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MEMORANDUM

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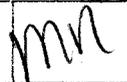
TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Arizona Corporation Commission
DOCKETED

APR - 4 2008

DATE: April 4, 2008

DOCKETED BY 

RE: STAFF REPORT FOR ANTELOPE LAKES SEWER, L.L.C. – APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WASTEWATER SERVICE (DOCKET NO. SW-20510A-07-0062)

Attached is the Staff Report for Antelope Lakes Sewer, L.L.C application for Certificate of Convenience and Necessity for wastewater service. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

AZ CORP COMMISSION
DOCKET CONTROL

2008 APR -4 A 8:41

RECEIVED

Service List for: Antelope Lakes Sewer, L.L.C.
Docket No. SW-20510A-07-0062

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Abra Water Company, Inc.
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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ANTELOPE LAKES SEWER, L.L.C.

DOCKET NO. SW-20510A-07-0062

APPLICATION FOR CERTIFICATE OF
CONVENIENCE AND NECESSITY

APRIL 4, 2008

STAFF ACKNOWLEDGMENT

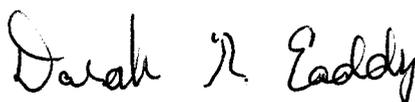
The Staff Report for Antelope Lakes Sewer, L.L.C. (Docket No. SW-20510A-07-0062) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Marlin Scott, Jr. was responsible for the engineering and technical analysis. Darak R. Eaddy was responsible for the review and recommendation on rate base and usage rates.



Blessing Chukwu
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer



Darak R. Eaddy
Public Utilities Analyst II

EXECUTIVE SUMMARY
ANTELOPE LAKES SEWER, L.L.C
DOCKET NO. SW-20510A-07-0062

On January 29, 2007, Antelope Lakes Sewer, L.L.C. ("ALS" or "Wastewater Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide wastewater service in portions of Yavapai County, Arizona. On January 30, 2008, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code.

ALS is a Limited Liability Company, in good standing with the ACC Corporations Division, and formed to provide wastewater utility service in a portion of Yavapai County, Arizona, and is seeking a CC&N for these areas. At the end of five years the Wastewater Company is projecting to be servicing 1,092 customers, all of whom will be residential. Mr. Paul D. Levie and his wife, Mrs. Rae Levie own ALS and have interest in three public utility companies in Arizona. Altogether, the water systems owned by Mr. and Mrs. Levie provide utility service to approximately 980 customers in Arizona.

Staff has reviewed the proposed total wastewater plant-in-service 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.

Wastewater Service CC&N

Staff recommends the Commission approve ALS' application for a CC&N for the requested area that is within the boundaries of its proposed or initial plant (specifically, as outlined in Attachment D) within portions of Yavapai County, Arizona, to provide wastewater service, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of ALS' property devoted to wastewater service is \$4,073,710.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule DRE-WW-4 in the attached Rate Analyst Report. In addition to collection of its regular rates, ALS may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, 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 ALS to file notice with Docket control, as a compliance item in this docket, that ALS has started providing service to its first customer within 15 days of providing service.
5. That the Commission require ALS to file a rate application no later than three-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require ALS to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require ALS to use the depreciation rates recommended by Staff.
8. That the Commission require ALS to finance at least 70-percent of its plant with equity.
9. That the Commission require ALS to submit a Water Services Termination Tariff, subject to approval by the Commission, with Abra Water Company, Inc. that would provide ALS the remedy of disconnection of water service for customers who have a wastewater service delinquency. This tariff should be filed within 365 days of a decision in this case.
10. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, copies of the General Permits for the collection system for Phase 1 of the initial phase of the development when received by the Wastewater Company, but no later than 2 years after the effective date of the order granting this application.
11. That the Commission require ALS file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.
12. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, an amended legal description for the area outlined in Attachment D, no later than 15 days after the effective date of the order granting this application.
13. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, each January 15th, until Mr. Maurice Lee is no longer associated with ALS or any of its affiliates, an affidavit signed by all the members of the utility LLC, informing the Commission that Mr. Lee performed no services for and was not and is not employed by or affiliated in any capacity with ALS during the previous year.
14. That the Commission require ALS to provide a performance bond or irrevocable sight draft letter of credit of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

Staff further recommends that the Commission's Decision granting the CC&N to ALS be considered null and void, after due process, should ALS fail to meet Conditions Nos. 3, 9, 10, 11, and 12, listed above within the time specified.

Staff also recommends that the Commission deny ALS' request for a CC&N in the areas outside the boundaries of the areas recommended by Staff.

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Introduction

On January 29, 2007, Antelope Lakes Sewer, L.L.C. ("ALS" or "Wastewater Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide wastewater service in portions of Yavapai County, Arizona.

On February 22, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that ALS application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-602(B). A copy of the Insufficiency Letter was sent to ALS via U.S mail. In the letter, Staff listed the deficiencies to be cured for administrative purposes.

On January 30, 2008, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

ALS is a Limited Liability Company, in good standing with the ACC Corporations Division, and formed to provide wastewater utility service in a portion of Yavapai County, Arizona, and is seeking a CC&N for these areas.

The requested area is approximately six square-miles or 3,840 acres and includes the community of Paulden, which is located approximately 25 miles north of Prescott. At the end of five years the Wastewater Company is projecting to be servicing 1,092 customers, all of whom will be residential.

Mr. Paul D. Levie and his wife, Mrs. Rae Levie own ALS. The Couple has an interest in the following public utilities in Arizona: Antelope Lakes Water Company, L.L.C., Granite Mountain Water Company, Inc., and Chino Meadows II Water Company, Inc. Altogether, the water systems owned by Mr. and Mrs. Levie provide utility service to approximately 980 customers in Arizona.

The Proposed Wastewater System

ALS will be phasing in its wastewater treatment facility ("WWTF") by constructing an initial phase of a 40,000 gallon per day ("GPD") extended aeration treatment plant. A second phase would increase capacity to 82,000 GPD and a third phase would increase capacity to 250,000 GPD by the third year. The Wastewater Company will ultimately phase-in treatment plant capacity in increments of 250,000 to 750,000 GPD for the entire requested CC&N area. In its first 5-year construction period, the Wastewater Company is projecting approximately 13.7 miles of main with 183 manholes to serve 72 customers in the first year and 1,092 customers by the end of the fifth year. This 5-year construction period covers approximately 1-3/4 square-miles of the requested six square-miles of the CC&N area.

According to the Wastewater Company, the initial effluent system will be a leachfield system type in the first few years with the final effluent system consisting of recharge wells that will be located one-quarter mile north of the WWTF. Water service currently provided within the requested wastewater CC&N is served by Antelope Lakes Water Company, L.L.C. and Abra Water Company, Inc.

Staff concludes that the Company's proposed wastewater system will have adequate infrastructure to serve the requested area.

Cost Analysis

ALS is proposing to fund its plant facilities through equity and contributions in aid of construction (using hook-up fees). The total estimated cost for the plant facilities is \$4,872,036.

In addition, ALS submitted the wastewater plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account:

Year 1:	\$1,117,090
Year 2:	\$1,835,730
Year 3:	\$3,353,883
Year 4:	\$4,872,036
Year 5:	\$4,872,036

Staff has reviewed the proposed total wastewater plant-in-service 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

ALS 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 General Permit for construction of the wastewater facilities. Staff recommends that ALS file with Docket Control, as a compliance item in this docket, copies of the General Permits for the collection system for Phase 1 of the initial phase of the development when received by the Company, but no later than 2 years after the effective date of the order granting this application.

Since an Aquifer Protection Permit ("APP") represents fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that ALS

file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.

Wastewater Depreciation Rates

ALS 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 ALS 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, ALS's filings included the required five-year projections for plant values, operating revenues, operating expenses, and the number of customers. Projections and assumptions are necessary to establish a fair value rate base ("FVRB") and initial rates due to the lack of historical information. In this proceeding, original cost rate base ("OCRB) is the FVRB.

Staff reviewed the Company's proposed Plant in Service and has made several adjustments. The Company proposed a capital structure of 48.5 percent equity, 0 percent debt, and 51.5 percent contribution in aid of construction ("CIAC"). The CIAC is in the form of a non-refundable hook up fee charge to customers. Staff's first adjustment is to remove the hook up fee and the CIAC from the capital structure. Staff policy is not to recommend hookup fees for initial CC&N applications. In addition, the Company has not filed a hook up fee tariff to reflect its proposed hook up fee. In lieu of a non-refundable hook up fee, Staff is recommending a service line connection charge that would be collected from customers. This service line connection charge will be an advance in aid of construction ("AIAC") and refundable to customers. The removal of the non-refundable hook up fee and its replacement with a refundable service line connection charge would produce a different capital structure than the one proposed by the Company. Staff's recommended capital structure is therefore at least 70 percent equity, 0 percent debt, and up to 30 percent AIAC. Based on the projected first five years of operations, the Company would have an approximate capital structure of 91.1 percent equity, 0 percent debt, and 8.9 percent AIAC. See Schedules DRE-WW-5 and DRE-WW-6 in the attached Rate Analyst Report.

Staff adjusted account 363 Services to Customers to reflect Staff's recommended service line connection charge as previously noted. See Schedule DRE-WW-2 in the attached Rate Analyst Report.

Staff reviewed ALS's revenue and expenses projections and found them to be generally reasonable. However, Staff adjusted the proposed revenues in order to achieve the revenues needed to achieve an 8.05 percent rate of return by the fifth year of operations given Staff's recommended capital structure. Staff also has removed the three percent growth rate that the Wastewater Company applied annually to operating expenses. Staff adjusted the depreciation

expense to reflect changes made to the proposed capital structure of the Wastewater Company. Finally, Staff adjusted the proposed property taxes to reflect changes to the proposed revenues. See Schedule DRE-WW-1 in the attached Rate Analyst Report.

Staff reviewed ALS's accumulated depreciation at the end of the fifth year and made adjustments to reflect Staff's adjustment to the Wastewater Company's proposed depreciation expense. See Schedule DRE-WW-3 in the attached Rate Analyst Report.

Staff determined the projected rate base for the wastewater Plant in Service to be \$4,073,710 at the end of five years. See Schedule DRE-WW-1 in the attached Rate Analyst Report.

Staff recommends that ALS be required to use the depreciation rates for the Wastewater Company recommended in the Staff Engineering Report.

Revenue and Expenses

As justification for the initial rates, ALS has estimated its revenue and expenses. The revenue estimates were adjusted by Staff through adjustment of the recommended rates in order to obtain a return on rate base of 8.05 percent in year 5. Staff also reviewed the Wastewater Company's expense estimates and, as previously noted, adjusted the property taxes expense, removed the proposed expense growth rate, and adjusted depreciation expense to reflect Staff's recommended capital structure and Staff's recommended wastewater rates. See Schedule DRE-WW-1 in the attached Rate Analyst Report.

Rate Design

All of the Wastewater Company's projected revenues are derived from the residential customer class. Staff has reviewed the estimates and made an adjustment to the Wastewater Company's proposed residential rate to achieve an approximate 8.05 percent return on rate base in year 5. The adjustment to ALS's proposed residential rates was necessary to reflect Staff's adjustments to the Wastewater Company's proposed capital structure and proposed expenses. The wastewater rates requested by ALS are a monthly flat fee. Staff concurs with the Wastewater Company on its proposed monthly flat fee rate design.

Staff recommends that the Wastewater Company's proposed after hours service charge be adjusted to reflect a flat rate of \$50 per occurrence instead of an hourly fee. The other service charges proposed were found reasonable and should be adopted for the Wastewater Company's initial rates. See Schedule DRE-WW-4 in the attached Rate Analyst Report.

The Wastewater Company has proposed that the service line connection charge be collected from customers as a CIAC or hook-up fee as previously discussed. Staff does not recommend any hook up fee be adopted and recommends the removal of the proposed hook up fee from the Wastewater Company's service charges. Instead Staff recommends a refundable

service line connection charge to be collected from customers as an advance in aid of construction. See Schedule DRE-WW-4 in the attached Rate Analyst Report.

Staff recommends the approval of its rates, and charges as per Wastewater Schedule DRE-WW-4 of the attached Rate Analyst Report and as supported by the Arizona Administrative Code, Article 6, Sewer Utilities.

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

In the application, ALS proposes to charge a reconnection/delinquent charge of \$30. However, there was no charge requested for a disconnection from the system. Additionally, the Wastewater Company will only be providing wastewater service and will not be the water service provider for the area. This presents ALS the difficulty of collecting delinquent wastewater bills without a corresponding ability to disconnect water service. Because of the bifurcated nature of water and wastewater utility services within the requested CC&N area, Staff is recommending that the Wastewater Company be required to enter into a Water Service Termination Agreement, subject to approval by the Commission, with Abra Water Company, Inc. ("Abra"), the provider of water utilities in the requested CC&N area. This Agreement would allow Abra to disconnect water customers who have a wastewater service delinquency with ALS and delineate the conditions and procedures for taking such action. ALS and Abra would both also have to file a tariff with the Commission once an agreement has been reached between the parties. The Commission has previously approved similar agreements between Arizona-American Water Company ("Arizona-American") and the City of Bullhead City (Decision No. 66998) and Arizona-American and the City of Surprise (Decision No. 68917). Staff has contacted Kevan Larson, President of the Abra Water Company, and he expressed that his company would be open to such an agreement with ALS.

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 Wastewater 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.

ALS filed, in the docket, a copy of the franchise agreement it had entered into with Yavapai County.

Request for Service

As part of its review of the applications, Staff also issued an Insufficiency Letter on February 22, 2007. In the Insufficiency Letter, Item Nos. 10 and 11, Staff requested ALS to

provide the request for service from each of the affected property owners and to provide a map of the requested service territory with the identification of the respective property owners requesting service. In response to Staff's request, ALS provided numerous responses it received from the land owners, some of which were in favor and some declining service. ALS also provided a color-coded map of the requested service territory with the identification of the respective property owners requesting service. The map and the requests for service are hereby incorporated by reference.

The requested area is approximately six square-miles or 3,840 acres and includes the community of Paulden, which is located approximately 25 miles north of Prescott. ALS received requests for service for various portions of the requested CC&N area. The requests for service received seems to be concentrated in or around the vicinity where ALS plans to construct its initial plant for the first five years of operation, approximately 1-3/4 square mile area. In a discussion between Staff and an ALS' representative on March 28, 2008, the representative could not affirmatively tell Staff how long it would take ALS to provide service to those areas outside the initial plant area, if requested. It is Staff's understanding that the owner of the largest parcel (in the West half of Section 33, adjacent to a portion of the initial plant area), does not have any intentions of developing the property but requested service in order to be able to subdivide the parcel into individual lots and then sell them. Staff believes it is not in the public interest to grant a CC&N to a parcel solely for the land owner to be able to subdivide and sell the lots. The granting of a CC&N to a parcel would add value to the property. As such, Staff recommends that ALS be required to file with Docket Control an amended legal description for the area outlined in Attachment D, no later than 15 days after the effective date of the order granting this application. Staff also recommends that the Commission deny ALS request for a CC&N in the areas outside the boundaries of the area recommended by Staff. ALS can always file an application in the future to extend service to other areas, when the need arises. The Wastewater Company is projecting to serve 1,092 residential customers at the end of five years.

Fit and Proper

The ACC is required by the Arizona Revised Statutes § 40-281 et seq. to investigate all applicants for a CC&N and to issue a CC&N only upon a showing that the issuance to a particular applicant would serve the public interest. In determining whether or not the issuance of a CC&N to a particular applicant is in the public interest, Staff considers whether the applicant is a fit and proper entity to own and operate a water and/or wastewater utility.

ALS is a new utility with no prior operating experience. Mr. Paul D. Levie and his wife, Mrs. Rae Levie own ALS and have experience with regulated public utility entities. Mr. and Mrs. Levie own the following public utilities in Arizona: Antelope Lakes Water Company, L.L.C., Granite Mountain Water Company, Inc., and Chino Meadows II Water Company, Inc. Altogether, the water systems owned by Mr. and Mrs. Levie provide utility service to approximately 980 customers in Arizona. According to the Utilities Division Compliance Section, Antelope Lakes Water Company, L.L.C., Granite Mountain Water Company, Inc., and Chino Meadows II Water Company, Inc. have no outstanding compliance issues. According to

the 2006 Annual Reports submitted to the Commission, Granite Mountain Water Company, Inc., and Chino Meadows II Water Company, Inc. had a Net Income of \$19,443.61 and \$32,191.30, respectively, for the year ending December 31, 2006, while Antelope Lakes Water Company, L.L.C., which serves only two customers, had a Net Loss of \$22,722.51.

According to the Application, Mr. Maurice Lee is the Certified Operator and On-Site Manager for the Wastewater Company. In connection with the issuance of additional discovery requests related to determining Mr. Lee's experience in operating water and wastewater systems in Arizona, the Certified Operator was changed to Ms. Patricia D. Olsen, while the On-Site Manager was changed Mr. Paul D. Levie. According to the Wastewater Company's response to Staff's February 22, 2007 Insufficiency Letter filed on December 31, 2007, "Mr. Maurice Lee will not be the Certified Operator of the system nor the On-Site Manager." The Wastewater Company's response further states, "to our knowledge, no action has been taken against Mr. Maurice Lee by any governmental agencies. Mr. Maurice Lee will not be acting as a Certified Operator in our behalf and will not be involved in the management of Antelope Lakes Sewer, LLC."

In reviewing the Wastewater Company's "Revisions to CC&N Schedules provided in response to Deficiency Letter" ("Revised Schedules") that was filed on January 22, 2008, Staff noted that the Wastewater Company's Certified Public Account, Mr. Thomas J. Bourassa who prepared the Revised Schedules, copied "Maurice Lee, Analytical Water Solutions". As such, Staff issued Staff's First Set of Data Requests, Item No. BNC 1.1 ("BNC 1.1"), seeking to understand the relationship between Antelope Lakes Sewer Company, Mr. Maurice Lee and Analytical Water Solutions, in light of the Wastewater Company's response to Staff's February 22, 2007 Insufficiency Letter filed on December 31, 2007. In the response to BNC 1.1 (herein incorporated by reference), the Wastewater Company indicated that "Mr. Maurice Lee is a managing member of Analytical Water Solutions, LLC.....Mr. Maurice Lee and Analytical Water Solutions have been involved with the design and permitting process for our company, but only in a subcontractor capacity to engineer and design our plant."

The Commission is familiar with Mr. Lee from his ownership and/or operation of Arizona Utility Supply and Service, L.L.C. ("AUSS"). On August 18, 2004, the Commission issued an Order to Show Cause, in Decision No. 67201, against AUSS in Docket No. SW-04002A-04-0600 regarding alleged deficiencies at two of AUSS' wastewater treatment facilities. For other actions taken by the Commission in order to protect the health, safety and welfare of AUSS customers, please see Decision Nos. 67586 (February 15, 2005) and 68995 (October 20, 2006).

Staff believes ALS has made a good faith effort to remove Mr. Lee from the utility operations. However, Staff is concerned over Mr. Lee being involved with the engineering and designing of the plant given that the Commission had previous difficulties with AUSS under his control.

Staff believes that the ultimate obligation of the Commission is to protect the public interest; to that end the imposition of reasonable conditions to ensure ALS is conducting its business operations in a manner which will not compromise the interests of its customers should be required. Therefore, in order to help ensure that ALS will not become a trouble utility, Staff recommends the Commission require ALS to file each January 15th, until Mr. Maurice Lee is no longer associated with ALS or any of its affiliates, an affidavit signed by all the members of the utility LLC, informing the Commission that Mr. Lee performed no services for and was not and is not employed by or affiliated in any capacity with ALS during the previous year. Staff also recommends ALS provide a performance bond or irrevocable sight draft letter of credit of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

Recommendations

Wastewater Service CC&N

Staff recommends the Commission approve ALS' application for a CC&N for the requested area that is within the boundaries of its proposed or initial plant (specifically, as outlined in Attachment D) within portions of Yavapai County, Arizona, to provide wastewater service, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of ALS' property devoted to wastewater service is \$4,073,710.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule DRE-WW-4 in the attached Rate Analyst Report. In addition to collection of its regular rates, ALS may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, 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 ALS to file notice with Docket control, as a compliance item in this docket, that ALS has started providing service to its first customer within 15 days of providing service.
5. That the Commission require ALS to file a rate application no later than three-months following the fifth anniversary of the date it begins providing service to its first customer.

6. That the Commission require ALS to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require ALS to use the depreciation rates recommended by Staff.
8. That the Commission require ALS to finance at least 70-percent of its plant with equity.
9. That the Commission require ALS to submit a Water Services Termination Tariff, subject to approval by the Commission, with Abra Water Company, Inc. that would provide ALS the remedy of disconnection of water service for customers who have a wastewater service delinquency. This tariff should be filed within 365 days of a decision in this case.
10. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, copies of the General Permits for the collection system for Phase 1 of the initial phase of the development when received by the Wastewater Company, but no later than 2 years after the effective date of the order granting this application.
11. That the Commission require ALS file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.
12. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, an amended legal description for the area outlined in Attachment D, no later than 15 days after the effective date of the order granting this application.
13. That the Commission require ALS to file with Docket Control, as a compliance item in this docket, each January 15th, until Mr. Maurice Lee is no longer associated with ALS or any of its affiliates, an affidavit signed by all the members of the utility LLC, informing the Commission that Mr. Lee performed no services for and was not and is not employed by or affiliated in any capacity with ALS during the previous year.
14. That the Commission require ALS to provide a performance bond or irrevocable sight draft letter of credit of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

Staff further recommends that the Commission's Decision granting the CC&N to ALS be considered null and void, after due process, should ALS fail to meet Conditions Nos. 3, 9, 10, 11, and 12, listed above within the time specified.

Staff also recommends that the Commission deny ALS' request for a CC&N in the areas outside the boundaries of the areas recommended by Staff.

MEMORANDUM

DATE: April 1, 2008

TO: Blessing N. Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Antelope Lakes Sewer, LLC
Docket No. SW-20510A-07-0062 (CC&N – Wastewater)

Introduction

Antelope Lakes Sewer, LLC (“Company”) submitted an application for a Certificate of Convenience and Necessity (“CC&N”) to provide wastewater service in Yavapai County. The requested area is approximately six square-miles or 3,840 acres and includes the community of Paulden, which is located approximately 25 miles north of Prescott. Water service currently provided within the requested wastewater CC&N is served by Antelope Lakes Water Company and Abra Water Company, Inc.

Company’s Proposed Wastewater System

The Company will be phasing in its wastewater treatment facility (“WWTF”) by constructing an initial phase of 40,000 gallon per day (“GPD”) extended aeration treatment plant. A second phase would increase capacity to 82,000 GPD and a third phase would increase capacity to 250,000 GPD by the third year. The Company will ultimately phase-in treatment plant capacity in increments of 250,000 GPD to 750,000 for the entire requested CC&N area. In its first 5-year construction period, the Company is projecting approximately 13.7 miles of main with 183 manholes to serve 72 customers in the first year and 1,092 customers by the end of the fifth year. This 5-year construction period covers approximately 1-3/4 square-miles of the requested six square-miles of the CC&N area.

According to the Company, the initial effluent system will be a leachfield system type in the first few years with the final effluent system consisting of recharge wells that will be located one-quarter mile north of the WWTF.

Cost Analysis

The Company is proposing to fund its plant facilities through equity and contributions in aid of construction (using hook-up fees) for the facilities as follows:

1. Plant Facilities:

<u>Project</u>	<u>WWTF</u>	<u>Mains</u>	
Phase I	\$ 601,510	\$ 515,580	
Phase II	\$ 133,250	\$ 585,390	
Phase III	\$1,300,000	\$1,736,306	
	-----	-----	
	\$2,034,760	\$2,837,276	= \$4,872,036

In addition, the Company submitted the wastewater plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account:

Year 1:	\$1,117,090
Year 2:	\$1,835,730
Year 3:	\$3,353,883
Year 4:	\$4,872,036
Year 5:	\$4,872,036

Staff has reviewed the proposed total wastewater plant-in-service 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

General Permit

The Company has not received its ADEQ General Permit for construction of the wastewater facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the General Permits for the collection system for Phase 1 of the initial phase of the development when received by the Company, but no later than 2 years after the effective date of the order granting this application.

Aquifer Protection Permit

Since an Aquifer Protection Permit ("APP") represents fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.

Wastewater Depreciation Rates

The Company has adopted Staff's typical and customary wastewater depreciation rates. Staff recommends the adoption of its typical wastewater depreciation rates and the use of these rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company's proposed wastewater system will have adequate infrastructure to serve the requested area.
- B. Staff concludes that the proposed wastewater 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.

Recommendations

- 1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the General Permits for the collection system for Phase 1 of the initial phase of the development when received by the Company, but no later than 2 years after the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.
- 3. Staff recommends the adoption of its typical wastewater depreciation rates and the use of these 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	5.0
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	10.0
366	Reuse Services	50	2.0
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.5
374	Reuse Distribution Reservoirs	40	2.5
375	Reuse Transmission & Distribution System	40	2.5
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
398	Other Tangible Plant	10	10.0

* Note: Since the Company did not include this account, Staff added this account and depreciate rate.

MEMORANDUM

TO: Blessing N. Chukwu
Executive Consultant III – Utilities Division

FROM: Darak R. Eaddy *DRE*
Public Utilities Analyst II – Utilities Division

DATE: March 25, 2008

RE: ANTELOPE LAKES SEWER, LLC. APPLICATION FOR NEW CERTIFICATE
OF CONVENIENCE AND NECESSITY (DOCKET NO. SW-020510A-07-0062)

Introduction

On January 29, 2007, Antelope Lakes Sewer, LLC. (“Company” or “Antelope Lakes”) submitted an application to the Arizona Corporation Commission (“Commission”) for a Certificate of Convenience and Necessity (“CC&N”) to provide public utility wastewater services in Mohave County, Arizona. On January 30, 2008, the application was determined to have met sufficiency by the Commission Utilities Division Staff (“Staff”). The application indicates that there are presently no customers receiving wastewater service in the area of the requested CC&N. At the end of five years the Company is projecting to be servicing 1,092 customers, all of whom will be residential.

Fair Value Rate Base

Consistent with Commission rules, the Company’s filings included the required five-year projections for plant values, operating revenues, operating expenses, and the number of customers. Projections and assumptions are necessary to establish a fair value rate of return and initial rates due to the lack of historical information. In this proceeding, original cost rate base is the fair value rate base.

Staff reviewed the Company’s proposed Plant in Service and has made several adjustments. The Company proposed a capital structure of 48.5 percent equity, 0 percent debt, and 51.5 percent contribution in aid of construction (“CIAC”). The CIAC is in the form of a non-refundable hook up fee charge to customers. Staff’s first adjustment is to remove the hook up fee and the CIAC from the capital structure. Staff policy is not to recommend hookup fees for initial CC&N applications. In addition, the Company has not filed a hook up fee tariff to reflect its proposed hook up fee. In lieu of a non-refundable hook up fee, Staff is recommending service line connection charge that would be collected from customers. This service line connection charge will be an advance in aid of construction (“AIAC”) and refundable to customers. The removal of the non-refundable hook up fee and its replacement with a refundable service line connection charge would produce a different capital structure than the one proposed by the Company. Staff’s recommended capital structure is therefore at least 70

percent equity, 0 percent debt, and up to 30 percent AIAC. Based on the projected first five years of operations, the Company would have an approximate capital structure of 91.1 percent equity, 0 percent debt, and 8.9 percent AIAC. See Schedules DRE-WW-5 and DRE-WW-6.

Staff adjusted account 363 Services to Customers to reflect Staff's recommended service line connection charge as previously noted. See Schedule DRE-WW-2.

Staff reviewed the Company's revenue and expenses projections and found them to be generally reasonable. However, Staff adjusted the proposed revenues in order to achieve the revenues needed to achieve a projected 8.05 percent rate of return by the fifth year of operations given Staff's recommended capital structure. Staff also has removed the three percent growth rate that the Company applied annually to operating expenses. Staff adjusted the depreciation expense to reflect changes made to the proposed capital structure of the Company. Finally, Staff adjusted the proposed property taxes to reflect changes to the proposed revenues. See Schedule DRE-WW-1.

Staff reviewed the Company's accumulated depreciation at the end of the fifth year and made adjustments to reflect Staff's adjustment to the Company's proposed depreciation expense. See Schedule DRE-WW-3.

Staff determined the projected rate base for the wastewater Plant in Service to be \$4,073,710 at the end of five years. See Schedule DRE-WW-1.

Staff recommends that the Company be required to use the depreciation rates for the wastewater Company recommended in the Staff Engineering Report.

Revenue and Expenses

As justification for the initial rates, the Company has estimated its revenue and expenses. The revenue estimates were adjusted by Staff through adjustment of the recommended rates in order to obtain a projected return on rate base of 8.05 percent in year 5. Staff also reviewed the Company's expense estimates and as previously noted adjusted the property taxes expense, removed the proposed expense growth rate, and adjusted depreciation expense to reflect Staff's recommended capital structure and Staff's recommended wastewater rates. See Schedule DRE-WW-1.

Rate Design

All of the Company's projected revenues are derived from the residential customer class. Staff has reviewed the estimates and made an adjustment to the Company's proposed residential rate to achieve a projected 8.05 percent return on rate base in year 5. The adjustment to the Company's proposed residential rates was necessary to reflect Staff's adjustments to the Company's proposed capital structure and proposed expenses. The wastewater rates requested

by the Company are a monthly flat fee. Staff concurs with the Company on its proposed monthly flat fee rate design.

Staff recommends that the Company proposed after hours service charge be adjusted to reflect a flat rate of \$50 per occurrence instead of an hourly fee. The other service charges proposed were found reasonable and should be adopted for the Company's initial rates. See Schedule DRE-WW-4.

The Company has proposed that the service line connection charge be collected from customers as a contribution in aid of construction or non-refundable hook up fee as previously discussed. Staff does not recommend any hook up fee be adopted and recommends the removal of the proposed hook up fee from the Company's service charges. Instead Staff recommends a refundable service line connection charge to be collected from customers as an advance in aid of construction. See Schedule DRE-WW-4.

In its application, the Company has requested a reconnection/delinquent charge of \$30. However there was no charge requested for a disconnection from the system. Additionally, the Company will only be providing wastewater service and will not be the water service provider for the area. This presents the Company the difficulty of collecting delinquent wastewater bills without a corresponding ability to disconnect water service. Because of the bifurcated nature of water and wastewater utility services within the requested CC&N area, Staff is recommending that the Company be required to enter into a Water Service Termination Agreement, subject to approval by the Commission, with Abra Water Company, Inc. ("Abra"), the provider of water utilities in the requested CC&N area. This Agreement would allow Abra to disconnect water customers who have a wastewater service delinquency with Antelope Lakes and delineate the conditions and procedures for taking such action. Antelope Lakes and Abra would both also have to file a tariff with the Commission once an agreement has been reached between the parties. The Commission has previously approved similar agreements between Arizona-American Water Company ("Arizona-American") and the City of Bullhead City (Decision No. 66998) and Arizona-American and the City of Surprise (Decision No. 68917). Staff has contacted Kevan Larson, President of the Abra Water Company, and he expressed that his company would be open to such an agreement with Antelope Lakes.

Recommendations

Staff recommends:

- approval of Staff's rates as shown on Schedule DRE-WW-4. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
- the Company be required to notify the Director of the Utilities Division within 15 days of providing service to its first customer.

- the Company be required to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
- the Company be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities.
- the Company be required to use the depreciation rates recommended by Staff Engineering for wastewater utilities.
- the Company be required to file a Water Services Termination Tariff, subject to approval by the Commission, with the Abra Water Company, Inc. that would provide the Company the remedy of disconnection of water service for customers who have a wastewater service delinquency. This Tariff should be submitted within 365 days of a decision in this case.

WASTEWATER
Proforma Income Statement and
Original Cost Rate Base

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Operating Revenue:					
Flat Rate Revenue	\$26,828	\$94,815	\$248,063	\$478,118	\$699,353
Measured Revenue	\$0	\$0	\$0	\$0	\$0
Established Charges	\$1,825	\$2,800	\$7,625	\$8,025	\$7,025
Other Operating Revenue	\$0	\$0	\$0	\$0	\$0
Total Operating Revenue	\$28,653	\$97,615	\$255,688	\$486,143	\$706,378
Operating Expenses:					
Operation and Maintenance	20,400	27,722	68,164	128,876	187,260
Depreciation	22,174	53,233	87,561	138,540	165,763
Property Taxes	1,650	2,912	7,028	15,110	25,488
Income Taxes	0	0	0	0	0
Total Operating Expense	\$44,224	\$83,868	\$162,753	\$282,525	\$378,511
Operating Income/(Loss)	(\$15,572)	\$13,747	\$92,935	\$203,617	\$327,866
Less:					
Interest Income	0	0	0	0	0
Net Income	(15,572)	13,747	\$92,935	\$203,617	\$327,866
Number of Customers					
Residential	73	185	490	811	1,092
Commercial	0	0	0	0	0
Total	73	185	490	811	1,092
Plant in Service	\$1,076,261	\$1,764,991	\$3,334,129	\$4,912,867	\$5,081,467
Less: Accumulated Depreciation	22,174	75,403	162,967	301,506	467,270
Net Advances in Aid of Construction	43,800	106,620	278,520	441,720	561,660
Plus: 1/24 Power	43	151	396	764	1,117
Plus: 1/8 Operation and Maintenance	2,421	3,011	7,332	13,818	20,056
ORIGINAL COST RATE BASE	\$1,012,752	\$1,586,130	\$2,900,370	\$4,184,223	\$4,073,710
Rate of Return	-1.54%	0.87%	3.20%	4.87%	8.05%

PLANT IN SERVICE - WASTEWATER

Acc't No.	Description	Cost Year One	Additions Year Two	Additions Year Three	Additions Year Four	Additions Year Five	Plant Total Year Five
301	Organization	-	-	-	-	-	-
302	Franchises	-	-	-	-	-	-
303	Land & Land Rights	-	-	-	-	-	-
354	Structures & Improvements	138,873	-	-	-	-	138,873
355	Power Generation Equipment	-	-	-	-	-	-
360	Collection Sewers - Force	-	-	-	-	-	-
361	Collection Sewers - Gravity	430,950	488,280	736,138	736,138	-	2,391,506
362	Special Collecting Structures	-	-	-	-	-	-
363	Services to Customers	43,800	67,200	183,000	192,600	168,600	655,200
364	Flow Measuring Devices	-	-	-	-	-	-
365	Flow Measuring Installations	-	-	-	-	-	-
366	Reuse Services	-	-	-	-	-	-
367	Reuse Meters & Meter Installations	-	-	-	-	-	-
370	Receiving Wells	-	-	-	-	-	-
371	Pumping Equipment	61,750	-	-	-	-	61,750
374	Reuse Distribution Reservoirs	-	-	-	-	-	-
375	Reuse Transmission & Distribution Syst	-	-	-	-	-	-
380	Treatment & Disposal Equipment	361,985	133,250	650,000	650,000	-	1,795,235
381	Plant Sewers	-	-	-	-	-	-
382	Outfall Sewer Lines	-	-	-	-	-	-
389	Other Plant & Miscellaneous Equipment	-	-	-	-	-	-
390	Office Furniture & Equipment	25,287	-	-	-	-	25,287
390.1	Computers & Software	13,616	-	-	-	-	13,616
391	Transportation Equipment	-	-	-	-	-	-
392	Stores Equipment	-	-	-	-	-	-
393	Tools, Shop & Garage Equipment	-	-	-	-	-	-
394	Laboratory Equipment	-	-	-	-	-	-
395	Power Operated Equipment	-	-	-	-	-	-
396	Communication Equipment	-	-	-	-	-	-
397	Miscellaneous Equipment	-	-	-	-	-	-
398	Other Tangible Plant	-	-	-	-	-	-
		\$1,076,261	\$688,730	\$1,569,138	\$1,578,738	\$168,600	\$5,081,467

PLANT IN SERVICE WASTEWATER
Annual Accumulated Depreciation

Acc't No.	Description	Staff's PIS	Staff's Year 5	Staff's Depr. Rat	1st year Acc. Depr.	2nd year Acc. Depr.	3rd year Acc. Depr.	4th year Acc. Depr.	5th year Acc. Depr.
301	Organization	\$0		0.00%	-	-	-	-	-
302	Franchises	\$0		0.00%	-	-	-	-	-
303	Land & Land Rights	\$0		0.00%	-	-	-	-	-
354	Structures & Improvements	\$138,873		3.33%	2,312	6,937	11,561	16,186	20,810
355	Power Generation Equipment	\$0		5.00%	-	-	-	-	-
360	Collection Sewers - Force	\$0		2.00%	-	-	-	-	-
361	Collection Sewers - Gravity	\$2,391,506		2.00%	4,310	17,811	43,557	84,026	131,856
362	Special Collecting Structures	\$0		2.00%	-	-	-	-	-
363	Services to Customers	\$655,200		2.00%	438	1,986	6,036	13,842	25,260
364	Flow Measuring Devices	\$0		10.00%	-	-	-	-	-
365	Flow Measuring Installations	\$0		10.00%	-	-	-	-	-
366	Reuse Services	\$0		2.00%	-	-	-	-	-
367	Reuse Meters & Meter Installations	\$0		8.33%	-	-	-	-	-
370	Receiving Wells	\$0		3.33%	-	-	-	-	-
371	Pumping Equipment	\$61,750		12.50%	3,859	11,578	19,297	27,016	34,734
374	Reuse Distribution Reservoirs	\$0		2.50%	-	-	-	-	-
375	Reuse Transmission & Distribution Syst	\$0		2.50%	-	-	-	-	-
380	Treatment & Disposal Equipment	\$1,795,235		5.00%	9,050	30,480	71,492	145,004	234,765
381	Plant Sewers	\$0		5.00%	-	-	-	-	-
382	Outfall Sewer Lines	\$0		3.33%	-	-	-	-	-
389	Other Plant & Miscellaneous Equipment	\$0		6.67%	-	-	-	-	-
390	Office Furniture & Equipment	\$25,287		6.67%	843	2,530	4,217	5,903	7,590
390.1	Computers & Software	\$13,616		20.00%	1,362	4,085	6,808	9,531	12,254
391	Transportation Equipment	\$0		20.00%	-	-	-	-	-
392	Stores Equipment	\$0		4.00%	-	-	-	-	-
393	Tools, Shop & Garage Equipment	\$0		5.00%	-	-	-	-	-
394	Laboratory Equipment	\$0		10.00%	-	-	-	-	-
395	Power Operated Equipment	\$0		5.00%	-	-	-	-	-
396	Communication Equipment	\$0		10.00%	-	-	-	-	-
397	Miscellaneous Equipment	\$0		10.00%	-	-	-	-	-
398	Other Tangible Plant	\$0		10.00%	-	-	-	-	-
Totals		\$5,081,467			\$22,174	\$75,403	\$162,967	\$301,506	\$467,270

RATE DESIGN-WASTEWATER

<u>Minimum Monthly Flat Charge</u>	Company Proposed Rates	Staff Recommended Rates
Residential ¹	\$ 35.00	\$ 61.25
Commercial	0.25 Per Gallon Per Day ²	0.25 Per Gallon Per Day ²

Effluent Sales

Treated Effluent per 1,000 gallons	\$ 0.75	\$ 0.75
Treated Effluent per acre foot	\$ 244.00	\$ 244.00

¹ For townhouses and multifamily - each townhouse residence (unit) required to pay full monthly flat rate as specified above regardless of whether the service connection serves more than one unit.

² Commercial wastewater flows are based on the average daily flows set forth in Engineering Bulletin 12 Table 1 published by the Arizona Department of Environmental Quality (June 1989).

Service Charges

Establishment of Service	\$ 25.00	\$ 25.00
Reconnection/Delinquent	\$ 30.00	\$ 30.00
Deposit	2 times monthly bill	*
Deposit Interest	0%	0%
Re-establishment of Service (Within 12 months)	**	**
NSF Check	\$ 15.00	\$ 15.00
Late Payment Penalty (per month on unpaid balance)	1.50%	1.50%
After Hours Service Charge, Per Hour	\$ 50.00	(a)
After Hours Service Charge, Flat Rate	NA	\$ 50.00
Deferred Payment Finance Charge	1.50%	1.50%
Main Extension and Additional Facilities Agreements	***	***
Service Line Connection Charge	\$ 2,400.00 (c)	\$600.00 (b)

* Per A.A.C. R14-2-603(B); Residential - two times average bill, Non-residential - two and one-half times average bill

** Per A.A.C. R14-2-603(D), Number of months off the system times the monthly minimum.

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

(a) Staff does not recommend an hourly fee for this charge

(b) Staff recommended charge to be collected as a refundable advance in aid of construction

Advances in Aid of Construction

Year	Gross Advances	Cumm. Advances	Refund 10.00%	Net Plant Advances Refunded	Net Advances Balance
1	\$ 43,800	\$ 43,800	\$ -	\$ -	\$ 43,800
2	\$ 67,200	\$ 111,000	\$ 4,380	\$ 4,380	\$ 106,620
3	\$ 183,000	\$ 294,000	\$ 11,100	\$ 15,480	\$ 278,520
4	\$ 192,600	\$ 486,600	\$ 29,400	\$ 44,880	\$ 441,720
5	\$ 168,600	\$ 655,200	\$ 48,660	\$ 93,540	\$ 561,660

Equity- Wastewater

	Year 1	Year 2	Year 3	Year 4	Year 5
Common Stock	\$1,076,261	\$1,764,991	\$3,334,129	\$4,912,867	\$5,081,467
Paid-In Capital		4,380	11,100	29,400	48,660
Retained Earnings	(15,572)	(1,825)	91,110	294,727	622,593
Total Equity	\$1,060,689	\$1,767,546	\$3,436,339	\$5,236,994	\$5,752,720
Liabilities and Deferred Credits	\$ -	\$ -	\$ -	\$ -	\$ -
Net Advances in Aid of Construction	43,800	106,620	278,520	441,720	561,660
Long-Term Debt	-	-	-	-	-
Total Liabilities and Deferred Credits	-	-	-	-	-
Total Equity and Liabiltiy	\$1,104,489	\$1,874,166	\$3,714,859	\$5,678,714	\$6,314,380
Equity Percentage	96.03%	94.31%	92.50%	92.22%	91.11%
Advances Percentage	3.97%	5.69%	7.50%	7.78%	8.89%
Total percentage	100.00%	100.00%	100.00%	100.00%	100.00%

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: February 8, 2007

RE: **ANTELOPE LAKES SEWER, LLC (DOCKET NO. SW-20510A-07-0062)**

The area requested by Antelope Lakes for a sewer CC#N has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached are copies of the maps for your files.

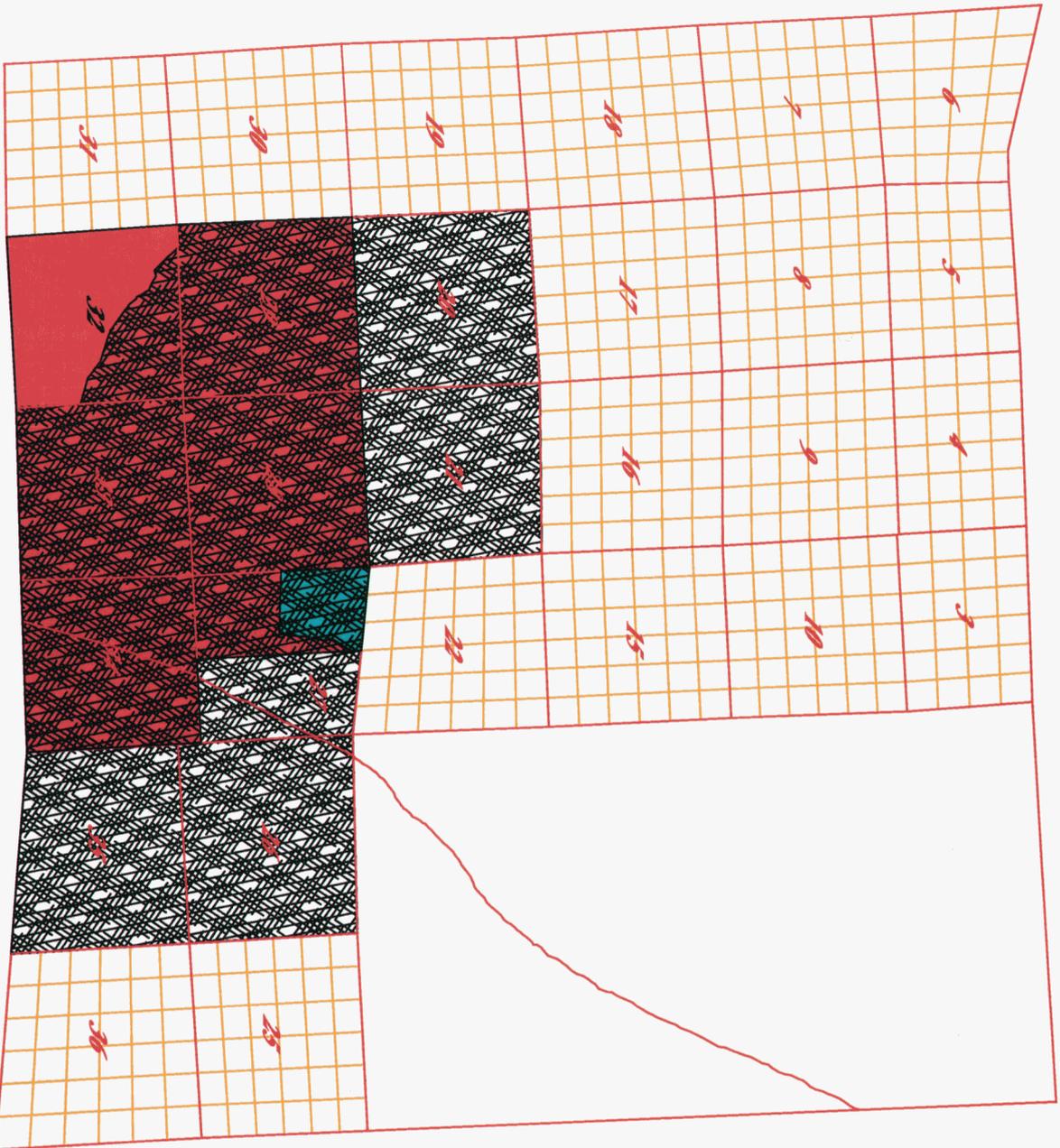
:bsw

Attachments

cc: Mr. Paul Levie
Ms. Deb Person (Hand Carried)
File

COUNTY: *Yavapai*

RANGE 2 West

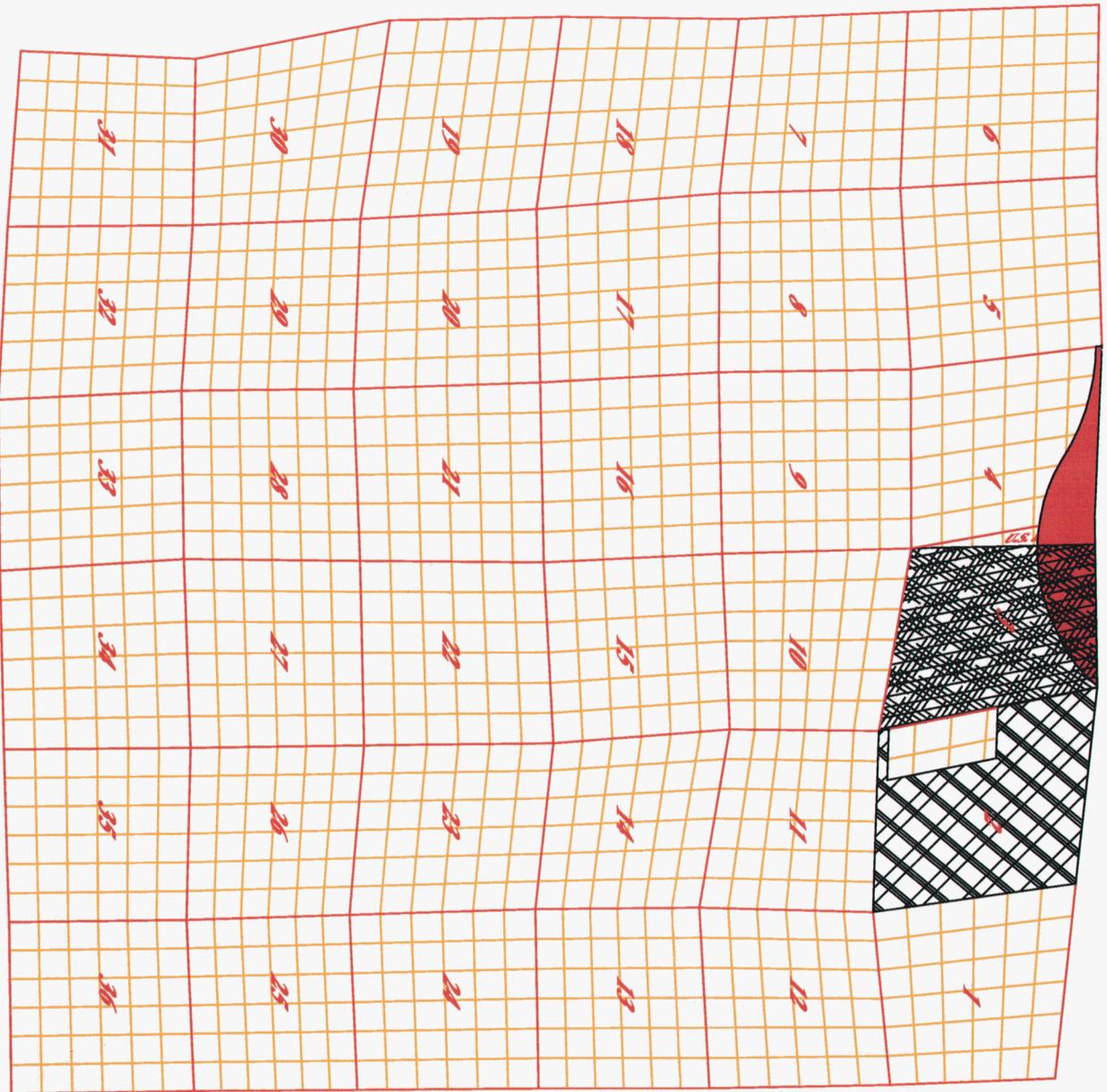


TOWNSHIP 18 North

-  W-1782 (2)
Abra Water Company, Inc.
-  W-2740 (2)
Antelope Lakes Water Company
Unresolved Conflict with Abra
-  (2)
Antelope Lakes Sewer, LLC
Docket No. SW-20510A-07-0062
Application for Sewer CC&N

COUNTY OF YAVAPAI

RANGE 2 West



TOWNSHIP 17 North

-  W-1782 (2)
Abra Water Company, Inc.
-  W-2651 (1)
Juniper Wells Water Company, Inc.

-  (2)
Antelope Lakes Sewer, LLC
Docket No. SW-20510A-07-0062
Application for Sewer CC&N

COUNTY: *Yavapai*

RANGE 2 West



W-1782

Abra Water Company, Inc.



W-2651

Juniper Wells Water Company, Inc.



W-2740

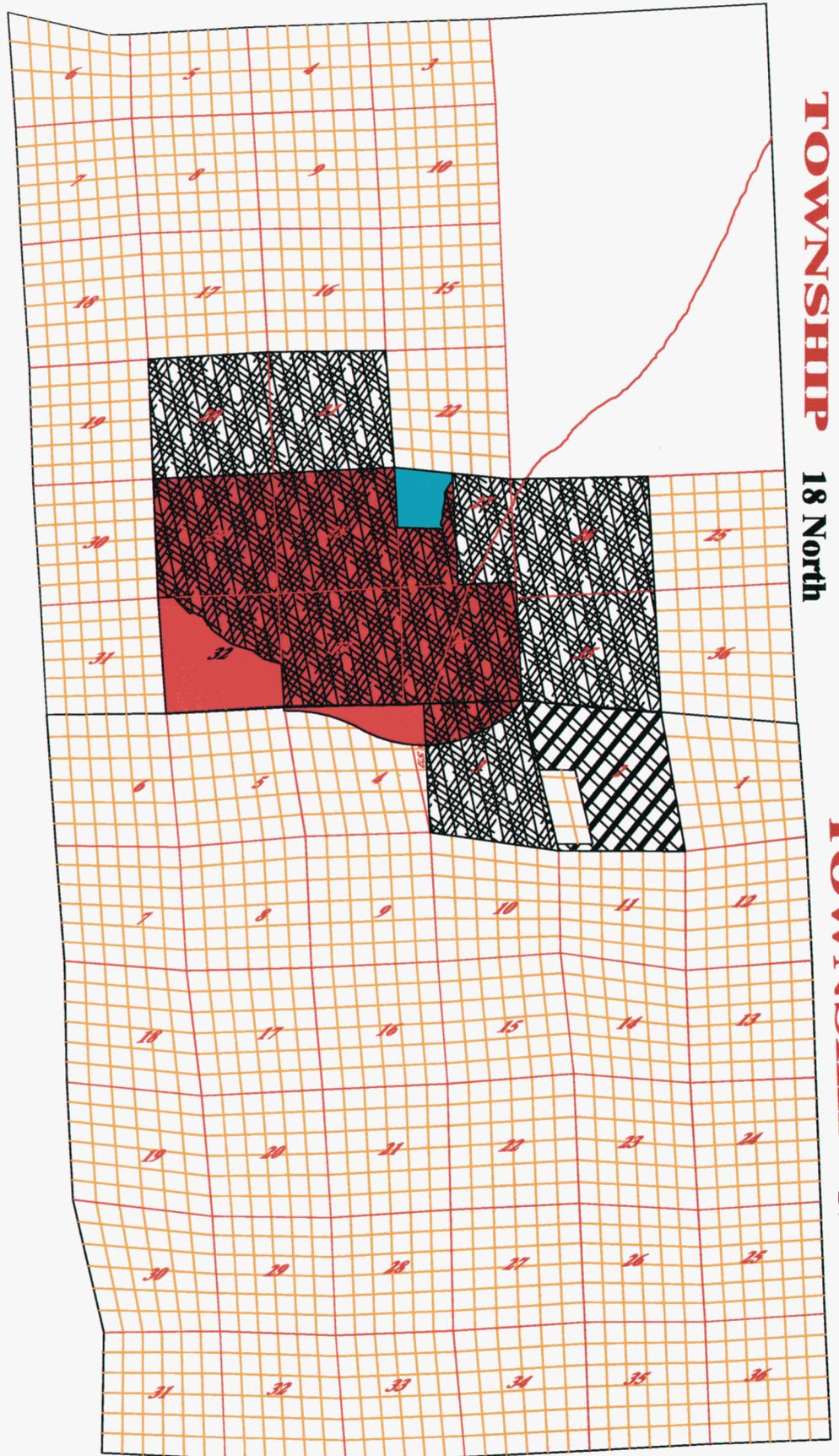
Antelope Lakes Water Company



Antelope Lakes Sewer, LLC

Docket No. SW-20510A-07-0062

Application for Sewer CC&N



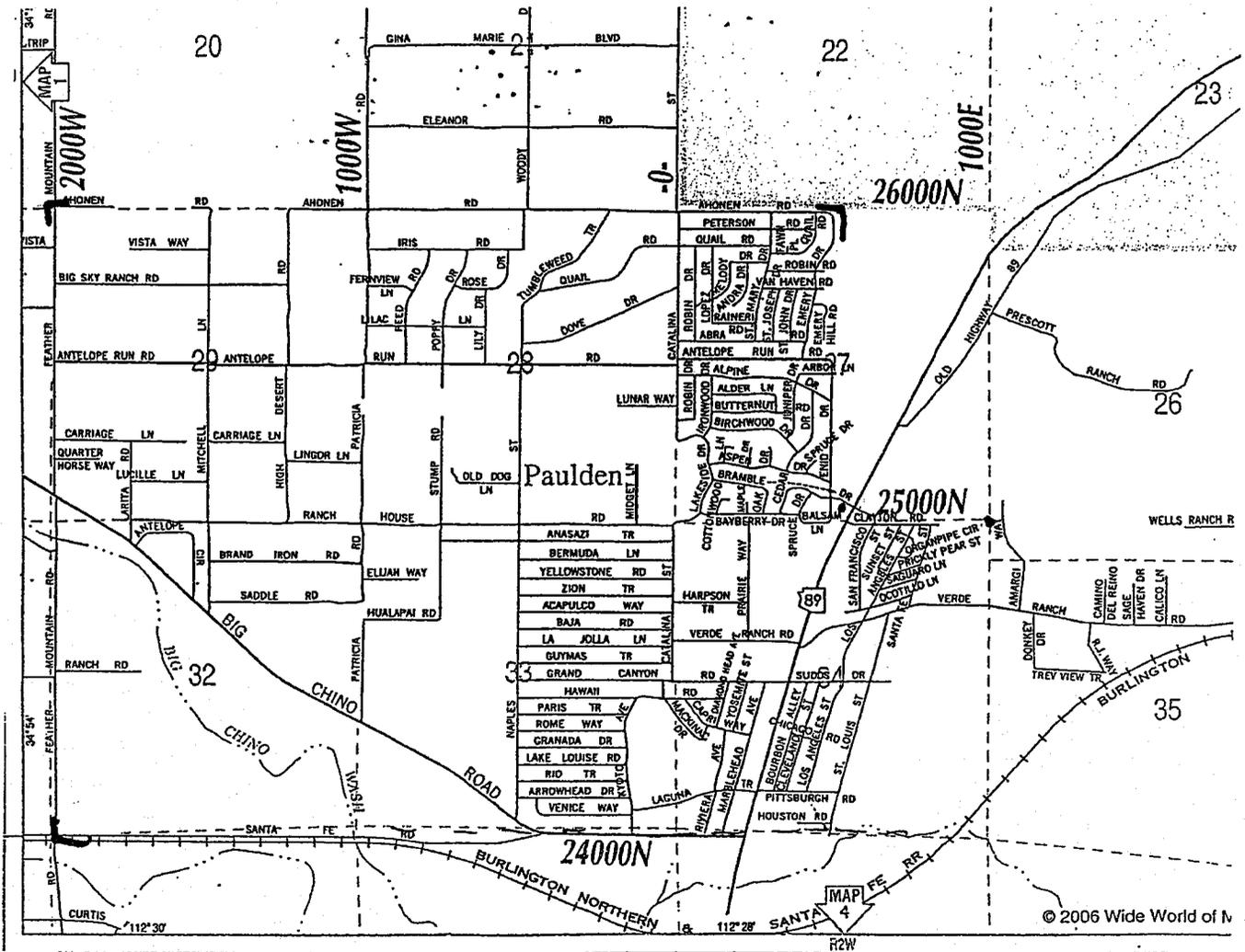
TOWNSHIP 18 North

TOWNSHIP 17 North

Description of area for Proposed Sewer CC & N

W1/2 of Section 27, Section 28, 29, 32, 33, and 34, Township 18N, Range 2W, of the G & S.R., B & M and land located north of the BNSF Railroad line of sections 3 and 4, Township 17N, Range 2W, of the G. & S.R., B & M.

Water in this area is provided by both Abra Water Company and Antelope Lakes Water Company. The exact area of their individual CC & N will be late filed by June 1, 2007.



Antelope Lakes Sewer Company, LLC

DOCKET NO.
SW-20510A-07-0062



Is interested in Sewer Service
Does NOT want sewer service