder's Equity (1)(2)	4,987,734	100.00%	10.50%	5,458,288	100.00%	10.50%
4							
5	Totals	4,987,734	100.00%	10.50%	5,458,288	100.00%	10.50%
6							
7							

(1) Increase Equity for A/D adjustment 1, B-2, page 1 Wtr \$ 57,559
 (2) Increase Equity for A/D adjustment 1, B-2, page 1 WW \$ 32,625

SUPPORTING SCHEDULES:

- D-1
- D-3
- D-4
- E-1 Water Division
- E-1 Sewer Division

RECAP SCHEDULES:

Utility Source, LLC - Water and Wastewater Division
 Test Year Ended December 31, 2005
 Cost of Long Term Debt

Exhibit
 Schedule D-2
 Page 1
 Witness: Bourassa
 WS-04235A-06-0303

Line No.	Description of Debt	End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Interest	Interest Rate	Amount Outstanding	Annual Interest	Interest Rate
1		-	-	0.00%	-	-	0.00%
2		-	-	0.00%	-	-	0.00%
3		-	-	0.00%	-	-	0.00%
4		-	-	0.00%	-	-	0.00%
5		-	-	0.00%	-	-	0.00%
6		-	-	0.00%	-	-	0.00%
7		-	-	0.00%	-	-	0.00%
8		-	-	0.00%	-	-	0.00%
9		-	-	0.00%	-	-	0.00%
10		-	-	0.00%	-	-	0.00%
11		-	-	0.00%	-	-	0.00%
12		-	-	0.00%	-	-	0.00%
13	Totals	\$ -	-		0.00% \$ -	-	0.00%
14							
15	Supporting Schedules:						
16	E-2 Water Division						
17	E-2 Sewer Division						
18							
19							
20							
21							

Utility Source, LLC - Water and Wastewater Division
 Test Year Ended December 31, 2005
 Cost of Preferred Stock

Exhibit
 Schedule D-3
 Page 1
 Witness: Bourassa
WS-04235A-06-0303

Line No.	Description of Issue	<u>End of Test Year</u>		<u>End of Projected Year</u>	
		Shares Outstanding	Dividend Requirement Amount	Shares Outstanding	Dividend Requirement Amount
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

NOT APPLICABLE; NO PREFERRED STOCK ISSUED OR OUTSTANDING

SUPPORTING SCHEDULES:
 E-1 Water Division
 E-1 Sewer Division

RECAP SCHEDULES:
 D-1

Utility Source, LLC - Water and Wastewater Division
Test Year Ended December 31, 2005
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa
WS-04235A-06-0303

Line
No. 1
2
3
4
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The Company is proposing a cost of common equity of 10.5% .

SUPPORTING SCHEDULES:
E-1 Water Division
E-1 Sewer Division

RECAP SCHEDULES:
D-1

Utility Source, LLC - Water and Wastewater Division
 Test Year Ended December 31, 2005
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa
 Consolidated
 WS-04235A-06-0303

Line No.		Test Year Ended 12/31/2005	Year Ended 12/31/2004	Year Ended 12/31/2003
1	ASSETS			
2	Plant In Service	\$ 5,045,266	\$ -	\$ -
3				
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	-	-	-
6	Less: Accumulated Depreciation	(181,446)	-	-
7	Net Plant	<u>\$ 4,863,820</u>	<u>\$ -</u>	<u>\$ -</u>
8				
9	Debt Reserve Fund	\$ -	\$ -	\$ -
10				
11		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
12				
13	CURRENT ASSETS			
14	Cash and Equivalents	\$ 3,354	\$ 35,296	\$ -
15	Restricted Cash	-	-	-
16	Accounts Receivable, Net	30,999	22,101	-
17	Unbilled Revenues	-	-	-
18	Materials and Supplies	-	-	-
19	Prepayments	-	-	-
20	Other Current Assets	-	-	-
21	Total Current Assets	<u>\$ 34,353</u>	<u>\$ 57,397</u>	<u>\$ -</u>
22				
23	Deferred Debits	\$ -	\$ -	\$ -
24				
25	Other Investments & Special Funds	\$ -	\$ -	\$ -
26				
27	TOTAL ASSETS	<u>\$ 4,898,173</u>	<u>\$ 57,397</u>	<u>\$ -</u>
28				
29				
30	LIABILITIES AND STOCKHOLDERS' EQUITY			
31				
32	Common Equity	<u>\$ 4,897,550</u>	<u>\$ 57,279</u>	<u>\$ -</u>
33				
34	Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	\$ -	\$ -	\$ -
38	Current Portion of Long-Term Debt	-	-	-
39	Payables to Associated Companies	-	-	-
40	Customer Meter Deposits, Current	-	-	-
41	Accrued Taxes	-	-	-
42	Accrued Interest	-	-	-
43	Other Current Liabilities	623	118	-
44	Total Current Liabilities	<u>\$ 623</u>	<u>\$ 118</u>	<u>\$ -</u>
45	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	\$ -	\$ -	\$ -
47	Advances in Aid of Construction	-	-	-
48	Accumulated Deferred Income Taxes	-	-	-
49	Contributions In Aid of Construction, Net	-	-	-
50	Asset Retirement Obligations	-	-	-
51	Total Deferred Credits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
52				
53	Total Liabilities & Common Equity	<u>\$ 4,898,173</u>	<u>\$ 57,397</u>	<u>\$ -</u>
54				
55				
56				
57				

COMPANY NAME Utility Source LLC - Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Tricking Filter, Septic Tank, Wetland, Etc.)	Extended aeration, step feed system
DESIGN CAPACITY OF PLANT (Gallons Per Day)	37,500 gpd Plant #1 100,000 gpd Plant #2

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Bellemont Travel Center	2	1.5	50	1,500
Flagstaff Meadows	2	3.0	150	8,000

FORCE MAINS

Size	Material	Length (Feet)
4-inch	SDR-35	2,200
6-inch		

MANHOLES

Type	Quantity
Standard	60
Drop	

CLEANOUTS

Quantity
1

COMPANY NAME Utility Source LLC - Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION - CONTINUED

COLLECTION MAINS

SERVICES

Size (in inches)	Material	Length (in feet)
4		
6		
8	SDR-35	16.224
10		
12	SDR-35	360
15		
18		
21		
24		
30		

Size (in inches)	Material	Quantity
4	SDR-35	327
6	SDR-35	3
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	25,000 gal. sludge holding tank - sludge hauled away
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	peristaltic chemical pump
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	mixed media filter - continuous backwash
STRUCTURES (Buildings, Fences, Etc.)	(1) 700 sq. ft. building (2) 12' wide rolling gate (3) 6' cylinder block fence, 376' in length
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	O2 sensor, c12 meter, backup generator, backup pumps, backup compressors, peristaltic meth pump

Company Name: Utility Source LLC - Water Division	Test Year Ended: 12/31/2005
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WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-203241	125	72	2,801	10	2	2004
55-598834	50	23	2,100	8	2	2003
55-593267	10	11	1,947	8	2	2002
55-559096	2	7	240	6	2	1997

* Arizona Department of Water Resources Identification Number See supplemental data sheet

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS

Horsepower	Quantity
15	2
75	1

FIRE HYDRANTS

Quantity Standard	Quantity Other
33	

STORAGE TANKS

Capacity	Quantity
422,000	1
258,000	1

PRESSURE TANKS

Capacity	Quantity

Company Name: Utility Source LLC - Water Division

Test Year Ended: 12/31/2005

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	C-900	900
8	C-900	14,563
10		
12	C-900	5,860

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	
3/4	340
1	
1 1/2	3
2	1
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:
Peristaltic pump for C12 injection

STRUCTURES:
1 - Pumphouse
2 - Well houses & storage facility
3 - 6' retaining wall around facility; 400' of fence

OTHER:

Utility Source LLC - Water Division

Supplemental Data

ADWR ID Number	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-598623	2 hp	10 gpm	300'	6"		2004
55-564258	2 hp	12 gpm	300'	7"		1998
55-515324	1 hp	5 gpm	105'	8"		1987
55-503545	1hp	10 gpm	215'	7"		1982
55-206887		371 gpm	2908'	16"		2005

WATER USE DATA SHEET

NAME OF COMPANY	Utility Source LLC - Water C
ADEQ Public Water System Number:	03-300

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January 2005	271	1,023,113	1,356,101
2. February	290	1,330,628	1,264,269
3. March	283	1,150,728	1,367,530
4. April	288	1,231,624	1,505,020
5. May	298	1,423,132	1,725,240
6. June	318	1,630,368	2,196,920
7. July	308	2,079,816	2,453,320
8. August	316	2,316,480	2,166,730
9. September	331	2,044,494	2,111,040
10. October	339	2,052,155	1,815,370
11. November	334	1,743,681	1,669,570
12. December	337	1,549,435	1,607,370
TOTAL	N/A	19,575,654	*

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** Gallons pumped cannot equal or be less than the gallons sold.*

ITEM 4

COMPANY NAME Utility Source LLC - Sewer Division

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW ¹	SEWAGE FLOW ON PEAK DAY ¹
January 2005	277	1,356,101	168,000
February	285	1,343,442	146,000
March	289	1,190,804	100,000
April	298	1,268,004	100,000
May	302	1,350,535	74,000
June	302	1,385,586	67,000
July	308	1,623,783	102,000
August	330	1,846,148	83,000
September	348	1,691,651	66,000
October	375	1,555,595	59,000
November	366	1,389,808	61,000
December	352	1,526,460	55,000

1 - During the year, there was a problem with storm drainage entering the system. This problem has now been addressed.

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (Leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	surface water discharge
Wastewater Inventory Number (All wastewater systems are assigned an inventory number)	N/A
Groundwater Permit Number	N/A
ADEQ Aquifer Protection Permit Number	104083
ADEQ Reuse Permit Number	N/A
EPA NPDES Permit Number	AZ024708

STATISTICAL INFORMATION

Total number of customers _____	337
Total number of gallons treated _____	17,527,912 gallons

ITEM 5