

ORIGINAL NEW APPLICATION



0000069799

CORDES LAKES WATER COMPANY

U-2060

W-02060A-07-0256

INTRODUCTORY MESSAGE

Cordes Lakes Water Company was formed in 1974 to purchase the water systems owned by Queen Creek Land & Cattle, The two systems were Cordes Lakes, located near Cordes Junction Arizona, and the other was Verde Village located near the City of Cottonwood Arizona. Both systems were certified to serve only the subdivisions of the same name and owned by Queen Creek Land & Cattle. At the time of purchase there were approximately 330 customers in the two systems.

In 2004, the City of Cottonwood under threat of condemnation took over the all of the assets of the Verde Village System. The City requested that the Cordes Lakes Water Company continue to operate the Verde Village system until April 2005

Cordes Lakes Water Company last sought rate relief with a rate application submitted February 16, 1984. The Decision, #54526 was put into effect on June 1, 1985. At the time the Cordes system had 238 customers while the Verde Village system had 1125 customers.

On page 16 of the staff report dated December 4, 1984, the staff indicated that the rates being proposed (and eventually authorized) for the Cordes System would generate a rate of return of zero (0). During the hearing the staff testified that although the Company should be entitled to a higher rate, for the Cordes system, any higher rate than the rate proposed would result in hardships for the Cordes system customers. Further, the Verde Village proposal would generate adequate funds for the Company.

Over the past 20 years several discussions were held with rate consultants both inside and outside the Commission. The opinion of the consultants was that the Cordes system, on its own, could not get rate relief as long as the Verde system was growing so quickly

Therefore, with the loss of the revenue from the Verde System due to the condemnation, the Cordes System has had to exist with inadequate revenue since April 2005.

Arizona Corporation Commission

DOCKETED

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CORDES LAKES WATER COMPANY  
DOCKET # U-2060

COMPLIANCE STATUS FROM THE ARIZONA DEPARTMENT OF  
ENVIRONMENTAL QUALITY

This document has been applied for on March 20, 2007. No reply has been received. Due to the extreme need for rate relief we are filing this request with the proviso that the document will be added to application as soon as it is received.

**CORDES LAKES WATER COMPANY**

**DOCKET # U-2060**

**WATER COMPANY RATE REVIEW**

Company name: CORDES LAKES WATER CO

Schedule 3

Docket No./Decision No.: U-2060

Period Ending: 12-31-2006

**WATER COMPANY RATE REVIEW  
STATEMENT OF RATE BASE**

Line No.	ACCOUNT DESCRIPTION		
1	<b>PLANT</b>		
2	Plant in Service	921,465	
3	Less: Accumulated Depreciation	391,562	
4	<b>NET PLANT</b>		\$ 529,903
5			
6	<b>ADDITIONS/DEDUCTIONS</b>		
7	<i>Advances (-)</i>		
8	Plant Advances		
9	Service Line & Meter Advances		
10	<b>TOTAL ADVANCES</b>		
11			
12	<i>Contributions (-)</i>		
13	Gross Contributions		
14	Less: Amortization of Contributions		
15	<b>TOTAL NET CONTRIBUTIONS</b>	†	\$
16			
17	<i>Working Capital(+)</i>		
18	1/24 of Purchased Power Expense	1,014	
19	1/8 Operations & Maintenance expense	52,178	
20	Inventory		
21	Prepayments		
22	<b>TOTAL WORKING CAPITAL</b>		\$ 53,192
23			
24	<b>TOTAL ADDITIONS &amp; DEDUCTIONS</b>		\$
25			
26	<b>RATE BASE</b>		\$ 583,095

Company name: CORNES LAIKES WATER CO

Schedule 4

Docket No./Decision No.: U-2060

Period Ending: 12-31-06

**WATER COMPANY RATE REVIEW  
SUMMARY OF RESULTS**

Line No.		
1	<b>PROFITABILITY RATIOS</b>	
2	<b>REGULATED PROFIT (Operating Income minus Interest Expense)</b>	\$ <u>&lt;115,095&gt;</u>
3	<b>RETURN ON EQUITY (Regulated Profit/Equity)</b>	%
4	<b>RATE OF RETURN (Operating Income/Rate Base)</b>	%
5	<b>OPERATING MARGIN (Operating Income/Total Operating Revenue)</b>	%
6		
7	<b>FINANCIAL INTEGRITY RATIOS</b>	
8	<b>DEBT SERVICE COVERAGE RATIO ((Operating Income + Depreciation Expense + Tax Expense)/(Interest Expense + Debt Principle Repayments))</b>	
9	<b>TIMES INTEREST EARNED RATIO ((Operating Income + Tax Expense)/Interest Expense)</b>	
10	<b>EBITDA COVERAGE RATIO ((Operating Income + Depreciation Expense + Tax Expense)/(Interest Expense))</b>	

**WATER COMPANY RATE REVIEW  
ADDITIONAL INFORMATION**

Test Year of last rate case	<u>1983 (Decision in 1985)</u>
Decision number of last rate case	<u>54526</u>
Rate base used in last rate case	<u>637,395</u>
Number of customers used in last rate case	<u>255</u>
Current number of customers	<u>1318</u>

CORDES LAKES WATER COMPANY

DOCKET # U-2060

ARIZONA DEPARTMENT OF REVENUE - TAX CLEARANCE APPLICATION

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY - MAPS PROGRAM  
RECEIPT

WATER USE DATA SHEET

# Certificate of Compliance Letter of Good Standing

## Cordes Lakes Water Company

This Certificate of Compliance is issued pursuant to Arizona Revised Statutes Section 42-1110 and/or Section 43-1151. It certifies that, according to department records, the above named taxpayer has filed and paid all taxes due under Title 42 and Title 43, specifically and only as to the following described tax types and identification/license numbers:

### TAX TYPE

Federal Employer Identification Number  
Transaction Privilege Tax License  
Withholding License

### IDENTIFICATION

86-0289532  
13-008635-W  
07-144301-V

This certification is made conditionally and is subject to the findings of any subsequent audit.

Issued To:

Cordes Lakes Water Company

Attn: Mr. Neil Folkman

PO Box 219

Tempe, AZ 85280



Christina Canisales  
Revenue Officer 602-716-6234  
April 18, 2007  
www.AZDOR.gov

CORDES LAKES WATER COMPANY  
ADEQ

5061

Date	Type	Reference	Original Amt	Balance Due	Discount	Payment
11/13/2006	Bill		3,382.83	3,382.83		3,382.83
					Check Amount	3,382.83



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
MONITORING ASSISTANCE PROGRAM  
ANNUAL SAMPLING FEE INVOICE**

\* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 11047	Invoice Number 63804
To: CORDES LAKE WATER COMPANY PO BOX 219 TEMPE, AZ 85280	Public Water System ID #: 13023
	Billing for Calendar Year: 2007
	Due Date: December 18, 2006
	Total Amount Due . . . . . \$ 3,382.83
	Amount Paid . . . . . \$

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

**WATER USE DATA SHEET**

<b>NAME OF COMPANY</b>	CORDES LAKES WATER Co
<b>ADEQ Public Water System Number:</b>	<del>58</del> 13-023

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. JAN, 06	1288	4718	5213
2. FEB, 06	1280	5010	4596
3. MAR, 06	1298	4471	5147
4. APR 06	1303	5610	5981
5. MAY 06	1311	7522	8038
6. JUN 06	1317	8840	9496
7. JUL 06	1317	8296	10274
8. AUG 06	1332	6979	7293
9. SEP 06	1328	6740	7695
10. OCT 06	1330	5075	7079
11. NOV 06	1342	6294	5659
12. DEC 06	1342	7578	6017
<b>TOTAL</b>	N/A	74,133	82,490 *

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.

**CORDES LAKES WATER COMPANY**

**DOCKET # U-2060**

**SCHEDULES**

CORDES LAKES WATER COMPANY  
DOCKET # -- U-2060

NOTES TO SCHEDULES

**Rental Expense:** The Company maintains three offices. One office is located at Cordes Junction. This office handles all new signups, local collection of water bills, and onsite problems. A second office is located in EL Cajon California. This office was originally set up to handle the entire mailing of the Cordes and Verde System. The postal machines, post office box, and computer server are located here. All of the records and the books of the Company are kept in an office in Tempe. The Company paid \$44,200 in rental expense. Parts of these charges are in lieu of salaries. In discussions with realty agents a combined fair value for rentals would be \$25,200. An adjustment of \$19,000 is indicated on schedule C-1.

**Employee Benefit Plan:** The amount paid or accrued in 2006 was \$18,517. This sum includes \$6,514 which should have been accrued in 2005 and was reversed on schedule C-1

**Billing Services:** The Company pays approximately \$1.13 per bill for all of the operations in El Cajon. This includes supervision, a part-time employee, maintenance of the server, folding and inserting equipment, transportation and banking of receipts received in the mail. This amount was originally determined by the City of Cottonwood, when Cordes handled their account for 6 months after the condemnation.

**Payroll:** Several of the employees and officers are paid by more than one entity. To save money on payroll services, payroll taxes, and medical insurance, the payroll account is either charged or debited to reflect allocations. The Company pays three operators, one part time electrician and one clerical person on site at Cordes Junction. The total payroll for these employees is \$145,827. The company's senior operator works 90% outside of Cordes and 10% for the Company. Neil Folkman and Laurie Folkman (paid to Laurie Folkman by outside agreement) were paid \$20,800. Because of health insurance, both the senior operator and Laurie Folkman are paid by Cordes Lakes and rebated by the separate company. The combined rebate to Cordes is \$160,606. A total of \$8,447 is paid by the company for Bradley Folkman and outside clerical help. The rebates and payments to other companies include all payroll taxes, insurance, and profit sharing expenses and therefore do not exactly match with payroll results.

**Land Transactions:** The Company needs to drill a new well in the next few years. The parcels of land owned by the Company were not suitable for a new well due to adjacent septic systems or probable lack of success of obtaining water. The Company therefore sold two lots and purchased a third lot that meets the criteria for a new well. The transactions resulted in a one time net income of \$6,278.

Balance Sheet: Because of the 20-year life prescribed for depreciation by the Commission, it was assumed that all assets in place before 1986 are no longer in service. The exceptions for this are: tanks \$10,120, and water mains \$600,451. These remain on the books for account balancing purposes in a fully depreciated account. Certain other assets such as wells and services that existed before 1986 are not considered as existing.

The Hub Café: This is a commercial account that is in an area adjacent to the Cordes Lakes Subdivision. The property mostly consists of a McDonalds restaurant. The property uses an average of 155,000 gallons per month. All other commercial properties use very little water and are considered as if they were residential for rate purposes. A separate account of water used by The Hub Café and a separate proposed rate is shown for the property, as part of this rate increase. Various expansions including overnight lodging facilities have been proposed for this property but nothing is now pending.

Cottonwood and Division of Assets: The operation, and subsequent condemnation, of the Cottonwood systems required dividing certain assets that were carried on the books without designation as to system. The unassigned assets were divided to the best of our ability. Before the condemnation, one set of books was kept for tax purposes with real IRS allowed depreciation, and one set of books was kept for ACC annual report purposes with the artificial depreciation required. The Arizona Department of Revenue required separate reports for Cordes and Verde. The ADR report for Cordes was used as the base for determining the assets in this application.

CORDES LAKES WATER COMPANY  
SCHEDULE A-1 -- COMPUTATION OF INCREASE IN GROSS REVENUE  
REQUIREMENTS

Adjusted Rate Base	\$ 583
Adjusted Operating Income	\$ (118,609)
Current Rate of Return	\$ -
Required Operating Income	\$ 30,000
Required Rate of Return	5.3%
Operating Income Deficiency	\$ 148,609
Increase in Gross Revenue Requirements	\$ 148,609

CORDES LAKES WATER COMPANY  
 SCHEDULE A-2 -- SUMMARY RESULTS OF OPERATIONS

	Test Year 12/31/06	Projected Yr 12/31/07 Present Rates	Projected Yr 12/31/07 Proposed Rates
Gross Revenue	\$ 372,595	\$ 414,951	\$ 532,513
Payroll Reimbursement	\$ 160,606	\$ 170,242	\$ 170,242
Total Income	\$ 533,201	\$ 585,193	\$ 702,755
Deductions & Expenses	\$ 648,297	\$ 532,075	\$ 540,836
Operating Income	\$ (115,096)	\$ (117,124)	\$ (8,323)
Other Income			
Interest Expense	\$ (3,514)	\$ (5,549)	\$ (5,549)
Net Income	\$ (118,610)	\$ (122,673)	\$ (13,872)
Times Interest Earned	\$ -		

CORDES LAKES WATER COMPANY  
SCHEDULE A-4 -- CONSTRUCTION EXPENDITURES AND  
GROSS UTILITY PLANT IN SERVICE

Year	Construction Expenditures	Gross Plant In Service
2004	\$ 85,140	\$ 793,999
2005	\$ 51,280	\$ 845,279
2006	\$ 76,186	\$ 921,465
Projected 2007	\$ 29,500	\$ 950,965
Projected 2008	\$ 174,000	\$ 1,124,965
Projected 2009	\$ 71,000	\$ 1,195,965

CORDES LAKES WATER COMPANY  
SCHEDULE B1 -- SUMMARY OF ORIGINAL COST RATE BASE

Gross Utility Plant in Service	\$	921,465
Less: Accumulated Depreciation	\$	391,562
Net Utility Plant in Service	\$	529,903
Plus: Allowance for Working Capital	\$	53,192
Total Original Cost Rate Base	\$	583,095

CORDES LAKES WATER COMPANY  
SCHEDULE B2 AMD B3 – PROFORMA ADJUSTMENTS

NO PROFORMA ADJUSTMENTS ARE BEING PRESENTED

CORDES LAKES WATER COMPANY -- U-2060  
SCHEDULE B-5 ALLOWANCE FOR WORKING CAPITAL

1/24	ELECTRIC	\$	1,014
1/8	OPERATING & MAINTENANCE	\$	52,178
		\$	53,192

CORDES LAKES WATER COMPANY -- U-2060  
 SCHEDULE C1 -- ADJUSTED TEST YEAR INCOME STATEMENT

	Actual Test Year	Adjust	Test Year After Adjust
Sales			
Gross sales	\$ 395,205	\$ (22,609)	\$ 372,596
			\$ -
Operating Expenses			\$ -
Payroll	\$ 318,078		\$ 318,078
Less reimburse	\$ (160,606)		\$ (160,606)
Paid to other Co.	\$ 8,447		\$ 8,447
Net Payroll	\$ 165,919	\$ 19,000	\$ 184,919
			\$ -
Supplies	\$ 15,339		\$ 15,339
Purchased Power	\$ 24,325		\$ 24,325
Repair & Maint	\$ 22,275		\$ 22,275
Employee Retire	\$ 18,517	\$ 6,514	\$ 12,003
Accounting	\$ 2,475		\$ 2,475
Billing Service	\$ 18,002		\$ 18,002
Computer progr.	\$ 2,481		\$ 2,481
Engineering	\$ -		\$ -
Legal	\$ -		\$ -
Rate Case Exp	\$ -	\$ 8,000	\$ 8,000
Water Test	\$ 6,250		\$ 6,250
Rents	\$ 44,200	\$ (19,000)	\$ 25,200
Trans Expense	\$ 17,432		\$ 17,432
Payroll Tax	\$ 33,875		\$ 33,875
Sales tax	\$ 22,609	\$ (22,609)	\$ -
Prop Taxes	\$ 20,206		\$ 20,206
Medical Insur	\$ 31,113		\$ 31,113
Liability Insur	\$ 6,456		\$ 6,456
Permits	\$ 2,040		\$ 2,040
Reg Expense	\$ 45		\$ 45
Travel	\$ 545		\$ 545
Utilities (ex elec)	\$ 8,917		\$ 8,917
Bank Charges	\$ 332		\$ 332
Payroll Service	\$ 1,182		\$ 1,182
Depreciation	\$ 44,279		\$ 44,279
Total Expenses	\$ 508,814		\$ 487,691
Operating Income	\$ (113,609)		\$ (115,095)
Interest Income	\$ 2,035		\$ 2,035
Interest Exp	\$ (549)	\$ (5,000)	\$ (5,549)
Net inc land sale	\$ 6,278	\$ (6,278)	\$ -
Net Income	\$ (105,845)		\$ (118,609)

CORDES LAKES WATER COMPANY -- U-2060  
PRO FORMA ADJUSTMENTS (C2)

Rate Case Expense		\$	8,000
Interest on Stockholder Loan		\$	2,500
Payroll		\$	19,000
Rentals		\$	(19,000)
Net Income Land sale			
Sold Lot 2910	\$	22,115	
Sold Lot 764	\$	19,343	
Purchased Lot	\$	(35,180)	
Net Receipts (land)		\$	6,278
Employee Retirement		\$	(6,514)
Sales Tax		\$	22,609
Gross Sales		\$	(22,609)

CORDES LAKES WATER COMPANY --U-2060  
ADJUSTMENTS AS TO TAXES C-3

IT IS EXPECTED THAT NO TAXES WILL BE PAID IN  
2007, 2008. 2009 DUE TO CARRY FORWARD LOSSES

CORDES LAKES WATER COMPANY --U-2060  
 SCHEDULE D-1 COST OF CAPITAL

ITEM	END OF TEST YEAR		END OF PROJECTED YEAR	
	AMT	RATE	AMT	RATE
Long Term Debt	0	0	\$ 55,000	5%
Service Deposit	\$ 27,445	6%	\$ 25,000	6%
Officers advance	\$ 50,000	0	\$ 50,000	5%

CORDES LAKES WATER COMPANY -- U-2060					
SCHEDULE E-1 -- COMPARATIVE BALANCE SHEET					
	Prior		Prior		Test Year
	Period		Period		12/31/2006
	2004		2005		
<b>ASSETS</b>					
Land	\$ 800		\$ 695		\$ 35,875
Pump Hse & Fence	\$ 15,609		\$ 15,609		\$ 15,609
Wells	\$ 138,895		\$ 138,895		\$ 138,895
Pumps	\$ 93,954		\$ 93,954		\$ 93,954
Tanks	\$ 265,387		\$ 265,387		\$ 265,387
Water Mains	\$ 50,864		\$ 54,824		\$ 60,753
Meters & Services	\$ 128,944		\$ 142,869		\$ 156,794
Vehicles	\$ 36,880		\$ 67,130		\$ 87,042
Backhoe	\$ 54,149		\$ 54,149		\$ 54,149
Computer	\$ 8,517		\$ 11,767		\$ 13,007
Total Plant in Service	\$ 793,999		\$ 845,279		\$ 921,465
Accum. Depreciation	\$ 323,895		\$ 365,807		\$ 391,562
Net Plant in Service	\$ 470,104		\$ 479,472		\$ 529,903
Cash & Current Assets	\$ 150,164		\$ 138,687		\$ 19,606
<b>TOTAL ASSETS</b>	<b>\$ 620,268</b>		<b>\$ 618,159</b>		<b>\$ 549,509</b>
<b>LIABILITIES</b>					
A/P Short Term	\$ 30,753		\$ 10,645		\$ 11,517
N/P Stockholders	\$ -		\$ 50,000		\$ 50,000
Service Deposits	\$ 35,565		\$ 22,465		\$ 27,445
Meter Advances	\$ 36,100		\$ 37,010		\$ 34,300
<b>TOTAL LIABILITIES</b>	<b>\$ 102,418</b>		<b>\$ 120,120</b>		<b>\$ 123,262</b>
<b>CAPITAL</b>					
Stock	\$ 50,000		\$ 50,000		\$ 50,000
Purchase Price Adj	\$ 423,339		\$ 423,339		\$ 423,339
Retained Earnings	\$ 44,511		\$ 24,700		\$ (47,092)
<b>TOTAL CAPITAL</b>	<b>\$ 517,850</b>		<b>\$ 498,039</b>		<b>\$ 426,247</b>
<b>TOTAL LIAB. &amp; CAP.</b>	<b>\$ 620,268</b>		<b>\$ 618,159</b>		<b>\$ 549,509</b>
			<b>\$ 618,159</b>		<b>\$ 549,509</b>

CORDES LAKES WATER COMPANY -- U-2060				
SCHEDULE E-2 -- COMPARATIVE INCOME STATEMENT				
		Prior Year	Prior Year	Test Year
		Ending	Ending	Ending
		12/31/2004	12/31/2005	12/31/2006
461	Sales	\$ 348,212	\$ 374,525	\$ 395,205
601.4	Received for Cont. Labor	\$ 44,334	\$ 41,245	\$ 160,606
	TOTAL	\$ 393,594	\$ 419,748	\$ 555,811
Operating Expenses				
403	Depreciation	\$ 39,600	\$ 41,509	\$ 44,279
407	Property Taxes	\$ 45,058	\$ 20,472	\$ 20,206
408.1	Sales Tax	\$ 22,634	\$ 24,482	\$ 22,609
408.2	Payroll Taxes	\$ 15,250	\$ 16,493	\$ 33,875
601.1	Payroll	\$ 186,425	\$ 201,614	\$ 318,078
601.2	Contract Labor	\$ 21,000	\$ 5,194	\$ 8,447
601.3	Employee Benefits	\$ 7,069	\$ 7,645	\$ 18,517
615	Purchased Power	\$ 28,675	\$ 24,245	\$ 24,325
620	Repair & Maintenance	\$ 15,345	\$ 10,810	\$ 22,275
621	Supplies	\$ 16,215	\$ 18,130	\$ 15,339
630.1	Accounting	\$ 1,250	\$ 4,450	\$ 2,475
630.2	Billing Services	\$ 16,642	\$ 16,895	\$ 18,002
630.3	Computer Programming	\$ 3,083	\$ 3,659	\$ 2,481
630.4	Engineering	\$ 1,010	\$ 565	\$ -
630.5	Legal	\$ 2,400	\$ 333	\$ -
630.6	Management Contract	\$ 57,102	\$ 5,000	\$ -
635	Water Testing	\$ 2,393	\$ 5,780	\$ 6,250
641	Rents	\$ 28,700	\$ 28,700	\$ 44,200
650	Transportation Expense	\$ 3,724	\$ 13,257	\$ 17,432
657.1	Medical Insurance	\$ 20,000	\$ 22,155	\$ 31,113
657.2	Liability Insurance	\$ 18,821	\$ 18,500	\$ 6,456
675.1	Permits	\$ 500	\$ 1,750	\$ 2,040
675.2	Reg. Expense (ACC)	\$ 1,569	\$ 3,429	\$ 45
675.4	Travel	\$ 3,036	\$ 2,647	\$ 545
675.6	Utilities except Electric	\$ 5,965	\$ 7,127	\$ 8,917
675.7	Bank Charges	\$ 614	\$ 300	\$ 332
675.8	Payroll Services	\$ 699	\$ 782	\$ 1,182
	TOTAL EXPENSES	\$ 564,779	\$ 505,923	\$ 669,420
	OPERATING INCOME	\$ (173,497)	\$ (85,734)	\$ (113,609)
419	Interest Income	\$ 1,048	\$ 3,978	\$ 2,035
	Interest Expense			\$ (549)
	Net Inc.- Lot Transaction			\$ 6,378
	TOTAL INCOME/LOSS			\$ (105,745)

**CORDES LAKES WATER COMPANY --U-2060**  
**SCHEDULE E-5 -- DETAIL OF UTILITY PLANT**

Description	End of test yr. 12/31/2006	Net Additions 2006	End of Prior yr. 12/31/2005
Land	\$ 35,875	\$ 35,180	\$ 695
Pump Hse. & Fences	\$ 15,609	\$ -	\$ 15,609
Wells	\$ 138,895	\$ -	\$ 138,895
Pumps	\$ 93,954	\$ -	\$ 93,954
Tanks	\$ 265,387	\$ -	\$ 265,387
Mains	\$ 60,753	\$ 5,929	\$ 54,824
Meters & Services	\$ 156,794	\$ 13,925	\$ 142,869
Trucks	\$ 87,042	\$ 16,796	\$ 70,246
Backhoe	\$ 54,149	\$ -	\$ 54,149
Computer	\$ 13,007	\$ 1,240	\$ 11,767
<b>Total Plant in Service</b>	<b>\$ 921,465</b>	<b>\$ 73,070</b>	<b>\$ 848,395</b>
<b>Accum. Depreciation</b>	<b>\$ 391,406</b>	<b>\$ 44,123</b>	<b>\$ 347,283</b>
<b>Net Plant in Service</b>	<b>\$ 530,059</b>	<b>\$ 28,947</b>	<b>\$ 501,112</b>
The above does not include fully depreciated amounts			
Tanks	\$ 10,120		
Mains	\$ 600,451		

CORDES LAKES WATER COMPANY --U-2060						
SCHEDULE -- E7 OPERATING STATISTICS						
			TEST YEAR		PRIOR YEAR	PRIOR YEAR
			12/31/2006		12/31/2005	12/31/2004
RESIDENTIAL			1342		1240	1192
CUSTOMERS						
RESIDENTIAL			69.36		66.54	70.63
USAGE (MILLION GALS)						
AVERAGE ANNUAL			51700		53,600	59,200
GALLONS / RESIDENTIAL						
CUSTOMERS						
AVERAGE ANNUAL			294		302	292
REVENUE / RESIDENTIAL						
CUSTOMER						
ELECTRIC COST \$			0.354		0.364	0.406
PER 1000 GALLONS						
HUB CAFÉ						
ANNUAL USAGE			1.86		2.15	1.85
(MILLION GALS)						

CORDES LAKES WATER COMPANY --U-2060  
 SCHEDULE F-1 -- PROJECTED INCOME STATEMENT

	Test Year Ending 12/31/2006	Projected Year 12/31/2007 Present rate	Projected Year 12/31/2007 Proposed Rate
461 Sales (inc sales tax)	\$ 395,205	\$ 414,951	\$ 532,513
601.4 Received for Cont. Labor	\$ 160,606	\$ 170,242	\$ 170,242
TOTAL	\$ 555,811	\$ 585,193	\$ 702,755
Operating Expenses			
403 Depreciation	\$ 44,279	\$ 47,000	\$ 47,000
407 Property Taxes	\$ 20,206	\$ 24,000	\$ 24,000
408.1 Sales Tax	\$ 22,609	\$ 23,739	\$ 32,501
408.2 Payroll Taxes	\$ 33,875	\$ 35,569	\$ 35,569
601.1 Payroll	\$ 318,078	\$ 333,982	\$ 333,982
601.2 Contract Labor	\$ 8,447	\$ 8,447	\$ 8,447
601.3 Employee Benefits	\$ 18,517	\$ 19,443	\$ 19,443
615 Purchased Power	\$ 24,325	\$ 25,541	\$ 25,541
620 Repair & Maintenance	\$ 22,275	\$ 20,000	\$ 20,000
621 Supplies	\$ 15,339	\$ 16,106	\$ 16,106
630.1 Accounting	\$ 2,475	\$ 2,975	\$ 2,975
630.2 Billing Services	\$ 18,002	\$ 18,902	\$ 18,902
630.3 Computer Programming	\$ 2,481	\$ 4,500	\$ 4,500
630.4 Engineering	\$ -	\$ -	\$ -
630.5 Legal	\$ -	\$ -	\$ -
630.6 Management Contract	\$ -	\$ -	\$ -
635 Water Testing	\$ 6,250	\$ 7,000	\$ 7,000
641 Rents	\$ 44,200	\$ 44,200	\$ 44,200
650 Transportation Expense	\$ 17,432	\$ 17,500	\$ 17,500
657.1 Medical Insurance	\$ 31,113	\$ 30,491	\$ 30,491
657.2 Liability Insurance	\$ 6,456	\$ 6,327	\$ 6,327
675.1 Permits	\$ 2,040	\$ 5,000	\$ 5,000
675.2 Reg. Expense (ACC)	\$ 45	\$ 45	\$ 45
675.4 Travel	\$ 545	\$ 500	\$ 500
675.6 Utilities except Electric	\$ 8,917	\$ 9,000	\$ 9,000
675.7 Bank Charges	\$ 332	\$ 800	\$ 800
675.8 Payroll Services	\$ 1,182	\$ 1,250	\$ 1,250
TOTAL EXPENSES	\$ 669,420	\$ 702,317	\$ 711,078
OPERATING INCOME	\$ (113,609)	\$ (117,124)	\$ (8,323)
			\$ -
419 Interest Income	\$ 2,035	\$ -	\$ -
Interest Expense	\$ (549)	\$ (5,549)	\$ (5,549)
Net Inc.- Lot Transaction	\$ 6,278	\$ -	\$ -
TOTAL INCOME/LOSS	\$ (105,845)	\$ (122,673)	\$ (13,872)

CORDES LAKES WATER COMPANY --U-2060					
SCHEDULE F-3 -- PROJECTED CONSTRUCTION					
		Test	Year Ending	Year Ending	Year Ending
		Year	12/31/2007	12/31/2008	12/31/2009
Land		\$ 35,180			
Pump Houses & Fences				\$ 16,000	
Wells				\$ 35,000	\$ 35,000
Pumps			\$ 6,000	\$ 12,500	\$ 5,000
Tanks				\$ 65,000	
				\$ 25,000	
Mains		\$ 5,929	\$ 5,000	\$ 5,000	
Meters & Services		\$ 13,925	\$ 14,000	\$ 14,000	\$ 14,000
Vehicles		\$ 16,796			\$ 17,000
Computer		\$ 1,240	\$ 4,500	\$ 1,500	

CORDES LAKES WATER COMPANY --U-2060  
SCHEDULE F-4 -- ASSUMPTIONS USED IN PROJECTION

1	Customer Growth	40 per year
2	Inflation Rate	4.80%
3	Electric Rate Increase	8%
4	Construction Expenditures	New Well Lot # 1860 New Storage Lot # 1860 Pumps and Pressure System Lot # 1860 Refurbish well Lot # 970
5	Capital Changes	New Loan to cover wells and tanks
6	Liability Changes	
7	Finance Charges	Prime Rate

CORDES LAKES WATER COMPANY --U-2060  
 SCHEDULE H-1 -- SUMMARY OF REVENUE PRESENT  
 AND PROPOSED RATES

Customer Classification	Revenue for Test Year		Increase
	Present Rate	Proposed Rate	Amt %
All Classes			
Bad Check Charge	\$ 10.00	\$ 12.50	25%
Establishment Charge	\$ 5.00	\$ 25.00	400%
Establishment Charge -- After Hours	\$ 15.00	\$ 35.00	133%
Reconnect Charge for Delinquency	\$ 10.00	\$ 15.00	50%
Reconnect Charge for Delinquency After hours	\$ 20.00	\$ 25.00	50%
Reread (If original correct)	\$ 5.00	\$ 10.00	100%
Meter Test Removal and Transport only	\$ 25.00	\$ 25.00	0%
No charge if meter reads over 3% high			
Deferred Payment	\$ -	1.50%	N/A
Deposit Interest	6.00%	6.00%	0%
Deposit Amount	Per Rule	Per Rule	
Re-establish within 12 months	#months times minimum fee	#months times minimum fee	
Late Fee	\$ -	1.50%	N/A
Road cutting or boring	\$ -	at actual cost	
Note over 90% of lots can be served from easements in rear.			
Refundable Meter Advances			
3/4"		\$ 405	
1"		\$ 455	
1-1/2"		\$ 665	
2"		\$ 1,080	
3"		\$ 1,460	
4"		\$ 2,985	
6"		\$ 4,450	

The company has no 5/8x3/4 meters

**CORDES LAKES WATER COMPANY -- U-2060  
 SCHEDULE H-3 --- CHANGES IN REPRESENTATIVE  
 RATE SCHEDULE**

Block	Present Rate	Present Excess / 1000 gal	Proposed Base	Proposed Excess / 1000 gal	Proposed Excess / 1000 gal
<b>Residential and small commercial</b>					
0-1000	\$ 11.00	\$ -	\$ 13.50	\$ -	
1000+	\$ 11.00	\$ 2.90	\$ 13.50	\$ 3.50	
20000+			\$ 13.50	\$ 3.50	\$ 4.10

**Present Rate**                    \$11.00 for 1st 1000 gallons  
    \$2.90 for each 1000 gallons over 1000 gallons

**Proposed Rate**                \$13.50 for 1st 1000 gallons  
    \$3.50 for each 1000 gallons over 1000 gallons  
    \$4.10 for each 1000 gallons over 20000 gallons

**Large Commercial (usage over 100,000 gallons per month)**

0-50,000	\$ 11.00	\$ 2.90	\$ 175.00		
50,000+	\$ 11.00	\$ 2.80	\$ 175.00	\$ 4.50	

CORDES LAKES WATER COMPANY -- U-2060						
SCHEDULE H-4-- TYPICAL BILL ANALYSIS						
USAGE	PRESENT		PROPOSED		INCREASE	%
	RATE		RATE			
0	\$ 11.00		\$ 13.50		\$ 2.50	22.73%
1000	\$ 11.00		\$ 13.50		\$ 2.50	22.73%
2000	\$ 13.90		\$ 17.00		\$ 3.10	22.30%
3000	\$ 16.80		\$ 20.50		\$ 3.70	22.02%
4000	\$ 19.70		\$ 24.00		\$ 4.30	21.83%
5000	\$ 22.60		\$ 27.50		\$ 4.90	21.68%
6000	\$ 25.50		\$ 31.00		\$ 5.50	21.57%
7000	\$ 28.40		\$ 34.50		\$ 6.10	21.48%
8000	\$ 31.30		\$ 38.00		\$ 6.70	21.41%
9000	\$ 34.20		\$ 41.50		\$ 7.30	21.35%
10000	\$ 37.10		\$ 45.00		\$ 7.90	21.29%
15000	\$ 51.60		\$ 62.50		\$ 10.90	21.12%
20000	\$ 66.10		\$ 80.00		\$ 13.90	21.03%
25000	\$ 80.60		\$ 100.50		\$ 19.90	24.69%
30000	\$ 95.10		\$ 121.00		\$ 25.90	27.23%
40000	\$ 124.10		\$ 162.00		\$ 37.90	30.54%
50000	\$ 153.10		\$ 203.00		\$ 49.90	32.59%
60000	\$ 182.10		\$ 244.00		\$ 61.90	33.99%
100000	\$ 298.10		\$ 408.00		\$ 109.90	36.87%
1/2 MONTH	\$ 5.50		\$ 6.75		\$ 1.25	22.73%



**CORDES LAKES WATER COMPANY**

**DOCKET # U-2060**

**WATER COMPANY PLANT DESCRIPTION**

Company Name: CORNEL CAVES WATER Test Year Ended: 12-31-06

**WATER COMPANY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-690346	7 1/2	214	404	14	3	1972
55-518196	7 1/2	200	500	8	3	
55-609234	2	50	555	6	3	
55-609347	7 1/2	215	500	12	3	
55-565855	7 1/2	310	343	10	3	

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

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

**BOOSTER PUMPS**

Horsepower	Quantity
7 1/2	8
5	5
10	2
2 1/2	1

**FIRE HYDRANTS**

Quantity Standard	Quantity Other
0	

**STORAGE TANKS**

Capacity	Quantity
100,000	1
45,000	2
30,000	2
16,000	1

**PRESSURE TANKS**

Capacity	Quantity
5000	4
3000	1

Company Name: CORDES CREEK WATER Test Year Ended: 12-31-06

**WATER COMPANY PLANT DESCRIPTION CONTINUED**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	168,100
5		
6	PVC	230,040
8		
10		
12		
6	DI	160

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	
3/4	1401
1	5
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	
TURBO 3	6

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

**TREATMENT EQUIPMENT:**

EMERGENCY CHLORINATORS - 6

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**STRUCTURES:**

PUMP HOUSES - CONCRETE BLOCK OR WOOD  
AT EACH WELL SITE

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**OTHER:**

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CORDES LAKES WATER COMPANY

DOCKET # U-2060

WATER COMPANY PLANT DESCRIPTION – DETAIL

LISTED BY DWR SYSTEM NUMBER  
&  
PLANT LOCATION

CORDES LAKES WATER COMPANY		SYSTEM ASSETS		
SYSTEM NUMBER	13-023			
DWR #	55-690346			
POE #	1			
MAP LOCATION				
PID #				
LOT #	970			
ADDRESS	20452 E ANTELOPE			
STORAGE TANK	2 @ 45,000 GAL			
PRESS. TANK	1 @ 2000 GAL			
METER SIZE	3-INCH			
WELL SIZE	6-INCH			
WELL DEPTH	404 FEET			
WELL CASING	14-INCH			
CASING DEPTH	UNKNOWN			
STATIC LEVEL	95-FEET			
DRAW DOWN	179-FEET			
PUMP CAPACITY	65 GPM			
PUMPS WELL	1 @ 7-1/2 HP			
BOOSTER PUMPS	2 @ 7-1/2 HP			
AIR COMPRESSOR	1 @ 1/3 HP			
POWER	230 VOLTS			
ROTO PHASE	NONE			
PUMP HOUSE	8 X 8 WOOD			
FIRE HYDRANT	2-1/2 IN JONES HD			
FENCING	374-FT CHAIN LINK			

CORDES LAKES WATER COMPANY		SYSTEM ASSETS		
SYSTEM NUMBER	13-023			
DWR #	55-518196			
POE #	2			
MAP LOCATION				
PID #	500-32-486			
LOT #	2935			
ADDRESS	15646 S BLACK MT			
STORAGE TANK	1 @ 30,000 GAL			
PRESS. TANK	1 @ 5,000 GAL			
METER SIZE	3-INCH			
WELL SIZE	8-INCH			
WELL DEPTH	380-FEET			
WELL CASING	8-INCH			
CASING DEPTH	380-FEET			
STATIC LEVEL	89- FEET			
DRAW DOWN	UNKNOWN			
PUMP CAPACITY	95 GPM			
PUMPS WELL	1 @ 7-1/2 HP			
BOOSTER PUMPS	2 @ 7-1/2 HP			
AIR COMPRESSOR	1 @ 1/3 HP			
POWER	230 VOLT SINGLE			
ROTO PHASE	NONE			
PUMP HOUSE	8 X 8 BLOCK			
FIRE HYDRANT	1 STANDARD			
FENCING	178-FT CHAIN LINK			

**CORDES LAKES WATER COMPANY**

**SYSTEM ASSETS**

SYSTEM NUMBER 13-023  
 DWR # 55-609234  
 POE # 3  
  
 MAP LOCATION  
 PID #  
 LOT # 844  
 ADDRESS 16410 E ANTELOPE  
  
 STORAGE TANK 1 @ 16,000 GAL  
 PRESS. TANK 1 @ 3,000 GAL  
 METER SIZE 3-INCH  
  
 WELL SIZE 6-INCH  
 WELL DEPTH 555 FEET  
 WELL CASING 6-INCH  
 CASING DEPTH 343 FEET  
 STATIC LEVEL 56 FEET  
 DRAW DOWN 500 FEET  
 PUMP CAPACITY 12 GPM  
  
 PUMPS WELL 1 @ 2 HP  
 BOOSTER PUMPS 2 @ 5 HP  
  
 AIR COMPRESSOR 1 @ 1.3 HP  
  
 POWER 230 V SINGLE  
  
 ROTO PHASE NONE  
  
 PUMP HOUSE 10 X 12 WOOD  
  
 FIRE HYDRANT NONE  
  
 FENCING 104 FT CHAIN LINK

CORDES LAKES WATER COMPANY		SYSTEM ASSETS	
SYSTEM NUMBER	13-023		
DWR #	55-609347		
POE #	4		
MAP LOCATION			
PID #			
LOT #	2378		
ADDRESS	20534 E NAVAJO		
STORAGE TANK	1 @ 30,000 GAL		
PRESS. TANK	1 @ 5,000 GAL		
METER SIZW	3-INCH		
WELL SIZE	12-INCH		
WELL DEPTH	500 FEET		
WELL CASING	12-INCH		
CASING DEPTH	500 FEET		
STATIC LEVEL	64 FEET		
DRAW DOWN	115 FEET		
PUMP CAPACITY	94 GPM		
PUMPS WELL	1 @ 7-1/2 HP		
BOOSTER PUMPS	2 @ 10 HP		
AIR COMPRESSOR	1 @ 1.3 HP		
POWER	230 V SINGLE		
ROTO PHASE	YES		
PUMP HOUSE	12 X 12 BLOCK		
FIRE HYDRANT	2-1/2 JONES HEAD		
FENCING	304 FT CHAIN LINK		

CORDES LAKES WATER COMPANY		SYSTEM ASSETS	
SYSTEM NUMBER	13-023		
DWR #	55-565855		
POE #	5		
MAP LOCATION			
PID #			
LOT #	405		
ADDRESS	16410 IND BEND		
STORAGE TANK	1 @ 100,000 GAL		
PRESS. TANK	1 @ 5,000 GAL		
METER SIZW	3-INCH		
WELL SIZE	10-INCH		
WELL DEPTH	550 FEET		
WELL CASING	10-INCH		
CASING DEPTH	343 FEET		
STATIC LEVEL	90 FEET		
DRAW DOWN	187 FEET		
PUMP CAPACITY	54 FEET		
PUMPS WELL	1 @ 7-1/2 HP		
BOOSTER PUMPS	2 @ 7-1/2 HP		
AIR COMPRESSOR	1 @ 1.3 HP		
POWER	230 V SINGLE		
ROTO PHASE	NONE		
PUMP HOUSE	8 X 8 WOOD		
FIRE HYDRANT	NONE		
FENCING	444 FT CHAIN LINK		

CORDES LAKES WATER COMPANY		SYSTEM ASSETS	
SYSTEM NUMBER	13-023		
DWR #	BOOSTER ONLY		
POE #	N/A		
MAP LOCATION	ANTELOPE - 6		
PID #			
LOT #	TRACT A		
ADDRESS	E ANTELOPE DR		
STORAGE TANK	NONE		
PRESS. TANK	2 @ 100 GAL		
METER SIZE	NONE		
WELL SIZE	N/A		
WELL DEPTH	N/A		
WELL CASING	N/A		
CASING DEPTH	N/A		
STATIC LEVEL	N/A		
DRAW DOWN	N/A		
PUMP CAPACITY	N/A		
PUMPS WELL	NONE		
BOOSTER PUMPS	1 @ 2HP--1@ 5HP		
AIR COMPRESSOR	NONE		
POWER	230 VOLT SINGLE		
ROTO PHASE	NONE		
PUMP HOUSE	NONE		
FIRE HYDRANT	NONE		
FENCING	50 FT CHAIN LINK		

CORDES LAKES WATER COMPANY

SYSTEM ASSETS

SYSTEM NUMBER	13-023
DWR #	BOOSTER ONLY
POE #	N/A
MAP LOCATION	KING DR-7
PID #	
LOT #	1545
ADDRESS	S KING DR
STORAGE TANK	NONE
PRESS. TANK	1 @ 500 GAL
METER SIZE	NONE
WELL SIZE	N/A
WELL DEPTH	N/A
WELL CASING	N/A
CASING DEPTH	N/A
STATIC LEVEL	N/A
DRAW DOWN	N/A
PUMP CAPACITY	N/A
PUMPS WELL	NONE
BOOSTER PUMPS	1 @ 5HP-1@ 7-1/2HP
AIR COMPRESSOR	1 @ 1/3 HP
POWER	230 VOLT SINGLE
ROTO PHASE	NONE
PUMP HOUSE	NONE
FIRE HYDRANT	NONE
FENCING	52 FT CHAIN LINK

CORDES LAKES WATER COMPANY		SYSTEM ASSETS	
SYSTEM NUMBER	13-023		
DWR #	BOOSTER ONLY		
POE #	N/A		
MAP LOCATION	MOON MTN-8		
PID #			
LOT #	2115		
ADDRESS	19614 MOON MTN		
STORAGE TANK	NONE		
PRESS. TANK	3 @ 100 GAL		
METER SIZE	NONE		
WELL SIZE	N/A		
WELL DEPTH	N/A		
WELL CASING	N/A		
CASING DEPTH	N/A		
STATIC LEVEL	N/A		
DRAW DOWN	N/A		
PUMP CAPACITY	N/A		
PUMPS WELL	NONE		
BOOSTER PUMPS	1 @ 5HP-1@ 7-1/2HP		
AIR COMPRESSOR	NONE		
POWER	230 VOLT SINGLE		
ROTO PHASE	NONE		
PUMP HOUSE	NONE		
FIRE HYDRANT	NONE		
FENCING	68 FT CHAIN LINK		