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Arizona Corporation Commission
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TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

Date: November 2, 2007

RE: STAFF REPORT FOR DOUBLE DIAMOND UTILITIES, INC. – APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE AND WASTEWATER SERVICE (DOCKET NO. WS-20543A-07-0435)

Attached is the Staff Report for Double Diamond Utilities, Inc.'s application for a Certificate of Convenience and Necessity for water and wastewater services. Staff is recommending approval with conditions.

EGJ:VW:lhm\KT

Originator: Vicki Wallace

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DOCKET CONTROL

Service List for: Double Diamond Utilities, Inc.
Docket Nos. WS-20543A-07-0435

Mr. Michael Patten
Roshka, DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Ms. Kathy Tackett-Hicks
Double Diamond Utilities, Inc.
9510 West Sahara Avenue, Suite 130
Las Vegas, Nevada 89115

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

DOUBLE DIAMOND UTILITIES, INC.

DOCKET NO. WS-20543A-07-0435

APPLICATION FOR CERTIFICATE OF
CONVENIENCE AND NECESSITY
FOR WATER AND WASTEWATER SERVICES

November 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Double Diamond Utilities, Inc. (Docket No. WS-20543A-07-0453) was the responsibility of the Staff members signed below. Vicki Wallace prepared the Staff Report, Marlin Scott, Jr. prepared the Engineering Report, and Crystal Brown prepared the Financial and Regulatory Analysis Report.

Vicki Wallace

Vicki Wallace
Chief of Consumer Service

Marlin Scott, Jr.
Utilities Engineer

Crystal Brown

Crystal Brown
Public Utilities Analyst V

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EXECUTIVE SUMMARY
DOUBLE DIAMOND UTILITIES, INC.
DOCKET NO. WS-20543A-07-0435

On July 23, 2007, Double Diamond Utilities, Inc. ("Double Diamond", "Applicant" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater services to a master-planned community in Mohave County, Arizona. The Company seeks approval to provide water and wastewater treatment service to the initial phase consisting of a one square-mile, or 640 acre, area of The Ranch at White Hills development north of Kingman, Mohave County, Arizona. The Ranch at White Hills will ultimately encompass approximately 25,167 acres of privately owned lands in and around the White Hills area of Mohave County, located approximately 40 miles northwest of Kingman, on the east side of U.S. Highway 93.

Staff concludes that the costs of the proposed water and wastewater systems are reasonable and that the systems will provide adequate capacity to serve the proposed CC&N area.

Based on water quality test results, the arsenic levels from the well sources for The Ranch at White Hills development have been reported at 1.6 parts per billion ("ppb") which is within the new arsenic standard.

The proposed CC&N is not located in an Active Management Area ("AMA") and as such will not be subject to any AMA reporting and conservation requirements.

For the water division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $1,681,402 would generate operating income of $554,305 resulting in an 8.00 percent rate of return on a Staff adjusted original cost rate base ("OCRB") of $6,928,816.

For the wastewater division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $2,454,480 would generate operating income of $878,006 resulting in an 8.00 percent rate of return on a Staff adjusted OCRB of $10,975,072.

The typical bill for a residential customer using an estimated average of 7,500 gallons under the Company's recommended rates would be $49.50. Under Staff's recommended rates, the typical bill would be $69.67.

The wastewater rates requested by the Company are a fixed flat monthly fee of $70.00. Staff's recommended flat monthly fee is $97.59.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the Double Diamond application for a CC&N for the initial phase consisting of a one square-mile, or 640 acre, area of The Ranch at White Hills development north of Kingman, Mohave County, Arizona, to provide water and wastewater services, subject to the following conditions:

1. That the Company obtain Staff's recommendation of having no more than 30 percent of AIAC and/or CIAC in its capital structure by the end of the fifth year of operation.

2. That the Commission finds that the fair value rate base of Double Diamond's property devoted to water service to be $6,928,816 and for wastewater service to be $10,975,072 for setting initial rates.

3. That Staff's recommended rates and charges as shown in Schedules CSB-W5 and CSB-WW5 in the Finance and Regulatory Analysis ("FRA") Report be approved. In addition to collection of its regular rates, Double Diamond may collect from its customers a proportionate share of any privilege, sales or use tax.

4. That Double Diamond be required to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

5. That Double Diamond file a rate case in its sixth year of operations, using the fifth year as the test year.

6. That Double Diamond be required to file notification with Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.

7. That Double Diamond be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities.

8. That Double Diamond be required to adopt Staff's water and wastewater depreciation rates and to use these rates by individual NARUC category as delineated in Tables A and C, respectively, of Staff's Engineering Report.

9. That Double Diamond's charge for minimum deposit be as prescribed in A.A.C. R14-2-403(B)(7).

10. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, copies of the water division's Approval to Construct ("ATC") for Phase 1 of the initial phase of The Ranch at White Hills project when received by the Company, but no later than two years after the effective date of the order granting the CC&N.

11. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Water Resources' ("ADWR") Letter of Adequate Water Supply for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance by ADWR.

12. That Double Diamond file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the initial phase of the wastewater plant for The Ranch at White Hills when received by the Company, but not later than two years after the effective date of the order granting the application.

13. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit ("APP") for the wastewater division within two years after the effective date of the order granting this application.

14. That Staff's service line and meter installation charges be approved as shown in Table B of the Engineering Report with separate installation charges for the service line and meter installations.

15. That Double Diamond be required to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (http://www.azcc.gov/divisions/utilities/water/forms.asp) or available upon request from Commission Staff.

16. That Double Diamond be required to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a backflow prevention tariff within 45 days of the decision in this matter. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (http://www.azcc.gov/divisions/utilities/water/forms.asp) or available upon request from Commission Staff.

17. That the Company be required to retain a certified operator and file notification of that entity's name and qualifications, as a compliance item in this docket, by December 31, 2008.

18. That Double Diamond be required to obtain a performance bond or irrevocable letter of credit of $250,000 by December 31, 2008 and file evidence of such bond or irrevocable letter of credit in Docket Control as a compliance item in this docket.

Staff further recommends that the Commission's Decision granting the requested CC&N to Double Diamond be considered null and void should Double Diamond fail to meet Conditions Nos. 10, 11, 12, 13, 15, 16, 17, and 18 listed above within the timeframe specified.

Introduction

On July 23, 2007, Double Diamond Utilities, Inc. ("Double Diamond", "Applicant" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater services to a master-planned community in Mohave County, Arizona. The Company seeks approval to provide water and wastewater treatment service to the initial phase consisting of a one square-mile or 640 acre area of The Ranch at White Hills development northwest of Kingman, Mohave County, Arizona.

On August 20, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402. A copy of the Insufficiency Letter was sent to the Company via U. S. certified mail. In that letter, Staff listed the deficiencies to be cured for administrative purposes.

On August 27, 2007, the Company filed its response to Staff's Insufficiency Letter and provided additional documentation to support its application. On September 6, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

On September 5, 2007, Staff issued its First Set of Data Requests to the Company, and Staff's Second Set of Data Requests was issued to the Company on September 24, 2007.

The Company's responses to the First and Second Set of Data Requests were provided to Staff on October 4, and October 12, 2007.

On September 11, 2007, the Procedural Order was issued setting the matter for hearing. The Procedural Order was subsequently amended on October 1, 2007.

Background

Double Diamond is a an Arizona corporation in good standing with the Commission's Corporations Division formed to provide water and wastewater services to all of the residences and businesses at The Ranch at White Hills development north of Kingman, Mohave County, Arizona. The Ranch at White Hills will ultimately encompass approximately 25,167 acres of privately owned lands in and around the White Hills area of Mohave County, located approximately 40 miles northwest of Kingman, on the east side of U.S. Highway 93.

Double Diamond seeks a CC&N to provide water and wastewater services to the initial phase of The Ranch at While Hills. The initial phase covers one section of land (640 acres), with current site plans for approximately 1,800 single family units, 700 multi-family units, a school site (approximately 20 acres), approximately 80 acres of commercial development and two community parks. The Company is projecting to serve no customers in the first year and 2,000 customers by the end of the fifth year. The first homes in the initial phase of the development are planned to be completed and require water and wastewater service in the first quarter of 2009. According to the Applicant, the initial phase of the development is located within a single groundwater basin and will be served by integrated water, wastewater and reclaimed water facilities.

Double Diamond retained Stantec Engineering to design the backbone water production and distribution facilities and the backbone wastewater collection and treatment facilities, and the reclaimed water mains for the development. The Company maintains that Stantec is a national engineering and consulting firm that provides professional design and consulting services in planning, engineering, architecture, surveying, economics, and project management, including water and wastewater projects.

Double Diamond is requesting to serve Section 31 of Township 28 North, Range 19 West. Exhibit 1 is the legal description and map of the proposed service area.

Request for Service

The request for water and wastewater service from Arizona Acreage, LLC, who is the owner of record of the section of land that is covered by the requested CC&N, is provided as Exhibit 2. Leonard and Susan Mardian, through their holding companies described later in this Report, own the land that comprises The Ranch at White Hills. The Mardian's indicate that they have owned property for The Ranch at White Hills development for over six years and have been in the process of planning the development for over five years. Currently, there are no certificated water and wastewater providers contiguous to The Ranch at White Hills.

Overview of The Ranch at White Hills

As the developers of The Ranch at White Hills and the owners of Double Diamond, Leonard and Susan Mardian maintain they are able to craft an environmentally conscientious community that focuses on water conservation and preservation of the natural beauty of the area. An area plan for The Ranch at White Hills setting forth the details of the development has been approved by Mohave County and was included as part of the Company's CC&N application. Double Diamond has also been issued franchises by Mohave County for both water and wastewater service. At build out, The Ranch at White Hills development is planned for 20,500 single family units and 4,500 multi-family units, as well as schools, public facility sites, open space areas and commercial development.

It is also planned that the community park areas and common landscape areas will be designed to minimize water consumption and eventually, after there are sufficient residents in the area, will utilize reclaimed water from the community wastewater treatment facilities for irrigation and watering purposes. As part of the utility infrastructure, reclaimed water mains are planned to extend along segments of the roadway to ensure that reclaimed water will be available for irrigation of parks and common landscaping.

The Proposed Water System

Staff's Engineering Report which is attached as Exhibit 3 describes the proposed water and wastewater plant. For this one square-mile area, the Company is proposing to construct five wells (totaling 890 gallons per minute ("GPM")), 1.5 million gallons of storage, booster systems and approximately 112,000 lineal feet of transmission and distribution mains at a total projected cost of $11.26 million.

Cost Analysis

The Company submitted an estimated total water plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account:

Year 1:	$3,064,890
Year 2:	$4,562,490
Year 3:	$7,177,050
Year 4:	$9,814,770
Year 5:	$11,255,140

Staff has reviewed the proposed total water plant-in-service along with the Company's engineering reports 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 water plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

The Proposed Wastewater System

Staff's Engineering Report describes that for the one square-mile area, the Company will be phasing in its wastewater treatment facility ("WWTF") by constructing an initial phase of 0.3 million gallon per day ("MGD") and phasing in facilities up to 1.5 MGD by the end of the fifth year. The 1.5 MGD WWTF and approximately 98,600 lineal feet of collection system have a total projected cost of $17.73 million.

A reclaimed water system is also being proposed that will consist of pump station/storage sites and approximately 25,000 lineal feet of force mains at an estimated cost of $2.6 million for irrigational use on roadway landscaping, schools, parks and entrance features.

Cost Analysis

The Company submitted an estimated total wastewater plant-in-service spreadsheet for the first five years by the NARUC plant account:

Year 1:	$5,881,300
Year 2:	$8,076,580
Year 3:	$14,586,260
Year 4:	$16,085,100
Year 5:	$17,733,940

Staff has reviewed the proposed total wastewater plant-in-service along with the Company's engineering reports 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 - Water

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for the initial phase of Phase 1 of The Ranch at White Hills development when received by the Company, but no later than two years after the effective date of the order granting the CC&N.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL was January 23, 2006.

Based on water quality test results, the arsenic levels from the well sources for The Ranch at White Hills development have been reported at 1.6 ppb which is within the new arsenic standard.

Arizona Department of Environmental Quality Compliance - Wastewater

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 Permit for the initial phase of Phase 1 of The Ranch at White Hills development when received by the Company, but no later than two years after the effective date of the order granting the CC&N.

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 two years after the effective date of the order granting the CC&N.

Arizona Department of Water Resources ("ADWR") Compliance - Water

Compliance Status

There is no ADWR compliance status to report at this time. The proposed CC&N is not located in an Active Management Area ("AMA") and as such will not be subject to any AMA reporting and conservation requirements.

Analysis of Adequate Water Supply

On April 11, 2006, ADWR issued an Analysis of Adequate Water Supply letter finding that 7,573 acre-feet per year of groundwater and 2,734 acre-feet per year of treated effluent projected at build-out will be physically available for The Ranch at White Hills. This combined 10,307 acre-feet is more than the Company's projected build-out demands for the development of 7,976 acre-feet per year for approximately 25,000 dwelling units.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Water Adequacy Report (Letter of Adequate Water Supply) for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance from ADWR.

Aquifer Study

Staff contacted the United States Geological Survey ("USGS"), Arizona Geological Survey and ADWR requesting if any groundwater aquifer studies have been conducted for Mohave County. All three indicated no studies were conducted. However, ADWR and USGS have initiated studies in the northern Mohave County area and the final report is expected to be completed within three years.

Water Depreciation Rates

The Company has adopted Staff's typical and customary Water Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in Table A attached to Staff's Engineering Report .

Wastewater Depreciation Rates

The Company has submitted depreciation rates similar to Staff's typical and customary Wastewater Depreciation Rates. After further review of the Company's proposed rates, Staff recommends that the Company adopt Staff's wastewater depreciation rates and use these rates by individual NARUC category as delineated in Table C attached to Staff's Engineering Report.

Wastewater Capacity Hook-Up Fee

The Company has proposed to implement a Capacity Hook-up Fee of $1,500 per service lateral for its wastewater division. Because a new wastewater CC&N is being established, Staff recommends that the Company's request to implement a Capacity Hook-Up Fee for its wastewater division be denied.

Rate Base and Rate of Return Summary - Water and Wastewater

Attached as Exhibit 4 is the Finance and Regulatory Analysis ("FRA") Report wherein the estimates of five year revenues, expenses, plant and financing are discussed. The Schedules in the Staff's FRA Report support the analysis and adjustments discussed below

For the water division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $1,681,402 would generate operating income of $554,305 resulting in an 8.00 percent rate of return on a Staff adjusted original cost rate base ("OCRB") of $6,928,816.

For the wastewater division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $2,454,480 would generate operating income of $878,006 resulting in an 8.00 percent rate of return on a Staff adjusted OCRB of $10,975,072.

Projected Fair Value Rate Base ("FVRB") - Water and Wastewater

Consistent with Commission rules, the Company's filing included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers for both the water and wastewater divisions. Projections and assumptions are necessary to establish a FVRB and initial rates because historical operating data does not exist. Since this is a new CC&N, Staff evaluated the projected OCRB as the FVRB.

Staff's recommended changes to the water division's capital structure reduced the water division's advances in aid of construction ("AIAC") while increasing the paid-in-capital.

Staff's recommended changes to the wastewater division's capital structure reduced the wastewater division's contributions in aid of construction ("CIAC") while increasing paid-in-capital. Since the reduction of CIAC also reduced the amortization of the CIAC, the depreciation expense was increased resulting in an increase to property taxes and a decrease to income taxes. Further, the decrease in CIAC increased the wastewater division's rate base.

The Company provided schedules showing the elements of the projected OCRB. Staff evaluated the projected OCRB as the FVRB. Staff determined the FVRB for the water plant to be $6,928,816. Staff determined the FVRB for the wastewater plant to be $10,975,072.

Projected Plant in Service

The water and wastewater divisions' projected plant in service balances are shown by year. In the fifth year, the Company anticipates an $11,255,140 and a $17,733,940 plant in service balance for the water and wastewater divisions, respectively. For the water division, Staff reclassified $192,000 in plant identified as "booster stations and equipment" to the "pumping equipment" account. Staff made no changes to the total amount of projected plant in service for either division.

Accumulated Depreciation

The water division's projected accumulated depreciation balance is also shown by year. In the fifth year, the Company anticipates a $565,547 accumulated depreciation balance. Staff increased the fifth year accumulated depreciation by $488,970 from $565,547 to $1,014,517 to reflect Staff's calculation of accumulated depreciation using Staff's recommended depreciation rates. Staff's calculation also removes the Company's proposal to remove depreciation expense on plant purchased or constructed with AIAC as the proposed treatment was not consistent with the NARUC Uniform System of Accounts ("USOA").

The wastewater division's projected accumulated depreciation balance is shown by year. Staff increased the fifth year accumulated depreciation by $56,522 from $1,885,365 to $1,941,887 to reflect Staff's calculation of accumulated depreciation using Staff's recommended depreciation rates.

Projected Advances In Aid of Construction

The Company projects that the water division's net cumulative balance for advances obtained from developers will be $5,342,005 in year five. Additionally, the Company projects that the net cumulative balances for service line and meter advances obtained from customers will be $748,000 in year five, for a total AIAC balance of $6,090,005. Staff decreased AIAC by $2,829,198, from $6,090,005 to $3,260,807 to reflect Staff's recommendation that AIAC, on average, should be no more than 30 percent of capital structure as discussed in the "Capital Structure and Financial Soundness" section of this memorandum.

The Company made no projections of AIAC for the wastewater division.

Projected Contributions In Aid of Construction

The Company projects that the wastewater division will have the following treatment capacity (i.e., hook-up fee) balances for the first through the fifth year respectively: $3,660,000, $1,957,500, $4,005,000, $2,002,500, and $0. Staff recommends elimination of the Company proposed hook up fee as discussed in the "Rate Design" section of this Report. Staff's analysis focuses on the fifth year. Since the fifth year balance was $0, Staff made no adjustment to the hook-up fee balance.

The Company projects that the Net Other Contributions (i.e., contributions excluding hook-up fees) will be $8,275,231 in year five. Staff decreased CIAC by $3,528,250, from $8,275,231 to $4,746,981 to reflect Staff's recommendation that CIAC, on average, should be no more than 30 percent of capital structure as discussed in the "Capital Structure and Financial Soundness" section of this Report.

The Company made no projections of CIAC for the water division.

Projected Operating Income

The Company provided projected revenues and expenses for five years. Staff's analysis, while taking into account all of the years presented, is concentrated on the fifth year of operation when profitability is expected.

Projected Operating Revenues, Water Division

For the water division, Staff recommends total operating revenue of $1,681,402, an increase of $439,580, or 35.40 percent above the Company's projected fifth year revenue of $1,089,572. Staff's recommended revenue provides operating income of $554,305 for an 8.00 percent rate of return on a projected OCRB of $6,928,816.

Staff's revenue requirement increase is primarily driven by Staff's recommended increase to depreciation expense. Staff's depreciation expense calculation does not recognize the Company's proposal to remove depreciation expense on plant purchased or constructed with AIAC as this treatment is not consistent with the NARUC USOA.

Staff annualized revenues to reflect the 2,000 customers projected at the end of the fifth year. The annualization added $152,250.

Projected Operating Revenues, Wastewater Division

For the wastewater division, Staff recommends total operating revenue of $2,454,480, an increase of $662,177, or 36.95 percent above the Staff adjusted fifth year revenue of $1,792,303. Staff's recommended revenue provides operating income of $878,006 for an 8.00 percent rate of return on a projected OCRB of $10,975,072.

Staff's revenue requirement increase is primarily driven by Staff's recommended rate of return. The Company proposed a 4.29 percent rate of return, Staff recommended an 8.00 percent rate of return. Staff's recommended rate of return is fair and reasonable and will help to mitigate steep increases in rates due to artificially low initial rates.

Staff annualized revenues to reflect the 2,000 customers projected at the end of the fifth year. The annualization added $213,750.

Staff added $101,053 to the wastewater division's revenue to reflect effluent sales. Page 4.2 of the Stantec report[1], shows that the anticipated total daily demand in the fifth year for effluent is 92,286 gpd. Staff calculated the annual gallons by multiplying the daily amount by 365 days per year and dividing by 1,000 gallons. The resulting number was multiplied by the Company's proposed $3.00 rate for effluent (which Staff notes is lower than Staff's first tier of the potable water rate, $4.23).

Projected Operating Expenses, Water Division

For the water division, Staff added $8,310 to annualize purchased pumping power expense. Staff noted that the Company's customer count increase of 500 customers from the fourth year to the fifth year was accompanied by a $16,619 increase in purchased pumping power (from $51,340 to $67,959) over the same period. Since Staff added half of the 500 customers (i.e. 250), Staff added a corresponding half of the $16,619 (i.e. $8,310) to the fifth year purchased pumping power expense.

Further, Staff added $6,000 to the outside services, billing and customer services expense. Staff calculated the amount as follows: $2 monthly meter reading and billing rate x 250 additional customers x 12 months = $6,000.

For the water division, Staff increased depreciation expense by $193,898, from $197,083 to $390,981 to remove the Company's adjustment to reduce depreciation expense on AIAC plant. The Company's adjustment is not consistent with the NARUC USOA recognized ratemaking treatment. Also, Staff's calculation provides a full year of depreciation expense on all plant projected to be in service at the end of the fifth year. The changes to depreciation expense increased property taxes by $13,867, from $29,418 to $43,285 and decreased income taxes by $26,951 from $207,705 to $180,754.

Projected Operating Expenses, Wastewater Division

For the wastewater division, Staff added $7,250 to annualize purchased pumping power expense. Staff noted that the Company's customer count increase of 500 customers from the fourth year to the fifth year was accompanied by a $14,500 increase in purchased pumping

[1] The report is entitled "Section 31 of the Ranch at White Hills CC&N Technical Support Water Wastewater, and Reclaimed Water"

power (from $53,350 to $67,850) over the same period. Since Staff added half of the 500 customers (i.e. 250), Staff added a corresponding half of the $14,500 (i.e. $7,250) to the fifth year purchased pumping power expense.

Further, Staff added $3,000 to the outside services, billing and customer services expense. Staff calculated the amount as follows: $1 monthly meter reading and billing rate x 250 additional customers x 12 months = $3,000.

Staff increased depreciation expense by $55,518 from $398,027 to $453,545 to reflect Staff's recommended depreciation rates, to provide a full year of depreciation expense on all plant projected to be in service at the end of the fifth year, and to reduce the amount of amortization of CIAC as a result of Staff's recommendation to reduce CIAC balance to no more than 30 percent of capital structure. The changes to depreciation expense increased property taxes by $22,579, from $39,893 to $62,472 and increased income taxes by $87,409 from $211,913 to $299,322.

Capital Structure and Financial Soundness - Water and Wastewater

Undercapitalized investor owned utilities may result in rate bases that are too small to generate enough revenue to pay for operating expenses and fund capital improvements without steep increases in customer rates. Consequently, Staff has determined that a financially sound utility company, on average, should have no more than 30 percent AIAC and/or CIAC in its capital structure.

For Double Diamond, developer provided capital (advances and contributions) for the water and wastewater operations is estimated to comprise 56.03 percent and 52.30 percent, respectively, of each division's capital structure. Due to the discussion and determination above, Staff recommends 30.00 percent AIAC/CIAC and 70.00 percent equity structure for each of the water and wastewater division by the end of the fifth year of operation. Staff also recommends denial of the requested hook-up fee by the Company consistent with Staff's normal practice for new CC&N's and the above capital structure discussion.

Rate Design

A complete list of the Company's proposed, and Staff's recommended rates and charges are reflected in schedules attached to Staff's FRA Report . The water and wastewater division's projected revenue is derived primarily from the residential customer class.

To promote efficient use of water, Staff has recommended an inverted three-tiered rate structure for the commodity charges. The water division has submitted a three-tier design. Staff removed the first tier for all meter sizes except the ¾-inch (residential) class and increased the commodity rates in order to generate Staff's recommended revenue.

Staff added a 5/8-inch x ¾-inch meter to provide the Company with the ability to serve customers who may request that meter size. The Company anticipates that residential customers will compose the majority of its total customers. The Company proposes a ¾-inch meter for the residential class and is designing and building its water system to meet the water usage demands for those customers. The water usage demand costs for a ¾-inch meter are higher than those of a 5/8-inch x ¾-inch meter. Therefore, to ensure that the Company recovers the costs associated with designing and building its system to meet the demands of its largest customer class (i.e., the ¾-inch meter residential customer), Staff set the 5/8-inch x ¾-inch meter rate the same as that of the ¾-inch meter.

Additionally, Staff's monthly customer charge recommendations utilize the NARUC recommended multipliers to establish the monthly customer charges for each meter size.

The Company proposed to add a construction water rate of $5.00 per 1,000 gallons. Staff recommends a $6.50 rate which is consistent with Staff's third tier range.

The typical bill for a residential customer using an estimated average of 7,500 gallons under the Company's recommended rates would be $49.50. Under Staff's recommended rates, the typical bill would be increased to $69.67.

The wastewater rates requested by the wastewater division are a fixed flat monthly fee of $70.00. Staff increased the flat monthly fee to $97.59 in order to generate Staff's recommended revenue requirement.

Service Charges

Service Line and Meter Installation Charges

The Company's proposed service line and meter installation charges are somewhat similar to Staff's customary range of charges. As a result, Staff will recommend its lower end of its customary range of charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends approval of its charges as shown in Table B of Staff's Engineering Report, with separate installation charges for service line and meter installations.

Service Charges

Staff reviewed the Company's proposed service charges and recommends adoption.

Curtailment Tariff

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of water shortages. The Company did not include a curtailment tariff in its application. Staff recommends that the Company file a curtailment no later than forty-five (45) days after the effective date of the final Decision and Order in this matter. The tariff shall be filed with Docket Control as a compliance item under this same docket number for Staff's review and certification.

Staff further recommends that the tariff generally conform to the sample tariff found on the Commission's web site at http://www.azcc.gov/divisions/utilities/water/forms.asp. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

Ownership and Management Capability

Leonard and Susan Mardian (husband and wife) are the sole shareholders of Double Diamond. The applicant asserts that Mr. Mardian has been involved in the development business for 50 years and that the combined holdings, assets and development experience of the applicant's ownership were sufficient to meet the short- and long-term obligations of the Applicant to serve The Ranch at White Hills development. The Applicant also indicates that the Mardian's have substantial financial resources to support the Applicant; have the ability to obtain financing for construction and operations; and have real estate holdings of over 45,000 acres of land in Mohave County. In response to Staff's inquiry regarding such holdings, the Applicant advised that the Mardian's owned 14 Nevada corporations and limited liability corporations that had real property in Arizona and were engaged in land investment and development, three of which are involved in The Ranch at White Hills development. These include Arizona Acreage, LLC, which is the entity that owns the 640 acre section that is the subject of this CC&N application; and Big Ranch, Inc. and Gold Basin, Inc., each of which own 50 percent of Arizona Acreage, LLC . Big Ranch, Inc. and Gold Basin, Inc. are owned by Leonard Mardian (45 percent), Susan Mardian (45 percent), and Lori Mardian (10 percent).

The Applicant also indicates that the Mardian's own additional successful development projects in Nevada including a Holiday Inn Express in Las Vegas; the Milano Residences, a 100 unit condominium building in Las Vegas; the Blackjack Lodge Restaurant and Tavern; Hurrican Tavern; and two Storage One Self Storage facilities. The Mardian's also have extensive real estate holdings in Nevada, including an executive commercial office building in Las Vegas.

The current Officers of the Applicant are: Leonard Mardian, President; Susan Mardian, Vice President, Secretary and Treasurer; and Kathy Tackett-Hicks, Vice President, Operations. The current Directors of the Applicant are Leonard Mardian and Susan Mardian. In response to Staff's data request regarding resumes of Double Diamond's owners, the "Resume of Leonard and Susan Mardian" is provided as Exhibit 5.

The Applicant indicates that the above-referenced management team has extensive development projects in Nevada and California, including a Wal-Mart and Sam's Club, commercial shopping centers, hotels, restaurants, several self storage facilities and apartment complexes. In connection with these developments, the Mardian's state they have overseen the design and construction of offsite and onsite utility lines, extensions and connections.

Additionally, the Company maintains that as a long-time resident of Mohave County, Ms. Tackett-Hicks: (1) has extensive and substantial experience in developing, permitting, financing and constructing projects; and (2) has specialized in delivering highly complex land development services for utility regulatory compliance, land planning, strategies and construction management services for the past ten years.

In response to Staff's data request involving whether the Applicant and/or any of its respective affiliated/associated entities had been accused of or convicted of violating local, State, or Federal laws, rules, regulations, etc., the Applicant indicated that there was a single instance, whereby affiliated entities of Double Diamond Utilities, Inc. had worked with and successfully resolved issues with the Arizona Department of Real Estate. The Applicant provided the fully approved/authorized consent decree addressing and resolving all the outstanding issues. The affiliated entities identified in the consent decree included Gateway Lots, LLC and Flannery & Allen, LLC., and both are Nevada limited liability companies that are in Good Standing with the Corporations Division of the ACC. The violations referenced in the Consent Order involved offering, selling, or transferring lots without notifying the Department of Real Estate of the intention to offer or sell lots and without a public report. The Applicant's response to Staff's data request, including the Consent Order is attached as Exhibit 6. Staff has talked to Department of Real Estate Staff, and there have been no further violations relating to or involving Double Diamond or its affiliates.

While Staff was conducting its research on the Applicant and its owners, Staff located a newspaper article published by the Las Vegas Sun on September 22, 2006, that questioned financial links between former Clark County Commissioner Lynette Boggs- McDonald and developer Susan Mardian relating to a personal property loan and failure of Commissioner Boggs-McDonald to report such and the Commissioner's voting record on zoning issues involving Susan Mardian. Lynette Boggs-McDonald was later formally charged with four felonies in a Grand Jury Indictment filed in Las Vegas Justice Court on August 29, 2007. The charges were unrelated to the issues discussed in the above-referenced article. During its research, Staff did not find any past or pending litigation against either Leonard or Susan Mardian associated with the actions questioned in the newspaper article.

In response to Staff's inquiry regarding any mechanics, tax, or other liens against officers and/or directors of Double Diamond and affiliated/associated entities, the owners of Double Diamond revealed that some of their Nevada properties had liens filed against them, many of which had been released and some of which were disputed. From Staff's review of the information provided, most of the liens appeared to be associated with subcontractors' work on hotels and condominiums wherein there were disagreements between the Double Diamond owners and the subcontractor as to fulfillment of work obligations. There were three Government liens, one tax lien from the State of Arizona and two liens from the Internal Revenue Service ("IRS"). The IRS liens were released according to the Applicant and therefore completely satisfied by Mr. Mardian. The State of Arizona tax lien has been paid by Mr. Mardian, and a Notice to Release Lien was issued by the State. Staff's research did not reveal any liens against the Mardian's at the State or Federal level. The Applicant's response to Staff's data request including copies of liens and releases are attached as Exhibit 7.

Technical Capability to Provide Requests Services

As indicated in the Introduction Section, Double Diamond retained Stantec Engineering to design the backbone water production and distribution facilities and the backbone wastewater collection and treatment facilities, and the reclaimed water mains for the development. In response to Staff's data request regarding the operation of Double Diamond, the Company advised that it is planning to have an employee or employees of the Company to only provide general administration services and oversight of the third party contractors. The Company intends to use outside, unaffiliated third parties for day-to-day utility management and operations (including engineering, billing, customer assistance, meter reading, repairs and maintenance), tax administration, legal and accounting. The Company has not yet contracted with any specific third parties to provide these services. Staff recommends that the Company be required to retain a certified operator and file notification of that entity's name and qualifications, as a compliance item in this Docket, by December 31, 2008.

Financial Capability to Provide Requested Services

The Company provided an unaudited balance sheet for the period ended June 30, 2007, in its application. This financial statement listed assets of approximately $900,000 and equity of approximately $900,000. The Company's application states that the owners have constructed commercial shopping centers, hotels, restaurants, storage facilities and numerous retail development construction projects, including Wal-Mart and Sam's Club. It also indicates that the owners have extensive personal holdings and are involved in the hospitality industry. The owners are not delinquent on taxes for the years ended 2004 and 2005. Based upon review of this information, Staff has determined that the Company has adequate income which includes substantial capital gains, therefore, Staff has concluded that the Company has adequate financial capability to provide the requested services.

Performance Bond

Due to the fact that Double Diamond has no prior experience in operating a public utility, a performance bond or irrevocable letter of credit in the amount of $250,000 is being recommended by Staff. It is further recommended that the performance bond or irrevocable letter of credit be obtained by December 31, 2008, and that evidence of such be filed in Docket Control as a compliance item in this docket. This is consistent with the amount of the performance bond approved in the Woodruff Water and Wastewater CC&N (Docket Nos. W-04264A-04-0438, et al) wherein the applicant had no previous utility experience and had a long track record of investing and developing real estate.

Conclusions and Recommendations

Staff Conclusions

Staff concludes that approving Double Diamond's application for a CC&N to provide water and sewer service is in the public interest.

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

Staff concludes that the proposed water 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.

Based on water quality test results, the arsenic levels from the well sources for The Ranch at White Hills development have been reported at 1.6 ppb which is within the new arsenic standard.

The proposed CC&N is not located in an Active Management Area ("AMA") and as such will not be subject to any AMA reporting and conservation requirements.

Staff Recommendations

Staff recommends the Commission approve the Double Diamond application for a CC&N for the initial phase consisting of a one square-mile, or 640 acre, area of the Ranch at White Hills development north of Kingman, Mohave County, Arizona, to provide water and wastewater service, subject to the following conditions:

1. That the Company obtain Staff's recommendation of having no more than 30 percent of AIAC and/or CIAC in its capital structure by the end of the fifth year of operation.

2. That the Commission finds that the fair value rate base of Double Diamond's property devoted to water service to be $6,928,816 and for wastewater service to be $10,975,072 for setting initial rates.

3. That Staff's recommended rates and charges as shown in Schedules CSB-W5 and CSB-WW5 in the Finance and Regulatory Analysis ("FRA") Report be approved. In addition to collection of its regular rates, Double Diamond may collect from its customers a proportionate share of any privilege, sales or use tax.
4. That Double Diamond be required to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.

5. That Double Diamond file a rate case in its sixth year of operations, using the fifth year as the test year.

6. That Double Diamond be required to file notification with Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.

7. That Double Diamond be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities.

8. That Double Diamond be required to adopt Staff's water and wastewater depreciation rates and to use these rates by individual NARUC category as delineated in Tables A and C, respectively, of Staff's Engineering Report.

9. That Double Diamond's charge for minimum deposit be as prescribed in A.A.C. R14-2-403(B)(7).

10. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, copies of the water division's Approval to Construct ("ATC") for Phase 1 of the initial phase of The Ranch at White Hills project when received by the Company, but no later than two years after the effective date of the order granting the CC&N.

11. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Water Resources' ("ADWR") Letter of Adequate Water Supply for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance by ADWR.

12. That Double Diamond file with Docket Control, as a compliance item in this docket, copies of the wastewater division's General Permits for Phase 1 of the initial phase of the wastewater plant for The Ranch at White Hills when received by the Company, but not later than two years after the effective date of the order granting the application.

13. That Double Diamond be required to file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit ("APP") for the wastewater division within two years after the effective date of the order granting this application.

14. That Staff's service line and meter installation charges be approved as shown in Table B of the Engineering Report with separate installation charges for the service line and meter installations.

15. That Double Diamond be required to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (http://www.azcc.gov/divisions/utilities/water/forms.asp) or available upon request from Commission Staff.

16. That Double Diamond be required to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a backflow prevention tariff within 45 days of the decision in this matter. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (http://www.azcc.gov/divisions/utilities/water/forms.asp) or available upon request from Commission Staff.

17. That the Company be required to retain a certified operator and file notification of that entity's name and qualifications, as a compliance item in this docket, by December 31, 2008.

18. That Double Diamond be required to obtain a performance bond or irrevocable letter of credit of $250,000 by December 31, 2008 and file evidence of such bond or irrevocable letter of credit in Docket Control as a compliance item in this docket.

Staff further recommends that the Commission's Decision granting the requested CC&N to Double Diamond be considered null and void should Double Diamond fail to meet Conditions Nos. 10, 11, 12, 13, 15, 16, 17, and 18 listed above within the timeframe specified.

EXHIBIT 1

MEMORANDUM

TO: Vicki Wallace
Chief, Consumer Services & Special Projects
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: August 15, 2007

RE: **DOUBLE DIAMOND UTILITIES, INC. (DOCKET NO. WS-20543A-07-0435)**

The area requested by Double Diamond for a CC&N for water and wastewater 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.

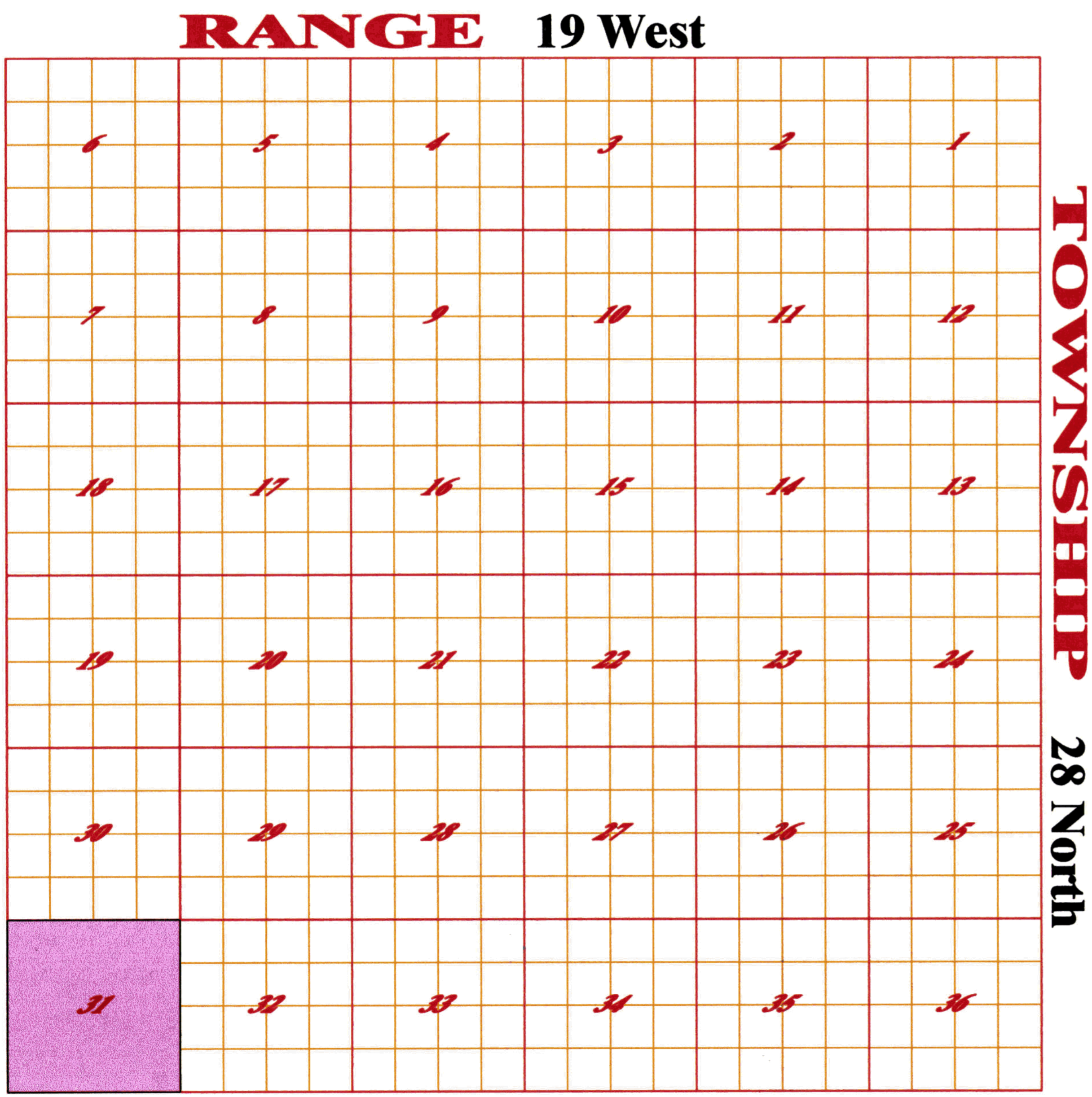
:bsw

Attachments

cc: Mr. Michael W. Patten
Ms. Deb Person (Hand Carried)
File

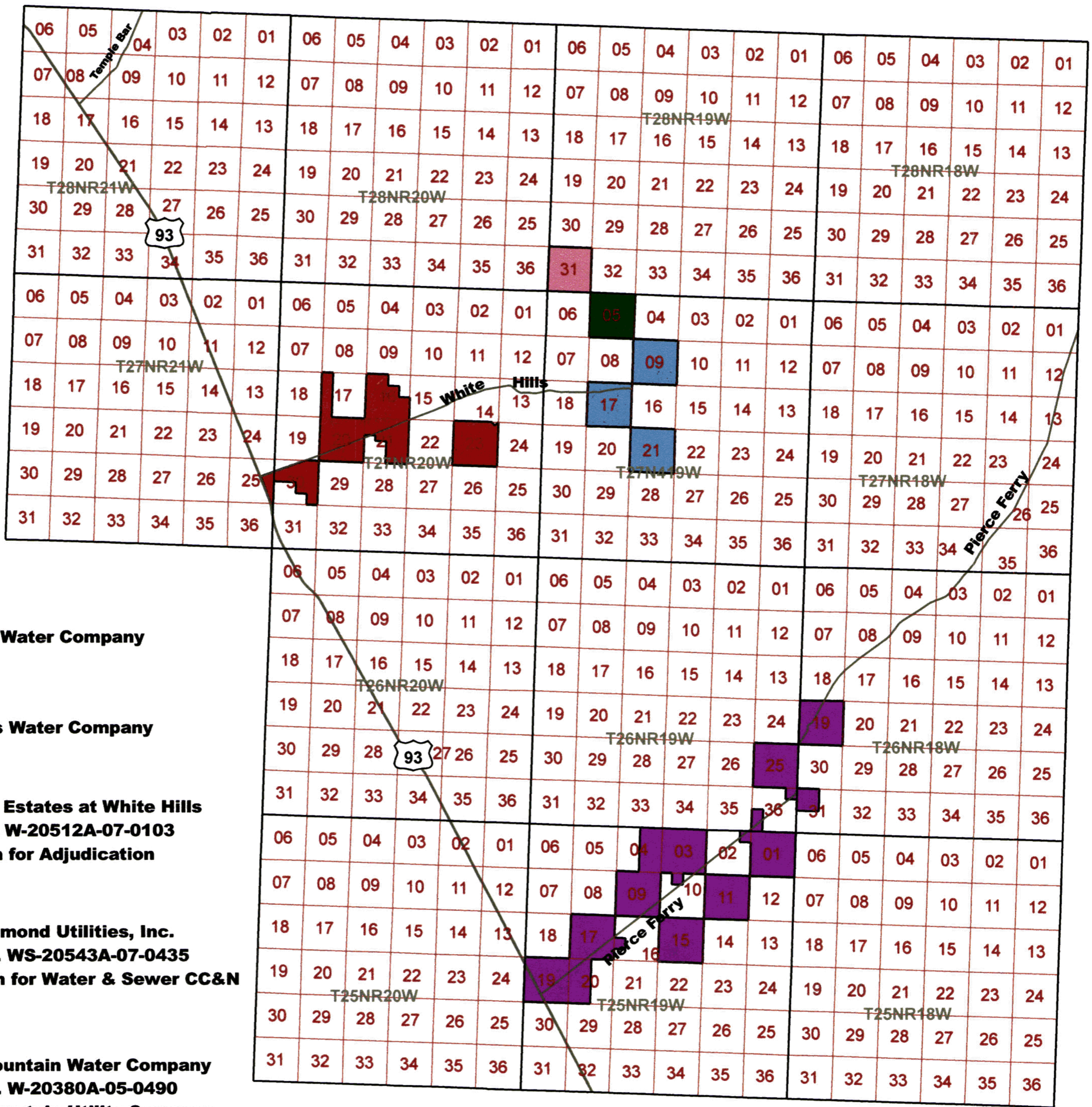
Map No. 52

COUNTY: *Mohave*



Double Diamond Utilities, Inc.
Docket No. WS-20543A-07-0435
Application for Water & Sewer CC&N

TR28N19W 14 AUG 2007



Mt. Tipton Water Company

White Hills Water Company

Equestrian Estates at White Hills
Docket No. W-20512A-07-0103
Application for Adjudication

Double Diamond Utilities, Inc.
Docket No. WS-20543A-07-0435
Application for Water & Sewer CC&N

Perkins Mountain Water Company
Docket No. W-20380A-05-0490
Perkins Mountain Utility Company
Docket No. SW-20379A-07-0490
Application for CC&N - 3rd Amended
(Order Preliminary)

Legal Description

T28N, R19W, Section 31

Mohave County, Arizona

EXHIBIT 2

June 10, 2007

Double Diamond Utilities, Inc.
4132 South Rainbow Blvd, PMB 324
Las Vegas, NV 89103

RE: Request for Utility Service
T28N, R19W, Section 31

Dear Utility Provider,

Arizona Acreage, LLC is the Owner of Record for Section 31, T28N, R19W. We are preparing to develop this land with mixed uses including residential, commercial, park, and school sites. Please be advised that we am requesting central water service and central sewer service from Double Diamond Utility Company as part of the development of this property.

Should you require additional information, or have any questions concerning this request for service, please contact us directly.

Respectfully Submitted,

Arizona Acreage, LLC

Leonard Mardian
Susan Mardian

EXHIBIT 3

MEMORANDUM

DATE: October 31, 2007

TO: Vicki Wallace
Chief, Consumer Services and Special Projects

FROM: Marlin Scott, Jr. MSJ
Utilities Engineer

RE: Double Diamond Utilities, Inc.
Docket No. WS-20543A-07-0435 (CC&N – Water and Wastewater)

INTRODUCTION

Double Diamond Utilities, Inc. ("DDU" or "Company") submitted an application for a Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater services to a proposed master-planned community in Mohave County. The initial requested area will be one square-mile or 640 acres that would provide service to The Ranch at White Hills development. This development will ultimately encompass over 25,000 acres in a checkerboard fashion and will be located approximately 40 miles northwest of Kingman.

WATER DIVISION

Company's Proposed Water System

The requested one square-mile service area plans for approximately 1,800 single family units, 700 multi-family units, a 20 acre school site, 80 acres of commercial development and two community parks. For this one square-mile area, the Company is proposing to construct 5 wells (totaling 890 gallons per minute ("GPM")), 1.5 million gallons of storage, booster systems and approximately 112,000 lineal feet of transmission and distribution mains at a total projected cost of $11.26 million. The Company is projecting to serve zero customers in the first year and 2,000 customers by the end of the fifth year. The first homes in the initial phase of the development are planned to be completed in the first quarter of 2009.

Cost Analysis

The Company submitted an estimated total water plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account:

Year 1:	$3,064,890
Year 2:	$4,562,490
Year 3:	$7,177,050
Year 4:	$9,814,770
Year 5:	$11,255,140

Staff has reviewed the proposed total water plant-in-service along with the Company's engineering reports 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 water 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

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the initial phase of The Ranch at White Hills development when received by the Company, but no later than 2 years after the effective date of the order granting this application.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL was January 23, 2006.

Based on water quality test results, the arsenic levels from the well sources for The Ranch at White Hills development have been reported at 1.6 ppb which is within the new arsenic standard.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

There is no ADWR compliance status to report at this time. The proposed CC&N is not located in an Active Management Area ("AMA") and as such will not be subject to any AMA reporting and conservation requirements.

Analysis of Adequate Water Supply

On April 11, 2006, ADWR issued an Analysis of Adequate Water Supply letter finding that 7,573 acre-feet per year of groundwater and 2,734 acre-feet per year of treated effluent projected at build-out will be physically available for The Ranch at White Hills. This combined 10,307 acre-feet is more than the Company's projected build-out demands for the development of 7,976 acre-feet per year for approximately 25,000 dwelling units.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Letter of Adequate Water Supply for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance from ADWR.

Aquifer Study

Staff contacted the United States Geological Survey ("USGS"), Arizona Geological Survey and ADWR requesting if any groundwater aquifer studies have been conducted for Mohave County. All three indicated no studies were conducted. However, ADWR and USGS have initiated studies in the northern Mohave County area and the final report is expected to be completed within four years.

Water Depreciation Rates

The Company has adopted Staff's typical and customary Water Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Service Line and Meter Installation Charges

The Company's proposed service line and meter installation charges are somewhat similar to Staff's customary range of charges. As a result, Staff will recommend its lower end of its customary range of charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends approval of its charges as shown in Table B, with separate installation charges for service line and meter installations.

Water Division Summary

Conclusions

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

B. Staff concludes that the proposed water 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.

C. Based on water quality test results, the arsenic levels from the well sources for The Ranch at White Hills development have been reported at 1.6 ppb which is within the new arsenic standard.

D. The proposed CC&N is not located in an Active Management Area ("AMA") and as such will not be subject to any AMA reporting and conservation requirements.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the initial phase of The Ranch at White Hills 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 ADWR Letter of Adequate Water Supply for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance from ADWR.

3. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table A.

4. Staff recommends approval of its service line and meter installation charges as shown in Table B, with separate installation charges for the service line and meter installations.

Table A. Water Depreciation Rates

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

Table B. Service Line and Meter Installation Charges

Meter Size	Company's Proposed Charges	Recommended Service Line Charges	Recommended Meter Charges	Recommended Total Charges
5/8 x 3/4-inch	-	$355	$85	$440
3/4-inch	$440	$355	$165	$520
1-inch	$520	$405	$205	$610
1-1/2-inch	$740	$440	$415	$855
2-inch Turbine	$1,235	$600	$915	$1,515
2-inch Compound	$1,800	$600	$1,640	$2,240
3-inch Turbine	$1,705	$775	$1,420	$2,195
3-inch Compound	$2,340	$815	$2,215	$3,030
4-inch Turbine	$2,700	$1,110	$2,250	$3,360
4-inch Compound	$3,405	$1,170	$3,145	$4,315
6-inch Turbine	$5,035	$1,670	$4,445	$6,115
6-inch Compound	$6,510	$1,710	$6,180	$7,890

WASTEWATER DIVISION

Company's Proposed Wastewater System

For the one square-mile area, the Company will be phasing in its wastewater treatment facility ("WWTF") by constructing an initial phase of 0.3 million gallon per day ("MGD") and phasing in facilities up to 1.5 MGD by the end of the fifth year. The 1.5 MGD WWTF and approximately 98,600 lineal feet of collection system has a total projected cost of $17.73 million. The Company is projecting to serve zero customers in the first year and 2,000 customers by the end of the fifth year. The first homes in the initial phase of the development are planned to be completed in the first quarter of 2009.

A reclaimed water system is also being proposed that will consist of pump station/storage sites and approximately 25,000 lineal feet of force mains at an estimated cost of $2.6 million for irrigational use on roadway landscaping, schools, parks and entrance features.

Cost Analysis

The Company submitted an estimated total wastewater plant-in-service spreadsheet for the first five years by the NARUC plant account:

Year 1:	$5,881,300
Year 2:	$8,076,580
Year 3:	$14,586,260
Year 4:	$16,085,100
Year 5:	$17,733,940

Staff has reviewed the proposed total wastewater plant-in-service along with the Company's engineering reports 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 Phase 1 of the initial phase of The Ranch at White Hills 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 submitted depreciation rates similar to Staff's typical and customary Wastewater Depreciation Rates. After further review of the Company's proposed rates, Staff recommends that the Company adopt Staff's wastewater depreciation rates and use these rates by individual NARUC category as delineated in the attached Table C.

Wastewater Capacity Hook-Up Fee

The Company has proposed to implement a Capacity Hook-Up Fee of $1,500 per service lateral for its wastewater division. Because a new wastewater CC&N is being established, Staff recommends that the Company's request to implement a Capacity Hook-Up Fee for its wastewater division be denied.

Wastewater Division 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 Phase 1 of the initial phase of The Ranch at White Hills 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 that the Company adopt Staff's wastewater depreciation rates and use these rates by individual NARUC category as delineated in the attached Table C.

4. Staff recommends that the Company's request to implement a Capacity Hook-Up Fee for its wastewater division be denied.

Table C. 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

EXHIBIT 4

MEMORANDUM

TO: Vicki Wallace
Chief of Consumer Services - Utilities Division

FROM: Crystal Brown Crystal C Brown
Public Utilities Analyst V – Utilities Division

DATE: October 31, 2007

RE: DOUBLE DIAMOND UTILITIES, INC. APPLICATION FOR NEW CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. WS-20543A-07-0435

Introduction

On July 23, 2007, Double Diamond Utilities, Inc. ("Double Diamond" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide public utility water service and wastewater service to a master-planned community in Mohave County, Arizona.

The application indicates that no customers are currently receiving service in the requested CC&N area. At the end of five years, the Company projects that it will serve 2,000 water and wastewater customers.

For the water division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $1,681,402 would generate operating income of $554,305 resulting in an 8.00 percent rate of return on a Staff adjusted original cost rate base ("OCRB") of $6,928,816 as shown on Schedule CSB-W1.

For the wastewater division, Staff's recommended rates are based on the divisions' five-year projections, as adjusted by Staff. Staff's recommended projected revenue of $2,454,480 would generate operating income of $878,006 resulting in an 8.00 percent rate of return on a Staff adjusted OCRB of $10,975,072 as shown on Schedule CSB-WW1.

Financial Capability to Provide Requested Services

The Company provided confidential personal financial information of its owners, in addition to an unaudited Company balance sheet for the period ended June 30, 2007. The balance sheet listed assets of approximately $900,000 and equity of approximately $900,000. The Company's application states that the owners have constructed commercial shopping centers, hotels, restaurants, storage facilities and numerous retail development construction projects, including Wal-Mart and Sam's Club. It also indicates that the owners have extensive personal holdings and are involved in the hospitality industry. The owners are not delinquent on taxes for the years ended 2004 and 2005. Based upon review of this information, Staff has determined that the Company has adequate income which includes substantial capital gains, therefore, Staff has concluded that the Company has adequate financial capability to provide the requested services.

Projected Fair Value Rate Base ("FVRB")

Consistent with Commission rules, the Company's filing included the required five-year projections for plant values, operating revenues, operating expenses, and number of customers for both the water and wastewater divisions. Projections and assumptions are necessary to establish a FVRB and initial rates because historical operating data does not exist. Since this is a new CC&N, Staff evaluated the projected OCRB as the FVRB.

Staff's recommended changes to the water division's capital structure reduced the water division's advances in aid of construction ("AIAC") while increasing the need for additional paid-in-capital as shown on water Schedule CSB-W4.

Staff's recommended changes to the wastewater division's capital structure reduced the wastewater division's contributions in aid of construction ("CIAC") while increasing the need for additional paid-in-capital as shown on wastewater Schedule CSB-WW4. Since the reduction of CIAC also reduced the amortization of the CIAC, the depreciation expense was increased resulting in an increase to property taxes and a decrease to income taxes as shown on the income statement (Schedule CSB-WW3, pages 1 through 4). Further, the decrease in CIAC increased the wastewater division's rate base as shown on Schedule CSB-WW2, page 1.

The Company provided schedules showing the elements of the projected OCRB as shown on Schedules CSB-W2 and WW2. Staff evaluated the projected OCRB as the FVRB. Staff determined the FVRB for the water plant to be $6,928,816 at the end of the fifth year (water Schedule CSB-W2, page 1). Staff determined the FVRB for the wastewater plant to be $10,975,072 at the end of the fifth year (wastewater Schedule CSB-WW2, page 1).

Projected Plant in Service

The water and wastewater divisions' projected plant in service balances are shown by year on Schedules CSB-W2 and WW2, page 2. In the fifth year, the Company anticipates an $11,255,140 and a $17,733,940 plant in service balance for the water and wastewater divisions, respectively. For the water division, Staff reclassified $192,000 in plant identified as "booster stations and equipment" to the "pumping equipment" account as shown on Schedule CSB-W2, page 2. Staff made no changes to the total amount of projected plant in service for either division.

Accumulated Depreciation

The water division's projected accumulated depreciation balance is shown by year on Schedule CSB-W2, page 1. In the fifth year, the Company anticipates a $565,547 accumulated depreciation balance. Staff increased the fifth year accumulated depreciation by $488,970 from $565,547 to $1,014,517 to reflect Staff's calculation of accumulated depreciation using Staff's recommended depreciation rates as shown on Schedules CSB-WW2, pages 1 through 7. Staff's calculation also removes the Company's proposal to remove depreciation expense on plant purchased or constructed with AIAC as the proposed treatment was not consistent with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").

The wastewater division's projected accumulated depreciation balance is shown by year on Schedules CSB-WW2, page 1. Staff increased the fifth year accumulated depreciation by $56,522 from $1,885,365 to $1,941,887 to reflect Staff's calculation of accumulated depreciation using Staff's recommended depreciation rates as shown on Schedules CSB-WW2, pages 1 through 7.

Projected Advances In Aid of Construction

The Company projects that the water division's net cumulative balance for advances obtained from developers will be $5,342,005 in year five. Additionally, the Company projects that the net cumulative balances for service line and meter advances obtained from customers will be $748,000 in year five, for a total AIAC balance of $6,090,005. As shown on Schedule CSB-W2, page 1, Staff decreased AIAC by $2,829,198, from $6,090,005 to $3,260,807 to reflect Staff's recommendation that AIAC, on average, should be no more than 30 percent of capital structure as discussed in the "Capital Structure and Financial Soundness" section of this memorandum.

The Company made no projections of AIAC for the wastewater division.

Projected Contributions In Aid of Construction

The Company projects that the wastewater division will have the following treatment capacity (i.e., hook-up fee) balances for the first through the fifth year respectively: $3,660,000, $1,957,500, $4,005,000, $2,002,500, and $0. Staff recommends elimination of the Company proposed hook up fee as discussed in the "Rate Design" section of this memorandum. Staff's analysis focuses on the fifth year. Since the fifth year balance was $0, Staff made no adjustment to the hook-up fee balance.

The Company projects that the Net Other Contributions (i.e., contributions excluding hook-up fees) will be $8,275,231 in year five. As shown on Schedule CSB-W2, page 1, Staff decreased CIAC by $3,528,250, from $8,275,231 to $4,746,981 to reflect Staff's recommendation that CIAC, on average, should be no more than 30 percent of capital structure as discussed in the "Capital Structure and Financial Soundness" section of this memorandum.

The Company made no projections of CIAC for the water division.

Projected Operating Income

The Company provided projected revenues and expenses for five years. Staff's analysis, while taking into account all of the years presented, is concentrated on the fifth year of operation when profitability is expected.

Projected Operating Revenues, Water Division

For the water division, Staff recommends total operating revenue of $1,681,402, an increase of $591,830, or 54.32 percent above the Company's projected fifth year revenue of $1,089,572. Staff's recommended revenue provides operating income of $554,305 for an 8.00 percent rate of return on a projected OCRB of $6,928,816 as shown on Schedule CSB-W1.

Staff's revenue requirement increase is primarily driven by Staff's recommended increase to depreciation expense. Staff's depreciation expense calculation does not recognize the Company's proposal to remove depreciation expense on plant purchased or constructed with AIAC as this treatment is not consistent with the NARUC USOA.

Staff annualized revenues to reflect the 2,000 customers projected at the end of the fifth year. The annualization added $152,250 as shown on Schedule CSB-W3, page 2, reference A.

Projected Operating Revenues, Wastewater Division

For the wastewater division, Staff recommends total operating revenue of $2,454,480, an increase of $662,177, or 36.95 percent above the Staff adjusted fifth year revenue of $1,792,303. Staff's recommended revenue provides operating income of $878,006 for an 8.00 percent rate of return on a projected OCRB of $10,975,072 as shown on Schedule CSB-WW1.

Staff's revenue requirement increase is primarily driven by Staff's recommended rate of return. The Company proposed a 4.29 percent rate of return, Staff recommended an 8.00 percent rate of return. Staff's recommended rate of return is fair and reasonable and will help to mitigate steep increases in rates due to artificially low initial rates.

Staff annualized revenues to reflect the 2,000 customers projected at the end of the fifth year. The annualization added $213,750 as shown on Schedule CSB-WW3, page 2, reference A.

Staff added $101,053 to the wastewater division's revenue to reflect effluent sales as shown on CSB-WW3, page 2. Page 4.2 of the Stantec report[1], shows that the anticipated total daily demand in the fifth year for effluent is 92,286 gpd. Staff calculated the annual gallons by multiplying the daily amount by 365 days per year and dividing by 1,000 gallons. The resulting number was multiplied by the Company's proposed $3.00 rate for effluent (which Staff notes is lower than Staff's first tier of the potable water rate, $4.23) as shown on Schedule CSB-WW3, Page 2, reference B.

Projected Operating Expenses, Water Division

For the water division, Staff added $8,310 to annualize purchased pumping power expense. Staff noted that the Company's customer count increase of 500 customers from the fourth year to the fifth year was accompanied by a $16,619 increase in purchased pumping power (from $51,340 to $67,959) over the same period. Since Staff added half of the 500 customers (i.e. 250), Staff added a corresponding half of the $16,619 (i.e. $8,310) to the fifth year purchased pumping power expense as shown on Schedule CSB-W3, page 2 reference B.

Further, Staff added $6,000 to the outside services, billing and customer services expense as shown on Schedule CSB-W3, page 2 reference C. Staff calculated the amount as follows: $2 monthly meter reading and billing rate x 250 additional customers x 12 months = $6,000.

[1] The report is entitled "Section 31 of the Ranch at White Hills CC&N Technical Support Water Wastewater, and Reclaimed Water"

For the water division, Staff increased depreciation expense by $193,898, from $197,083 to $390,981 to remove the Company's adjustment to reduce depreciation expense on AIAC plant. The Company's adjustment is not consistent with the NARUC USOA recognized ratemaking treatment. Also, Staff's calculation provides a full year of depreciation expense on all plant projected to be in service at the end of the fifth year as shown on Schedule CSB-W3, page 3. The changes to depreciation expense increased property taxes by $13,867, from $29,418 to $43,285 and decreased income taxes by $26,951 from $207,705 to $180,754 as shown on Schedule CSB-W3, pages 1 through 4.

Projected Operating Expenses, Wastewater Division

For the wastewater division, Staff added $7,250 to annualize purchased pumping power expense. Staff noted that the Company's customer count increase of 500 customers from the fourth year to the fifth year was accompanied by a $14,500 increase in purchased pumping power (from $53,350 to $67,850) over the same period. Since Staff added half of the 500 customers (i.e. 250), Staff added a corresponding half of the $14,500 (i.e. $7,250) to the fifth year purchased pumping power expense as shown on Schedule CSB-WW3, page 2 reference C.

Further, Staff added $3,000 to the outside services, billing and customer services expense as shown on Schedule CSB-WW3, page 2 reference D. Staff calculated the amount as follows: $1 monthly meter reading and billing rate x 250 additional customers x 12 months = $3,000.

Staff increased depreciation expense by $55,518 from $398,027 to $453,545 to reflect Staff's recommended depreciation rates, to provide a full year of depreciation expense on all plant projected to be in service at the end of the fifth year, and to reduce the amount of amortization of CIAC as a result of Staff's recommendation to reduce CIAC balance to no more than 30 percent of capital structure as shown on Schedule CSB-WW3, page 2 reference E. The changes to depreciation expense increased property taxes by $22,579, from $39,893 to $62,472 and increased income taxes by $87,409 from $211,913 to $299,322 as shown on Schedule CSB-WW3, page 2 references F and G.

Capital Structure and Financial Soundness

Capital structure is an indicator of financial soundness. Undercapitalized investor owned utilities may result in rate bases that are too small to generate enough revenue to pay for operating expenses and fund capital improvements without steep increases in customer rates. Consequently, Staff has determined that a financially sound utility company, on average, should have no more than 30 percent AIAC and/or CIAC in its capital structure.

Water Division

At the end of the fifth year, the water division's capital structure consisted of no debt, 56.03 percent AIAC, and 43.97 percent equity. Staff recommends 30.00 percent AIAC and 70.00 percent equity as shown on Schedule CSB-W4

Wastewater Division

At the end of the fifth year, the wastewater division's capital structure consisted of no debt, 52.30 percent CIAC, and 47.70 percent equity. Staff recommends 30.00 percent CIAC and 70.00 percent equity as shown on Schedule CSB-WW4.

Staff recommends that approval of the Company's CC&N be made conditional upon the Company obtaining Staff's recommended capital structure for the water and wastewater divisions by the end of the fifth year of operation.

Rate Design

Schedule CSB-W5 and WW5 present a complete list of the Company's proposed, and Staff's recommended rates and charges. The water and wastewater division's projected revenue is derived primarily from the residential customer class.

To promote efficient use of water, Staff has recommended an inverted three-tiered rate structure for the commodity charges. The water division has submitted a three-tier design. Staff removed the first tier for all meter sizes except the ¾-inch (residential) class and increased the commodity rates in order to generate Staff's recommended revenue.

Staff added a 5/8-inch x ¾-inch meter to provide the Company with the ability to serve customers who may request that meter size. The Company anticipates that residential customers will compose the majority of its total customers. The Company proposes a ¾-inch meter for the residential class and is designing and building its water system to meet the water usage demands for those customers. The water usage demand costs for a ¾-inch meter are higher than those of a 5/8-inch x ¾-inch meter. Therefore, to ensure that the Company recovers the costs associated with designing and building its system to meet the demands of its largest customer class (i.e., the ¾-inch meter residential customer), Staff set the 5/8-inch x ¾-inch meter rate the same as that of the ¾-inch meter.

Additionally, Staff's monthly customer charge recommendations utilize the NARUC recommended multipliers to establish the monthly customer charges for each meter size as shown on Schedule CSB-W5.

The Company proposed to add a construction water rate of $5.00 per 1,000 gallons. Staff recommends a $6.50 rate which is consistent with Staff's third tier range.

The typical bill for a residential customer using an estimated average of 7,500 gallons under the Company's recommended rates would be $49.50. Under Staff's recommended rates the typical bill would be $69.67 as shown on Schedule CSB-W6.

The wastewater rates requested by the wastewater division are a fixed flat monthly fee of $70.00 as shown on Schedule CSB-WW5. Staff increased the flat monthly fee by $27.59 to $97.59 in order to generate Staff's recommended revenue requirement.

Hook-up Fees (Treatment Capacity)

The wastewater division's hook-up fees were removed by Staff. It is this Commission's normal practice to allow hook-up fees only to companies already holding and operating under a CC&N. Additionally, the concept of hook-up fees were developed to fund the cost of growth, not initially required backbone plant.

Service Charges

Staff reviewed the Company's proposed service charges and recommends adoption.

Recommendations

Staff recommends:

1. Staff recommends that approval of the Company's CC&N be made conditional upon the Company obtaining Staff's recommended capital structure by the end of the fifth year of operation.

2. Approval of the Staff recommended rates and charges as shown in Schedules CSB-W5 and CSB-WW5. 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.

3. The Company be required to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts for Water and Wastewater Utilities.

4. The Company be required to use the depreciation rates recommended by Staff for water and wastewater utilities in the Engineering Report.

Double Diamond Utilities - Water Division
Docket No. WS-20543A-07-0435
Test Year Ended: Fifth Year of Operation

PROJECTED REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	$ 4,548,588	$ 4,548,588	$ 6,928,816	$ 6,928,816
2	Adjusted Operating Income (Loss)	$ 330,407	$ 330,407	$ 287,534	$ 287,534
3	Current Rate of Return (L2 / L1)	7.26%	7.26%	4.15%	4.15%
4	Required Rate of Return	7.26%	7.26%	8.00%	8.00%
5	Required Operating Income (L1 * L4)	$ 330,407	$ 330,407	$ 554,305	$ 554,305
6	Operating Income Deficiency (L5 - L2)	$ -	$ -	$ 266,771	$ 266,771
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6478	1.6478
8	Required Revenue Increase (L7 * L6)	$ -	$ -	$ 439,580	$ 439,580
9	Fifth Year Revenue	$ 1,089,572	$ 1,089,572	$ 1,241,822	$ 1,241,822
10	Proposed Annual Revenue (L8 + L9)	$ 1,089,572	$ 1,089,572	$ 1,681,402	$ 1,681,402
11	Required Increase in Revenue (%)	0.00%	0.00%	35.40%	35.40%
12	Rate of Return on Equity (%)	11.50%	11.50%	10.80%	10.80%

PROJECTED GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.3123%			
5	Subtotal (L3 - L4)	60.6877%			
6	**Revenue Conversion Factor (L1 / L5)**	1.647780			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
	Calculation of Effective Tax Rate:				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)	38.5989%			
	Calculation of Effective Property Tax Factor				
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (All-16, L24)	1.1619%			
22	Effective Property Tax Factor (L 21 * L 22)	0.7134%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.3123%		
24	Required Operating Income	$ 554,305			
25	Adjusted Fifth Year Operating Income (Loss)	$ 287,534			
26	Required Increase in Operating Income (L24 - L25)		$ 266,771		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 348,455			
28	Income Taxes on Fifth Year, Staff Adjusted Revenue (Col. (B), L52)	$ 180,754			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 167,702		
30	Recommended Revenue Requirement	$ 1,681,402			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Fifth Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue	$ 48,392			
36	Property Tax on Fifth Year, Staff Adjusted Revenue	$ 43,285			
37	Increasee in Property Tax Due to Increase in Revenue		$ 5,107		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 439,580		
	Calculation of Income Tax:	Fifth Year Staff as Adjusted		STAFF Recommended	
39	Revenue	$ 1,241,822	$ 439,580	$ 1,681,402	
40	Operating Expenses Excluding Income Taxes	$ 773,534	$ 5,107	$ 778,641	
41	Synchronized Interest (L47)	$ -		$ -	
42	Arizona Taxable Income (L36 - L317- L38)	$ 468,288		$ 902,761	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 32,630		$ 62,904
45	Federal Taxable Income (L33 - L35)	$ 435,658		$ 839,856	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500	
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 6,250		$ 6,250	
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500	
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 91,650		$ 91,650	
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 34,224		$ 171,651	
51	Total Federal Income Tax		$ 148,124		$ 285,551
52	Combined Federal and State Income Tax (L35 + L42)		$ 180,754		$ 348,455
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.0000%
	Calculation of Interest Synchronization:				
54	Rate Base	$ 6,928,816			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L54 X L55)	$ -			

Double Diamond
Water Division
Docket No.: WS-20543A-07-0435
Test Year Ended: Fifth Year of Operation

PROJECTED ORIGINAL COST RATE BASE

	Per Company Year 1	Per Company Year 2	Per Company Year 3	Per Company Year 4	Per Company Year 5	Staff Adjustments	Ref	Staff as Adjusted
Plant in Service	$3,064,890	$4,562,490	$7,177,050	$9,814,770	$11,255,140	$0		$ 11,255,140
Less:								
Accum. Depreciation	41,365	114,816	215,325	368,464	565,547	448,970	A	$1,014,517
Net Plant	$3,023,525	$4,447,674	$6,961,725	$9,446,306	$10,689,593	($448,970)		$10,240,623
Less:								
Advances in Aid of Constr (net of refunds)	215,400	1,510,200	3,086,116	4,363,104	5,342,005	($2,829,198)	B	$2,512,807
Meter and Service Line Adv (net of refunds)	0	220,000	418,000	594,000	748,000	0		748,000
Total Advances	$215,400	$1,730,200	$3,504,116	$4,957,104	$6,090,005	($2,829,198)		$3,260,807
Contributions Gross	$0	$0	$0	$0	$0	$0		$0
Less:								
Amortization of CIAC	0	0	0	0	0	0		0
Net CIAC	$0	$0	$0	$0	$0	$0		$0
Less:								
Customer Deposits	$0	$51,000	$51,000	$51,000	$51,000	0		$51,000
Total Deductions	$215,400	$1,781,200	$3,555,116	$5,008,104	$6,141,005	($2,829,198)		$3,311,807
Plus:								
Cash Working Capital	$0	$0	$0	$0	$0	$0		$0
Materials and Supplies Inventory	0	0	0	0	0	0		0
Prepayments	0	0	0	0	0	0		0
Total Additions	$0	$0	$0	$0	$0	$0		$0
Rate Base	**$2,808,125**	**$2,666,474**	**$3,406,609**	**$4,438,202**	**$4,548,588**	**$2,380,228**		**$6,928,816**

Explanation of Adjustment:

A - To reflect Staff's calculation of accumulated depreciation expense based upon Staff's adjustments to plant as shown on Schedule CSB-W2 pages 3 through 7.

DETAIL OF UTILITY PLANT

Acct. No.	Description	[A] Per Company Year 1	[B] Per Company Year 2	[C] Per Company Year 3	[D] Per Company Year 4	[E] Per Company Year 5	[F] Staff Adjustments	[G] Ref	[H] Staff as Adjusted
301	Organization	$ 51,033	$ 51,033	$ 51,033	$ 51,033	$ 51,033	$ -		$ 51,033
302	Franchises	8,500	8,500	8,500	8,500	8,500	-		8,500
303	Land & Land Rights	93,750	93,750	93,750	93,750	100,000	-		100,000
304	Structures & Improvements	264,000	264,000	408,000	480,000	552,000	-		552,000
307	Wells & Springs	508,407	508,407	508,407	508,407	508,407	-		508,407
311	Pumping Equipment	144,000	144,000	288,000	360,000	432,000	192,000	a	624,000
320	Water Treatment, Plant	24,000	24,000	48,000	60,000	72,000	-		72,000
330	Distribution Reservoirs, Storage Tanks	840,000	840,000	840,000	1,680,000	1,680,000	-		1,680,000
	Booster Stations and Equipment	96,000	96,000	96,000	192,000	192,000	(192,000)	a	-
331	Transmission & Distribution Mains	965,400	1,773,000	3,369,960	4,216,680	4,795,800	-		4,795,800
333	Services	-	270,000	540,000	810,000	1,080,000	-		1,080,000
334	Meters & Meter Installations	-	255,000	510,000	765,000	1,020,000	-		1,020,000
335	Hydrants	46,800	202,800	374,400	530,400	686,400	-		686,400
336	Backflow Prevention Devices	-	6,000	12,000	27,000	42,000	-		42,000
340.0	Office Furniture & Equipment	5,000	6,000	7,000	8,000	9,000	-		9,000
340.1	Computers and Software	10,000	11,000	12,000	13,000	14,000	-		14,000
346	Communication Equipment	3,000	3,000	3,000	3,000	3,000	-		3,000
347	Miscellaneous Equipment	5,000	6,000	7,000	8,000	9,000	-		9,000
		-	-	-	-	-	-		
	TOTALS	$ 3,064,890	$ 4,562,490	$ 7,177,050	$ 9,814,770	$ 11,255,140	$0		$ 11,255,140

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 1 Beginning Original Cost	Year 1 Beginning Accumulated Depreciation	Depreciation Rates	Year 1 Additions	Year 1 Retirements	Year 1 Depr. Expense	Year 1 Ending Total Cost	Year 1 Ending Accumulated Depreciation
301 Organization	$0	$0	0.00%	$51,033	$0	$0	$51,033	$0
302 Franchises	0	0	0.00%	8,500	0	0	8,500	0
303 Land & Land Rights	0	0	0.00%	93,750	0	0	93,750	0
304 Structures & Improvements	0	0	3.33%	264,000	0	4,396	264,000	4,396
307 Wells & Springs	0	0	3.33%	508,407	0	8,465	508,407	8,465
311 Pumping Equipment	0	0	12.50%	240,000	0	15,000	240,000	15,000
320 Water Treatment, Plant	0	0	3.33%	24,000	0	400	24,000	400
330 Distribution Reservoirs	0	0	2.22%	840,000	0	9,324	840,000	9,324
331 Transmission & Distribution Mains	0	0	2.00%	965,400	0	9,654	965,400	9,654
333 Services	0	0	3.33%	0	0	0	0	0
334 Meters & Meter Installations	0	0	8.33%	0	0	0	0	0
335 Hydrants	0	0	2.00%	46,800	0	468	46,800	468
336 Backflow Prevention Devices	0	0	6.67%	0	0	0	0	0
340 Office Furniture & Equipment	0	0	6.67%	5,000	0	167	5,000	167
340.1 Office Furniture & Equip, Computers	0	0	20.00%	10,000	0	1,000	10,000	1,000
346 Communication Equipment	0	0	10.00%	3,000	0	150	3,000	150
347 Miscellaneous Equipment	0	0	10.00%	5,000	0	250	5,000	250
	0	0	0.00%	0	0	0	0	0
Year 1 Totals	$0	$0		$3,064,890	$0	$49,273	$3,064,890	$49,273

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 2 Additions	Year 2 Retirements		Fully	Year 2	Year 2	Year 2 Accumulated	Year 2 Net
	Cost	Cost	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
301 Organization	$0	$0	$0	$0	$0	$51,033	$0	$51,033
302 Franchises	$0	$0	$0	$0	$0	$8,500	$0	$8,500
303 Land & Land Rights	$0	$0	$0	$0	$0	$93,750	$0	$93,750
304 Structures & Improvements	$0	$0	$0	$0	$8,791	$264,000	$13,187	$250,813
307 Wells & Springs	$0	$0	$0	$0	$16,930	$508,407	$25,395	$483,012
311 Pumping Equipment	$0	$0	$0	$0	$30,000	$240,000	$45,000	$195,000
320 Water Treatment, Plant	$0	$0	$0	$0	$799	$24,000	$1,199	$22,801
330 Distribution Reservoirs	$0	$0	$0	$0	$18,648	$840,000	$27,972	$812,028
331 Transmission & Distribution Mains	$807,600	$0	$0	$0	$27,384	$1,773,000	$37,038	$1,735,962
333 Services	$270,000	$0	$0	$0	$4,496	$270,000	$4,496	$265,505
334 Meters & Meter Installations	$255,000	$0	$0	$0	$10,621	$255,000	$10,621	$244,379
335 Hydrants	$156,000	$0	$0	$0	$2,496	$202,800	$2,964	$199,836
336 Backflow Prevention Devices	$6,000	$0	$0	$0	$200	$6,000	$200	$5,800
340 Office Furniture & Equipment	$1,000	$0	$0	$0	$367	$6,000	$534	$5,466
340.1 Office Furniture & Equip, Computers	$1,000	$0	$0	$0	$2,100	$11,000	$3,100	$7,900
346 Communication Equipment	$0	$0	$0	$0	$300	$3,000	$450	$2,550
347 Miscellaneous Equipment	$1,000	$0	$0	$0	$550	$6,000	$800	$5,200
	$0	$0	$0	$0	$0	$0	$0	$0
Year 2 Totals	$1,497,600	$0	$0	$0	$123,682	$4,562,490	$172,954	$4,389,536

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 3 Additions Cost	Year 3 Retirements Cost	Year 3 Retirements Depreciation	Fully Depreciated	Year 3 Depr. Expense	Year 3 Total Cost	Year 3 Accumulated Depreciation	Year 3 Net Book Value
301 Organization	$0	$0	$0	$0	$0	$51,033	$0	$51,033
302 Franchises	$0	$0	$0	$0	$0	$8,500	$0	$8,500
303 Land & Land Rights	$0	$0	$0	$0	$0	$93,750	$0	$93,750
304 Structures & Improvements	$144,000	$0	$0	$0	$11,189	$408,000	$24,376	$383,624
307 Wells & Springs	$0	$0	$0	$0	$16,930	$508,407	$42,325	$466,082
311 Pumping Equipment	$144,000	$0	$0	$0	$39,000	$384,000	$84,000	$300,000
320 Water Treatment, Plant	$24,000	$0	$0	$0	$1,199	$48,000	$2,398	$45,602
330 Distribution Reservoirs	$0	$0	$0	$0	$18,648	$840,000	$46,620	$793,380
331 Transmission & Distribution Mains	$1,596,960	$0	$0	$0	$51,430	$3,369,960	$88,468	$3,281,492
333 Services	$270,000	$0	$0	$0	$13,487	$540,000	$17,982	$522,018
334 Meters & Meter Installations	$255,000	$0	$0	$0	$31,862	$510,000	$42,483	$467,517
335 Hydrants	$171,600	$0	$0	$0	$5,772	$374,400	$8,736	$365,664
336 Backflow Prevention Devices	$6,000	$0	$0	$0	$600	$12,000	$800	$11,200
340 Office Furniture & Equipment	$1,000	$0	$0	$0	$434	$7,000	$967	$6,033
340.1 Office Furniture & Equip, Computers	$1,000	$0	$0	$0	$2,300	$12,000	$5,400	$6,600
346 Communication Equipment	$0	$0	$0	$0	$300	$3,000	$750	$2,250
347 Miscellaneous Equipment	$1,000	$0	$0	$0	$650	$7,000	$1,450	$5,550
	$0	$0	$0	$0	$0	$0	$0	$0
Year 3 Totals	$2,614,560	$0	$0	$0	$193,800	$7,177,050	$366,754	$6,810,296

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 4 Additions Cost	Year 4 Retirements Cost	Year 4 Retirements Depreciation	Fully Depreciated	Year 4 Depr. Expense	Year 4 Total Cost	Year 4 Accumulated Depreciation	Year 4 Net Book Value
301 Organization	$0	$0	$0	$0	$0	$51,033	$0	$51,033
302 Franchises	$0	$0	$0	$0	$0	$8,500	$0	$8,500
303 Land & Land Rights	$0	$0	$0	$0	$0	$93,750	$0	$93,750
304 Structures & Improvements	$72,000	$0	$0	$0	$14,785	$480,000	$39,161	$440,839
307 Wells & Springs	$0	$0	$0	$0	$16,930	$508,407	$59,255	$449,152
311 Pumping Equipment	168,000	$0	$0	$0	$58,500	$552,000	$142,500	$409,500
320 Water Treatment, Plant	$12,000	$0	$0	$0	$1,798	$60,000	$4,196	$55,804
330 Distribution Reservoirs	$840,000	$0	$0	$0	$27,972	$1,680,000	$74,592	$1,605,408
331 Transmission & Distribution Mains	$846,720	$0	$0	$0	$75,866	$4,216,680	$164,334	$4,052,346
333 Services	$270,000	$0	$0	$0	$22,478	$810,000	$40,460	$769,541
334 Meters & Meter Installations	$255,000	$0	$0	$0	$53,104	$765,000	$95,587	$669,413
335 Hydrants	$156,000	$0	$0	$0	$9,048	$530,400	$17,784	$512,616
336 Backflow Prevention Devices	$15,000	$0	$0	$0	$1,301	$27,000	$2,101	$24,899
340 Office Furniture & Equipment	$1,000	$0	$0	$0	$500	$8,000	$1,467	$6,533
340.1 Office Furniture & Equip, Computers	$1,000	$0	$0	$0	$2,500	$13,000	$7,900	$5,100
346 Communication Equipment	$0	$0	$0	$0	$300	$3,000	$1,050	$1,950
347 Miscellaneous Equipment	$1,000	$0	$0	$0	$750	$8,000	$2,200	$5,800
	$0	$0	$0	$0	$0	$0	$0	$0
Year 4 Totals	$2,637,720	$0	$0	$0	$285,832	$9,814,770	$652,586	$9,162,184

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PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	2005 Additions	2005 Retirements		Fully	2005	2005	2005 Accumulated	2005 Net
	Cost	Cost	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
301 Organization	$0	$0	$0	$0	$0	$51,033	$0	$51,033
302 Franchises	$0	$0	$0	$0	$0	$8,500	$0	$8,500
303 Land & Land Rights	$6,250	$0	$0	$0	$0	$100,000	$0	$100,000
304 Structures & Improvements	$72,000	$0	$0	$0	$17,183	$552,000	$56,344	$495,656
307 Wells & Springs	$0	$0	$0	$0	$16,930	$508,407	$76,185	$432,222
311 Pumping Equipment	$72,000	$0	$0	$0	$73,500	$624,000	$216,000	$408,000
320 Water Treatment, Plant	$12,000	$0	$0	$0	$2,198	$72,000	$6,394	$65,606
330 Distribution Reservoirs	$0	$0	$0	$0	$37,296	$1,680,000	$111,888	$1,568,112
331 Transmission & Distribution Mains	$579,120	$0	$0	$0	$90,125	$4,795,800	$254,459	$4,541,341
333 Services	$270,000	$0	$0	$0	$31,469	$1,080,000	$71,928	$1,008,072
334 Meters & Meter Installations	$255,000	$0	$0	$0	$74,345	$1,020,000	$169,932	$850,068
335 Hydrants	$156,000	$0	$0	$0	$12,168	$686,400	$29,952	$656,448
336 Backflow Prevention Devices	$15,000	$0	$0	$0	$2,301	$42,000	$4,402	$37,598
340 Office Furniture & Equipment	$1,000	$0	$0	$0	$567	$9,000	$2,034	$6,966
340.1 Office Furniture & Equip, Computers	$1,000	$0	$0	$0	$2,700	$14,000	$10,600	$3,400
346 Communication Equipment	$0	$0	$0	$0	$300	$3,000	$1,350	$1,650
347 Miscellaneous Equipment	$1,000	$0	$0	$0	$850	$9,000	$3,050	$5,950
	$0	$0	$0	$0	$0	$0	$0	$0
Year 5 Totals	$1,440,370	$0	$0	$0	$361,931	$11,255,140	$1,014,517	$10,240,623

PROJECTED OPERATING INCOME STATEMENT - FIFTH YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY FIFTH YEAR AS FILED	[B] STAFF ADJUSTMENTS	[C] FIFTH YEAR AS ADJUSTED BY STAFF	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED TOTAL REVENUE
	REVENUES:					
1	Metered Water Sales	1,082,072	148,500	1,230,572	439,580	1,670,152
2	Other Operating Revenue	7,500	3,750	11,250	-	11,250
3	**Total Operating Revenues**	1,089,572	152,250	1,241,822	439,580	1,681,402
4						
5	*OPERATING EXPENSES:*					
6	Labor	-	-	-		-
7	Purchased Water	-	-	-		-
8	Purchased Power	67,959	8,310	76,269		76,269
9	Repairs & Maintenance	15,000	-	15,000		15,000
10	Office Supplies and Expense	-	-	-		-
11	Contract Services, Operations	200,000	-	200,000		200,000
12	Contract Services, Billing & Cust. S	42,000	6,000	48,000		48,000
13	Pensions	-	-	-		-
14	Regulatory Expense	-	-	-		-
15	Insurance Other Than Group	-	-	-		-
16	Customer Accounting	-	-	-		-
17	Rents	-	-	-		-
18	General Office Expense	-	-	-		-
19	Miscellaneous	-	-	-		-
20	Maintenance Expense	-	-	-		-
21	Depreciation & Amortization	197,083	193,898	390,981		390,981
22	Amortization of CIAC	-	-	-		-
23	General Taxes	-	-	-		-
24	Property Taxes	29,418	13,867	43,285	5,107	48,392
25	Income Taxes	207,705	(26,951)	180,754	167,702	$ 348,455
26	**Total Operating Expenses**	759,165	195,123	954,288	172,809	1,127,097
27	**Operating Income (Loss)**	330,407	(42,873)	287,534	266,771	554,305

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PROJECTED STATEMENT OF OPERATING INCOME

	Per Company Year 1	Per Company Year 2	Per Company Year 3	Per Company Year 4	Per Company Year 5	Staff Adjustments		Staff as Adjusted
Revenues:								
461 Metered Water Revenue	$50,000	$192,439	$482,317	$777,195	$1,082,072	$148,500		1,230,572
460 Unmetered Water Revenue	0	0	0	0	0	0		0
474 Other Water Revenues	0	7,500	7,500	7,500	7,500	3,750		11,250
Total Operating Revenue	$50,000	$199,939	$489,817	$784,695	$1,089,572	$152,250	A	$1,241,822
Operating Expenses:								
601 Salaries and Wages	$0	$0	$0	$0	$0	$0		-
610 Purchased Water	0	0	0	0	0	0		0
615 Purchased Power	9,000	16,094	32,066	51,340	67,959	8,310	B	76,269
618 Chemicals	0	0	0	0	0	0		0
620 Repairs and Maintenance	2,000	3,000	5,000	10,000	15,000	0		15,000
621 Office Supplies & Expense	0	0	0	0	0	0		0
630 Contract Services, Operations	60,000	175,000	185,000	190,000	200,000	0		200,000
630 Contract Services, Billing & Cust Serv.	0	6,000	18,000	30,000	42,000	6,000	C	48,000
635 Water Testing	0	0	0	0	0	0		0
641 Rents	0	0	0	0	0	0		0
650 Transportation Expenses	0	0	0	0	0	0		0
657 Insurance - General Liability	0	0	0	0	0	0		0
659 Insurance - Health and Life	0	0	0	0	0	0		0
666 Regulatory Commisssion Expense - Rate	0	0	0	0	0	0		0
675 Miscellaneous Expense	0	0	0	0	0	0		0
403 Depreciation Expense	41,365	73,452	100,508	153,140	197,083	193,898	D	390,981
408 Taxes Other Than Income	0	0	0	0	0	0		0
408.11 Property Taxes	1,350	5,398	13,225	21,187	29,418	13,867	E	43,285
409 Income Tax	23	23	23	20,851	207,705	(26,951)	F	180,754
Total Operating Expenses	$113,738	$278,967	$353,822	$476,518	$759,165	$195,123		$954,288
OPERATING INCOME/(LOSS)	**($63,738)**	**($79,028)**	**$135,995**	**$308,177**	**$330,407**	**($42,873)**		**$287,534**
Other Income/(Expense):								
419 Interest and Dividend Income	$0	$0	$0	$0	$0	$0		$0
421 Non-Utility Income	0	0	0	0	0	0		0
427 Interest Expense	0	0	0	0	0	0		0
4XX Reserve/Replacement Fund Deposit	0	0	0	0	0	0		0
426 Miscellaneous Non-Utility Expense	0	0	0	0	0	0		0
Total Other Income/(Expense)	$0	$0	$0	$0	$0	$0		$0
NET INCOME/(LOSS)	**($63,738)**	**($79,028)**	**$135,995**	**$308,177**	**$330,407**	**($42,873)**		**$287,534**

Explanation of Adjustments:

A -	Metered water revenue:	$148,500	Revenue for an additional 250 customers
	Establishment Charges:	$3,750	$15 (half of the $30 Establ Charge) x 250 additional customers
		$152,250	

B - To reflect the increase for 250 additional customers. Staff divided the $16,619 increase in pur pumping power for 500 customers by two and added the resulting $8,310 to the purchased pumping power for the fifth year.

C - To reflect the increase for 250 additional customers. Staff multiplied the $2 monthly meter reading and billing rate by 250 customers times 12 months. The resulting $6,000 was added to outside services (billing & cust serv) expense for the fifth year.

D - Staff reviewed the Company's calculation of depreciation expense and determined that the Company removed the depreciation expense for refundable advances in aid of construction. Additionally, Staff calculation allows a full year of depreciation expense on all projected plant in the fifth year. For Staff's calculation for Depreciation Expense see Schedule CSB-W3, page 3.

E - For Staff's calculation for property taxes see Schedule CSB-W3, page 4, column A, line 18.

F - For Staff's calculation for income taxes see Schedule CSB-W1, page 2, column B, line 52.

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PROJECTED DEPRECIATION EXPENSE

Line No.	Acct No.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization	$ 51,033	$ 51,033	$ -	0.00%	$ -
2	302	Franchises	$ 8,500	$ 8,500	$ -	0.00%	$ -
3	303	Land & Land Rights	$ 100,000	$ 100,000	$ -	0.00%	$ -
4	304	Structures & Improvements	$ 552,000	$ -	$ 552,000	3.33%	$ 18,382
5	307	Wells & Springs	$ 508,407	$ -	$ 508,407	3.33%	$ 16,930
6	311	Pumping Equipment	$ 624,000	$ -	$ 624,000	12.50%	$ 78,000
7	320	Water Treatment, Plant	$ 72,000	$ -	$ 72,000	3.33%	$ 2,398
8	330	Distribution Reservoirs, Storage Tanks	$ 1,680,000	$ -	$ 1,680,000	2.22%	$ 37,296
9		Booster Stations and Equipment	$ -	$ -	$ -	5.00%	$ -
10	331	Transmission & Distribution Mains	$ 4,795,800	$ -	$ 4,795,800	2.00%	$ 95,916
11	333	Services	$ 1,080,000	$ -	$ 1,080,000	3.33%	$ 35,964
12	334	Meters	$ 1,020,000	$ -	$ 1,020,000	8.33%	$ 84,966
13	335	Hydrants	$ 686,400	$ -	$ 686,400	2.00%	$ 13,728
14	336	Backflow Prevention Devices	$ 42,000	$ -	$ 42,000	6.67%	$ 2,801
15	340.0	Office Furniture & Equipment	$ 9,000	$ -	$ 9,000	6.67%	$ 600
16	340.1	Computers and Software	$ 14,000	$ -	$ 14,000	20.00%	$ 2,800
17	346	Communication Equipment	$ 3,000	$ -	$ 3,000	10.00%	$ 300
18	347	Miscellaneous Equipment	$ 9,000	$ -	$ 9,000	10.00%	$ 900
19		Total Plant	$ 11,255,140	$ 159,533	$ 11,095,607		$ 390,981
20							
21						Depreciation Expense Before Amortization of CIAC:	$ 390,981
22						Less Amortization of CIAC*:	$ -
23						**Test Year Depreciation Expense - Staff:**	**$ 390,981**
24						Depreciation Expense - Company:	$ 197,083
25						**Staff's Total Adjustment:**	**$ 193,898**
26							
27						*** Amortization of CIAC Calculation:**	
28						Contribution(s) in Aid of Construction (Gross)	$ -
29						Less: Non Amortizable Contribution(s)	0
30						Less: Fully Amortized Contribution(s)	0
31						Amortizable Contribution(s)	$ -
32						Times: Staff Proposed Amortization Rate	0.00%
33						**Amortization of CIAC**	**$ -**

PROJECTED PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Fifth Year Revenues	1,241,822	1,241,822
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,483,644	2,483,644
4	Staff Recommended Revenue	1,241,822	1,681,402
5	Subtotal (Line 4 + Line 5)	3,725,466	4,165,046
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,241,822	1,388,349
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,483,644	2,776,697
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,483,644	2,776,697
13	Assessment Ratio	23.50%	23.50%
14	Assessment Value (Line 12 * Line 13)	583,656	652,524
15	Composite Property Tax Rate - Obtained from ADOR	7.4161%	7.416140%
16	Staff Fifth Year Adjusted Property Tax Expense (Line 14 * Line 15)	43,285	
17	Company Proposed Property Tax	29,418	
18	Staff Fifth Year Adjustment (Line 16 - Line 17)	13,867	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		48,392
20	Staff Fifth Year Adjusted Property Tax Expense (Line 16)		43,285
21	Increase in Property Tax Due to Increase in Revenue Requirement		5,107
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		5,107
23	Increase in Revenue Requirement		439,580
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.161862%

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Schedule CSB-W4

PROJECTED CAPITAL STUCTURE

Line No.		Year 1	Year 2	Year 3	Year 4	Year 5	Staff Adjustment	Ref	Staff as Adjusted
1	**Short-term Debt**	$ -	$ -	$ -	$ -	$ -	$ -		$ -
2									
3	**Long-Term Debt**	$ -	$ -	$ -	$ -	$ -	$ -		$ -
4									
5	**Advances in Aid of Construction, Net of Refunds**								
6	Advances In Aid of Construction (AIAC)	$ 215,400	$1,510,200	$ 3,086,116	$ 4,363,104	$ 5,342,005	$(2,829,198)		$2,512,807
7	Meter and Service Line Advances (Meter Deposits)	$ -	$ 220,000	$ 418,000	$ 594,000	$ 748,000	$ -		$ 748,000
8	Subtotal	$ 215,400	$1,730,200	$ 3,504,116	$ 4,957,104	$ 6,090,005	$ -		$ 3,260,807
9									
10	**Contributions In Aid of Construction (Net of Amort.)**	$ -	$ -	$ -	$ -	$ -	$ -		$ -
11									
12	**Total Advances and Contributions**	$ 215,400	$1,730,200	$ 3,504,116	$ 4,957,104	$ 6,090,005	$(2,829,198)		$ 3,260,807
13									
14	**Equity**								
15	Common Stock	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ -		$ 2,500
16	Paid in Capital	$2,907,190	$2,848,575	$ 3,442,400	$ 4,145,039	$ 4,145,039	$ 2,829,198		$ 6,974,237
17	Retained Earnings	$ (63,738)	$ (142,766)	$ (6,771)	$ 301,406	$ 631,813	$ -		$ 631,813
18	Subtotal	$2,845,952	$2,708,309	$ 3,438,129	$ 4,448,945	$ 4,779,352	$ 2,829,198		$ 7,608,550
19									
20	**Total Capital (L1 + L3 + L12 + L18)**	$3,061,352	$4,438,509	$ 6,942,245	$ 9,406,049	$ 10,869,357	$ -		$10,869,357
21									
22	**Percent of Total AIAC/CIAC to Total Capital**	7.04%	38.98%	50.48%	52.70%	**56.03%**			**30.00%**
23	Percent of Total Equity to Total Capital	92.96%	61.02%	49.52%	47.30%	43.97%			70.00%
24	Total	100.00%	100.00%	100.00%	100.00%	100.00%			100.00%

RATE DESIGN

Monthly Customer Charges

	Proposed Rates Company	Proposed Rates Staff
5/8" x 3/4" Meter	n/a	$32.00
3/4" Meter	$22.00	32.00
1" Meter	32.00	54.00
1½" Meter	85.00	107.00
2" Meter	150.00	171.00
3" Meter	275.00	320.00
4" Meter	500.00	534.00
6" Meter	850.00	1,037.00
Gallons Included in Monthly Customer Charge	0	0

Commodity Charges - Per 1,000 Gallons of Usage

	Company	Staff
5/8-Inch x 3/4-Inch Meters		
0 to 4,000 gallons	$3.00	n/a
4,001 to 10,000 gallons	$4.00	n/a
10,001 and above gallons	$5.00	n/a
0 to 4,000 gallons	n/a	$ 4.23
4,001 to 6,000 gallons	n/a	$ 5.50
6,001 and above gallons	n/a	$ 6.50
3/4-Inch Meters		
0 to 4,000 gallons	$3.00	n/a
4,001 to 10,000 gallons	$4.00	n/a
10,001 and above gallons	$5.00	n/a
0 to 4,000 gallons	n/a	$ 4.23
4,001 to 6,000 gallons	n/a	$ 5.50
6,001 and above gallons	n/a	$ 6.50
1-Inch Meters		
0 to 4,000 gallons	$3.00	n/a
4,001 to 10,000 gallons	$4.00	n/a
10,001 and above gallons	$5.00	n/a
0 to 10,000 gallons	n/a	$ 5.50
10,001 and above gallons	n/a	$ 6.50
1 1/2 - Inch Meters		
0 to 45,000 gallons	$4.00	$ 5.50
45,001 to and above gallons	$5.00	$ 6.50
2-Inch Meters		
0 to 65,000 gallons	$4.00	$ 5.50
65,001 and above gallons	$5.00	$ 6.50
3-Inch Meters		
0 to 130,000 gallons	$4.00	$ 5.50
130,001 and above gallons	$5.00	$ 6.50

RATE DESIGN
Continued

Commodity Charges - Per 1,000 Gallons of Usage

	-Proposed Rates-	
	Company	Staff
4-Inch Meters		
0 to 200,000 gallons	$4.00	$ 5.50
200,001 and above gallons	$5.00	$ 6.50
6-Inch Meters		
0 to 300,000 gallons	$4.00	$ 5.50
300,001 and above gallons	$5.00	$ 6.50
Construction Water, per 1,000 gallons	$5.00	$6.50

Service Line and Meter Installation Charges

	Company	Staff Proposed		
	Proposed	Services	Meters	Total
5/8" x 3/4" Meter	n/a	$ 355	$ 85	$ 440
3/4" Meter	440	355	165	520
1" Meter	520	405	205	610
1½" Meter	740	440	415	855
2" Meter (Turbine)	1,235	600	915	1,515
2" Meter (Compound)	1,800	600	1,640	2,240
3" Meter (Turbine)	1,705	775	1,420	2,195
3" Meter (Compound)	2,340	815	2,215	3,030
4" Meter (Turbine)	2,700	1,110	2,250	3,360
4" Meter (Compound)	3,405	1,170	3,145	4,315
6" Meter (Turbine)	5,035	1,670	4,445	6,115
6" Meter (Compound)	6,510	1,710	6,180	7,890

Double Diamond
Water Division
Docket No. Docket No.: WS-20543A-07-0435
Test Year Ended: Fifth Year of Operation

RATE DESIGN
Continued

Service Charges	-Proposed Rates- Company	Staff
Establishment	$30.00	$30.00
Establishment (After Hours)	60.00	60.00
Re-establishment of Service (Within 12 Months)	(2)	(2)
Reconnection (Delinquent)	60.00	60.00
Meter Test (If Correct)	50.00	50.00
Meter Re-Read (If Correct)	30.00	30.00
Customer Deposit	(3)	(3)
Deposit Interest	6.00%	6.00%
NSF Check Charge	35.00	35.00
Late Payment Penalty (Per Month)	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%
Main Extentions / Meter Relocation	Cost (4)	Cost (4)
Service Calls - Not Company Responsibility	Cost (4)	Cost (4)
Revenue Taxes & Assessments	(5)	(5)

Notes:

(1) Establishment of Service Charge is a combined charge for water and wastewater service and not duplicative
(2) Per Rule R14-2-403.D - Months off system times monthly minimum
(3) Per Rule R14-2-403.B
(4) Cost is direct materials, direct labor, overhead burden of 35% of direct labor
(5) Per Rule R14-2-403.D

Double Diamond Utilities - Water Division **Schedule CSB-W6**
Docket No. WS-20543A-07-0435
Fifth Year

TYPICAL BILL ANALYSIS

Residential 3/4-Inch Meter

Average Number of Customers: 2000

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,500	$49.50	$49.50	$0.00	0.0%
Median Usage	7,500	$49.50	$49.50	$0.00	0.0%
Staff Proposed					
Average Usage	7,500	$49.50	$69.67	$20.17	40.7%
Median Usage	7,500	$49.50	$69.67	$20.17	40.7%

Present & Proposed Rates (Without Taxes)
Residential 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$22.00	$22.00	0.0%	$32.00	45.5%
1,000	25.00	25.00	0.0%	36.23	44.9%
2,000	28.00	28.00	0.0%	40.46	44.5%
3,000	31.00	31.00	0.0%	44.69	44.2%
4,000	34.00	34.00	0.0%	48.92	43.9%
5,000	38.00	38.00	0.0%	54.42	43.2%
6,000	42.00	42.00	0.0%	59.92	42.7%
7,000	47.00	47.00	0.0%	66.42	41.3%
8,000	52.00	52.00	0.0%	72.92	40.2%
9,000	57.00	57.00	0.0%	79.42	39.3%
10,000	62.00	62.00	0.0%	85.92	38.6%
15,000	87.00	87.00	0.0%	118.42	36.1%
20,000	112.00	112.00	0.0%	150.92	34.8%
25,000	137.00	137.00	0.0%	183.42	33.9%
50,000	262.00	262.00	0.0%	345.92	32.0%
75,000	387.00	387.00	0.0%	508.42	31.4%
100,000	512.00	512.00	0.0%	670.92	31.0%
125,000	637.00	637.00	0.0%	833.42	30.8%
150,000	762.00	762.00	0.0%	995.92	30.7%
175,000	887.00	887.00	0.0%	1,158.42	30.6%
200,000	1,012.00	1,012.00	0.0%	1,320.92	30.5%

PROJECTED REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	$ 7,503,344	$ 7,503,344	$ 10,975,072	$ 10,975,072
2	Adjusted Operating Income (Loss)	$ 337,099	$ 337,099	$ 476,146	$ 476,146
3	Current Rate of Return (L2 / L1)	4.49%	4.49%	4.34%	4.34%
4	Required Rate of Return	4.49%	4.49%	8.00%	8.00%
5	Required Operating Income (L1 * L4)	$ 337,099	$ 337,099	$ 878,006	$ 878,006
6	Operating Income Deficiency (L5 - L2)	$ -	$ -	$ 401,860	$ 401,860
7	Gross Revenue Conversion Factor	1.6286	1.6286	1.6478	1.6478
8	Required Revenue Increase (L7 * L6)	$ -	$ -	$ 662,177	$ 662,177
9	Fifth Year Revenue	$ 1,477,500	$ 1,477,500	$ 1,792,303	$ 1,792,303
10	Proposed Annual Revenue (L8 + L9)	$ 1,477,500	$ 1,477,500	$ 2,454,480	$ 2,454,480
11	Required Increase in Revenue (%)	0.00%	0.00%	36.95%	36.95%
12	Rate of Return on Equity (%)	11.50%	11.50%	10.80%	10.80%

PROJECTED GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.3123%			
5	Subtotal (L3 - L4)	60.6877%			
6	**Revenue Conversion Factor (L1 / L5)**	1.647780			
	Calculation of Uncollectible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
	Calculation of Effective Tax Rate:				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)	38.5989%			
	Calculation of Effective Property Tax Factor				
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%			
21	Property Tax Factor (AII-16, L24)	1.1619%			
22	Effective Property Tax Factor (L 21 * L 22)	0.7134%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.3123%		
24	Required Operating Income	$ 878,006			
25	Adjusted Fifth Year Operating Income (Loss)	$ 476,146			
26	Required Increase in Operating Income (L24 - L25)		$ 401,860		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	$ 551,945			
28	Income Taxes on Fifth Year, Staff Adjusted Revenue (Col. (B), L52)	$ 299,322			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 252,623		
30	Recommended Revenue Requirement	$ 2,454,480			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -			
33	Adjusted Fifth Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		$ -		
35	Property Tax with Recommended Revenue	$ 70,166			
36	Property Tax on Fifth Year, Staff Adjusted Revenue	$ 62,472			
37	Increasee in Property Tax Due to Increase in Revenue		$ 7,694		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		$ 662,177		
	Calculation of Income Tax:	Fifth Year Staff as Adjusted		STAFF Recommended	
39	Revenue	$ 1,792,303	$ 662,177	$ 2,454,480	
40	Operating Expenses Excluding Income Taxes	$ 1,016,836	$ 7,694	$ 1,024,529	
41	Synchronized Interest (L47)	$ -		$ -	
42	Arizona Taxable Income (L36 - L317- L38)	$ 775,468		$ 1,429,951	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		$ 54,035		$ 99,639
45	Federal Taxable Income (L33 - L35)	$ 721,433		$ 1,330,312	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500	
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 6,250		$ 6,250	
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500	
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 91,650		$ 91,650	
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 131,387		$ 338,406	
51	Total Federal Income Tax		$ 245,287		$ 452,306
52	Combined Federal and State Income Tax (L35 + L42)		$ 299,322		$ 551,945
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				34.0000%
	Calculation of Interest Synchronization:				
54	Rate Base	$ 10,975,072			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 X L46)	$ -			

Double Diamond Utilities, Inc.
Wastewater Division
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PROJECTED ORIGINAL COST RATE BASE

	Per Company Year 1	Per Company Year 2	Per Company Year 3	Per Company Year 4	Per Company Year 5	Staff Adjustments		Staff Adjusted
Plant in Service	$5,881,300	$8,076,580	$14,586,260	$16,085,100	$17,733,940	$0		$17,733,940
Less:								
Accum. Depreciation	111,736	362,840	764,887	1,305,869	1,885,365	56,522	A	$1,941,887
Net Plant	$5,769,564	$7,713,740	$13,821,373	$14,779,231	$15,848,575	($56,522)		**$15,792,053**
Less:								
Advances in Aid of Constr (net of refunds)	0	0	0	0	0	$0		$0
Meter and Service Line Adv (net of refunds)	0	0	0	0	0	0		0
Net Advances	$0	$0	$0	$0	$0	$0		$0
Contributions In Aid of Construction (CIAC)								
Treatment Capacity (Hook-up Fees)	$ 3,660,000	$ 1,957,500	$ 4,005,000	$ 2,002,500	$ -	$ -		$0
Net Other CIAC	0	2,535,813	4,810,958	6,809,890	8,275,231	(3,528,250)		4,746,981
Total CIAC	$ 3,660,000	$ 4,493,313	$ 8,815,958	$ 8,812,390	$ 8,275,231	$ (3,528,250)		$ 4,746,981
Less:								
Customer Deposits	$0	$70,000	$70,000	$70,000	$70,000	0		$70,000
Total Deductions	$3,660,000	$4,563,313	$8,885,958	$8,882,390	$8,345,231	($3,528,250)		**$4,816,981**
Plus:								
Cash Working Capital	$0	$0	$0	$0	$0	$0		$0
Materials and Supplies Inventory	0	0	0	0	0	0		0
Prepayments	0	0	0	0	0	0		0
Total Additions	$0	$0	$0	$0	$0	$0		**$0**
Rate Base	**$2,109,564**	**$3,150,427**	**$4,935,415**	**$5,896,841**	**$7,503,344**	**$3,471,728**		**$10,975,072**

Explanation of Adjustment:
A - Difference results from using the Staff recommended depreciation rates.

Double Diamond
Sewer Division
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PROJECTED DETAIL OF UTILITY PLANT

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Acct. No.	Description	Per Company Year 1	Per Company Year 2	Per Company Year 3	Per Company Year 4	Per Company Year 5	Staff Adjustments	Ref	Staff Adjusted
351	Organization	$ 51,000	$ 51,000	$ 51,000	$ 51,000	$ 51,000	$ -		$ 51,000
352	Franchises	8,500	8,500	8,500	8,500	8,500	-		8,500
353	Land & Land Rights	75,000	85,000	90,000	95,000	100,000	-		100,000
354	Structures & Improvements	1,440,000	1,620,000	3,150,000	3,240,000	3,240,000	-		3,240,000
355	Power Generation Equipment	96,000	96,000	96,000	96,000	96,000	-		96,000
360	Collection Sewers - Force	-	180,000	270,000	360,000	360,000	-		360,000
361	Collection Sewers - Gravity	710,400	1,904,400	3,378,840	4,359,240	5,180,040	-		5,180,040
363	Services to Customers	-	270,000	540,000	810,000	1,080,000	-		1,080,000
364	Flow Measuring Devices	96,000	96,000	192,000	192,000	192,000	-		192,000
365	Flow Measuring Installations	-	-	-	-	-	-		-
366	Reuse Services	-	3,600	8,400	13,200	18,000	-		18,000
367	Reuse Meters & Installation	-	2,880	6,720	10,560	14,400	-		14,400
370	Receiving Wells	-	-	-	-	-	-		-
371	Pumping Equipment	144,000	144,000	288,000	288,000	432,000	-		432,000
374	Reuse Distribution Reserviors	240,000	240,000	480,000	480,000	720,000	-		720,000
375	Reuse Transmission & Distribution Mains	782,400	835,200	964,800	1,017,600	1,176,000	-		1,176,000
380	Treatment & Disposal Equipment	1,740,000	2,040,000	4,080,000	4,080,000	4,080,000	-		4,080,000
381	Plant Sewers	480,000	480,000	960,000	960,000	960,000	-		960,000
382	Outfall Sewer Lines	-	-	-	-	-	-		-
390.0	Office Furniture & Fixtures, General	10,000	11,000	12,000	13,000	14,000	-		14,000
390.1	Office Furniture & Fixtures, Computing	-	-	-	-	-	-		-
391	Transportation Equipment	-	-	-	-	-	-		-
392	Stores Equipment	-	-	-	-	-	-		-
393	Tools Shop & Garage Equipment	-	-	-	-	-	-		-
394	Laboratory Equipment	-	-	-	-	-	-		-
395	Power Operated Equipment	-	-	-	-	-	-		-
396	Communication Equipment	3,000	3,000	3,000	3,000	3,000	-		3,000
397	Miscellaneous General Equipment	5,000	6,000	7,000	8,000	9,000	-		9,000
		-	-	-	-	-	-		-
	TOTALS	$ 5,881,300	$ 8,076,580	$14,586,260	$16,085,100	$17,733,940	$0		$17,733,940

Double Diamond Utilities, Inc.
Wastewater Division
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Test Year Ended: Fifth Year of Operation

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 1 Beginning Original Cost	Year 1 Beginning Accumulated Depreciation	Depreciation Rates	Year 1 Additions	Year 1 Retirements	Year 1 Depr. Expense	Year 1 Ending Total Cost	Year 1 Ending Accumulated Depreciation
351 Organization Cost	$0	$0	0.00%	$51,000	$0	$0	$51,000	$0
352 Franchise Cost	0	0	0.00%	8,500	0	0	8,500	0
353 Land & Land Rights	0	0	0.00%	75,000	0	0	75,000	0
354 Structures & Improvements	0	0	3.33%	1,440,000	0	23,976	1,440,000	23,976
355 Power Generation Equipment	0	0	5.00%	96,000	0	2,400	96,000	2,400
360 Collection Sewers, Force	0	0	2.00%	0	0	0	0	0
361 Collection Sewers, Gravity	0	0	2.00%	710,400	0	7,104	710,400	7,104
363 Services	0	0	2.00%	0	0	0	0	0
364 Flow Measuring Devices	0	0	10.00%	96,000	0	4,800	96,000	4,800
365 Flow Measuring Installations	0	0	10.00%	0	0	0	0	0
366 Reuse Services	0	0	2.00%	0	0	0	0	0
367 Reuse Meters & Installation	0	0	8.33%	0	0	0	0	0
370 Receiving Wells	0	0	3.33%	0	0	0	0	0
371 Effluent Pumping Equipment	0	0	12.50%	144,000	0	9,000	144,000	9,000
374 Reuse Distribution Wells	0	0	2.50%	240,000	0	3,000	240,000	3,000
375 Reuse Transmission & Distr Mains	0	0	2.50%	782,400	0	9,780	782,400	9,780
380 Treatment & Disposal Equip	0	0	5.00%	1,740,000	0	43,500	1,740,000	43,500
381 Plant Sewers	0	0	5.00%	480,000	0	12,000	480,000	12,000
382 Outfall Sewer Lines	0	0	3.33%	0	0	0	0	0
390.0 Office Furniture & Fixt, General	0	0	6.67%	10,000	0	334	10,000	334
390.1 Office Furniture & Fixt, Computers	0	0	20.00%	0	0	0	0	0
391 Transportation Equip	0	0	20.00%	0	0	0	0	0
392 Stores Equipment	0	0	4.00%	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	5.00%	0	0	0	0	0
394 Laboratory Equipment	0	0	10.00%	0	0	0	0	0
395 Power Operated Equip	0	0	5.00%	0	0	0	0	0
396 Communications Equipment	0	0	10.00%	3,000	0	150	3,000	150
397 Miscellaneous Equipment	0	0	10.00%	5,000	0	250	5,000	250
Year 1 Totals	$0	$0		$5,881,300	$0	$116,294	$5,881,300	$116,294

Double Diamond Utilities, Inc.
Wastewater Division
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Test Year Ended: Fifth Year of Operation

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

		Year 2 Additions Cost	Year 2 Retirements Cost	Year 2 Retirements Depreciation	Fully Depreciated	Year 2 Depr. Expense	Year 2 Total Cost	Year 2 Accumulated Depreciation	Year 2 Net Book Value
351	Organization Cost	$0	$0	$0	$0	$0	$51,000	$0	$51,000
352	Franchise Cost	$0	$0	$0	$0	$0	$8,500	$0	$8,500
353	Land & Land Rights	$10,000	$0	$0	$0	$0	$85,000	$0	$85,000
354	Structures & Improvements	$180,000	$0	$0	$0	$50,949	$1,620,000	$74,925	$1,545,075
355	Power Generation Equipment	$0	$0	$0	$0	$4,800	$96,000	$7,200	$88,800
360	Collection Sewers, Force	$180,000	$0	$0	$0	$1,800	$180,000	$1,800	$178,200
361	Collection Sewers, Gravity	$1,194,000	$0	$0	$0	$26,148	$1,904,400	$33,252	$1,871,148
363	Services	$270,000	$0	$0	$0	$2,700	$270,000	$2,700	$267,300
364	Flow Measuring Devices	$0	$0	$0	$0	$9,600	$96,000	$14,400	$81,600
365	Flow Measuring Installations	$0	$0	$0	$0	$0	$0	$0	$0
366	Reuse Services	$3,600	$0	$0	$0	$36	$3,600	$36	$3,564
367	Reuse Meters & Installation	$2,880	$0	$0	$0	$120	$2,880	$120	$2,760
370	Receiving Wells	$0	$0	$0	$0	$0	$0	$0	$0
371	Effluent Pumping Equipment	$0	$0	$0	$0	$18,000	$144,000	$27,000	$117,000
374	Reuse Distribution Wells	$0	$0	$0	$0	$6,000	$240,000	$9,000	$231,000
375	Reuse Transmission & Distr Mains	$52,800	$0	$0	$0	$20,220	$835,200	$30,000	$805,200
380	Treatment & Disposal Equip	$300,000	$0	$0	$0	$94,500	$2,040,000	$138,000	$1,902,000
381	Plant Sewers	$0	$0	$0	$0	$24,000	$480,000	$36,000	$444,000
382	Outfall Sewer Lines	$0	$0	$0	$0	$0	$0	$0	$0
390.0	Office Furniture & Fixt, General	$1,000	$0	$0	$0	$700	$11,000	$1,034	$9,966
390.1	Office Furniture & Fixt, Computers	$0	$0	$0	$0	$0	$0	$0	$0
391	Transportation Equip	$0	$0	$0	$0	$0	$0	$0	$0
392	Stores Equipment	$0	$0	$0	$0	$0	$0	$0	$0
393	Tools, Shop, & Garage Equip	$0	$0	$0	$0	$0	$0	$0	$0
394	Laboratory Equipment	$0	$0	$0	$0	$0	$0	$0	$0
395	Power Operated Equip	$0	$0	$0	$0	$0	$0	$0	$0
396	Communications Equipment	$0	$0	$0	$0	$300	$3,000	$450	$2,550
397	Miscellaneous Equipment	$1,000	$0	$0	$0	$550	$6,000	$800	$5,200
	Year 2 Totals	$2,195,280	$0	$0	$0	$260,423	$8,076,580	$376,717	$7,699,863

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

	Year 3 Additions Cost	Year 3 Retirements Cost	Year 3 Retirements Depreciation	Fully Depreciated	Year 3 Depr. Expense	Year 3 Total Cost	Year 3 Accumulated Depreciation	Year 3 Net Book Value
351 Organization Cost	$0	$0	$0	$0	$0	$51,000	$0	$51,000
352 Franchise Cost	$0	$0	$0	$0	$0	$8,500	$0	$8,500
353 Land & Land Rights	$5,000	$0	$0	$0	$0	$90,000	$0	$90,000
354 Structures & Improvements	$1,530,000	$0	$0	$0	$79,421	$3,150,000	$154,346	$2,995,655
355 Power Generation Equipment	$0	$0	$0	$0	$4,800	$96,000	$12,000	$84,000
360 Collection Sewers, Force	$90,000	$0	$0	$0	$4,500	$270,000	$6,300	$263,700
361 Collection Sewers, Gravity	$1,474,440	$0	$0	$0	$52,832	$3,378,840	$86,084	$3,292,756
363 Services	$270,000	$0	$0	$0	$8,100	$540,000	$10,800	$529,200
364 Flow Measuring Devices	$96,000	$0	$0	$0	$14,400	$192,000	$28,800	$163,200
365 Flow Measuring Installations	$0	$0	$0	$0	$0	$0	$0	$0
366 Reuse Services	$4,800	$0	$0	$0	$120	$8,400	$156	$8,244
367 Reuse Meters & Installation	$3,840	$0	$0	$0	$400	$6,720	$520	$6,200
370 Receiving Wells	$0	$0	$0	$0	$0	$0	$0	$0
371 Effluent Pumping Equipment	$144,000	$0	$0	$0	$27,000	$288,000	$54,000	$234,000
374 Reuse Distribution Wells	$240,000	$0	$0	$0	$9,000	$480,000	$18,000	$462,000
375 Reuse Transmission & Distr Mains	$129,600	$0	$0	$0	$22,500	$964,800	$52,500	$912,300
380 Treatment & Disposal Equip	$2,040,000	$0	$0	$0	$153,000	$4,080,000	$291,000	$3,789,000
381 Plant Sewers	$480,000	$0	$0	$0	$36,000	$960,000	$72,000	$888,000
382 Outfall Sewer Lines	$0	$0	$0	$0	$0	$0	$0	$0
390.0 Office Furniture & Fixt, General	$1,000	$0	$0	$0	$767	$12,000	$1,801	$10,199
390.1 Office Furniture & Fixt, Computers	$0	$0	$0	$0	$0	$0	$0	$0
391 Transportation Equip	$0	$0	$0	$0	$0	$0	$0	$0
392 Stores Equipment	$0	$0	$0	$0	$0	$0	$0	$0
393 Tools, Shop, & Garage Equip	$0	$0	$0	$0	$0	$0	$0	$0
394 Laboratory Equipment	$0	$0	$0	$0	$0	$0	$0	$0
395 Power Operated Equip	$0	$0	$0	$0	$0	$0	$0	$0
396 Communications Equipment	$0	$0	$0	$0	$300	$3,000	$750	$2,250
397 Miscellaneous Equipment	$1,000	$0	$0	$0	$650	$7,000	$1,450	$5,550
Year 3 Totals	$6,509,680	$0	$0	$0	$413,790	$14,586,260	$790,507	$13,795,753

Double Diamond Utilities, Inc.
Wastewater Division
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Test Year Ended: Fifth Year of Operation

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

		Year 4 Additions	Year 4 Retirements		Fully	Year 4	Year 4	Year 4 Accumulated	Year 4 Net
		Cost	Cost	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351	Organization Cost	$0	$0	$0	$0	$0	$51,000	$0	$51,000
352	Franchise Cost	$0	$0	$0	$0	$0	$8,500	$0	$8,500
353	Land & Land Rights	$5,000	$0	$0	$0	$0	$95,000	$0	$95,000
354	Structures & Improvements	$90,000	$0	$0	$0	$106,394	$3,240,000	$260,739	$2,979,261
355	Power Generation Equipment	$0	$0	$0	$0	$4,800	$96,000	$16,800	$79,200
360	Collection Sewers, Force	$90,000	$0	$0	$0	$6,300	$360,000	$12,600	$347,400
361	Collection Sewers, Gravity	$980,400	$0	$0	$0	$77,381	$4,359,240	$163,465	$4,195,775
363	Services	$270,000	$0	$0	$0	$13,500	$810,000	$24,300	$785,700
364	Flow Measuring Devices	$0	$0	$0	$0	$19,200	$192,000	$48,000	$144,000
365	Flow Measuring Installations	$0	$0	$0	$0	$0	$0	$0	$0
366	Reuse Services	$4,800	$0	$0	$0	$216	$13,200	$372	$12,828
367	Reuse Meters & Installation	$3,840	$0	$0	$0	$720	$10,560	$1,240	$9,320
370	Receiving Wells	$0	$0	$0	$0	$0	$0	$0	$0
371	Effluent Pumping Equipment	$0	$0	$0	$0	$36,000	$288,000	$90,000	$198,000
374	Reuse Distribution Wells	$0	$0	$0	$0	$12,000	$480,000	$30,000	$450,000
375	Reuse Transmission & Distr Mains	$52,800	$0	$0	$0	$24,780	$1,017,600	$77,280	$940,320
380	Treatment & Disposal Equip	$0	$0	$0	$0	$204,000	$4,080,000	$495,000	$3,585,000
381	Plant Sewers	$0	$0	$0	$0	$48,000	$960,000	$120,000	$840,000
382	Outfall Sewer Lines	$0	$0	$0	$0	$0	$0	$0	$0
390.0	Office Furniture & Fixt, General	$1,000	$0	$0	$0	$834	$13,000	$2,635	$10,365
390.1	Office Furniture & Fixt, Computers	$0	$0	$0	$0	$0	$0	$0	$0
391	Transportation Equip	$0	$0	$0	$0	$0	$0	$0	$0
392	Stores Equipment	$0	$0	$0	$0	$0	$0	$0	$0
393	Tools, Shop, & Garage Equip	$0	$0	$0	$0	$0	$0	$0	$0
394	Laboratory Equipment	$0	$0	$0	$0	$0	$0	$0	$0
395	Power Operated Equip	$0	$0	$0	$0	$0	$0	$0	$0
396	Communications Equipment	$0	$0	$0	$0	$300	$3,000	$1,050	$1,950
397	Miscellaneous Equipment	$1,000	$0	$0	$0	$750	$8,000	$2,200	$5,800
	Year 4 Totals	$1,498,840	$0	$0	$0	$555,174	$16,085,100	$1,345,680	$14,739,420

Double Diamond Utilities, Inc.
Wastewater Division
Docket No.: WS-20543A-07-0435
Test Year Ended: Fifth Year of Operation

PROJECTED PLANT AND ACCUMULATED DEPRECIATION

		2005 Additions Cost	2005 Retirements Cost	2005 Retirements Depreciation	Fully Depreciated	2005 Depr. Expense	2005 Total Cost	2005 Accumulated Depreciation	2005 Net Book Value
351	Organization Cost	$0	$0	$0	$0	$0	$51,000	$0	$51,000
352	Franchise Cost	$0	$0	$0	$0	$0	$8,500	$0	$8,500
353	Land & Land Rights	$5,000	$0	$0	$0	$0	$100,000	$0	$100,000
354	Structures & Improvements	$0	$0	$0	$0	$107,892	$3,240,000	$368,631	$2,871,369
355	Power Generation Equipment	$0	$0	$0	$0	$4,800	$96,000	$21,600	$74,400
360	Collection Sewers, Force	$0	$0	$0	$0	$7,200	$360,000	$19,800	$340,200
361	Collection Sewers, Gravity	$820,800	$0	$0	$0	$95,393	$5,180,040	$258,858	$4,921,182
363	Services	$270,000	$0	$0	$0	$18,900	$1,080,000	$43,200	$1,036,800
364	Flow Measuring Devices	$0	$0	$0	$0	$19,200	$192,000	$67,200	$124,800
365	Flow Measuring Installations	$0	$0	$0	$0	$0	$0	$0	$0
366	Reuse Services	$4,800	$0	$0	$0	$312	$18,000	$684	$17,316
367	Reuse Meters & Installation	$3,840	$0	$0	$0	$1,040	$14,400	$2,279	$12,121
370	Receiving Wells	$0	$0	$0	$0	$0	$0	$0	$0
371	Effluent Pumping Equipment	$144,000	$0	$0	$0	$45,000	$432,000	$135,000	$297,000
374	Reuse Distribution Wells	$240,000	$0	$0	$0	$15,000	$720,000	$45,000	$675,000
375	Reuse Transmission & Distr Mains	$158,400	$0	$0	$0	$27,420	$1,176,000	$104,700	$1,071,300
380	Treatment & Disposal Equip	$0	$0	$0	$0	$204,000	$4,080,000	$699,000	$3,381,000
381	Plant Sewers	$0	$0	$0	$0	$48,000	$960,000	$168,000	$792,000
382	Outfall Sewer Lines	$0	$0	$0	$0	$0	$0	$0	$0
390.0	Office Furniture & Fixt, General	$1,000	$0	$0	$0	$900	$14,000	$3,535	$10,465
390.1	Office Furniture & Fixt, Computers	$0	$0	$0	$0	$0	$0	$0	$0
391	Transportation Equip	$0	$0	$0	$0	$0	$0	$0	$0
392	Stores Equipment	$0	$0	$0	$0	$0	$0	$0	$0
393	Tools, Shop, & Garage Equip	$0	$0	$0	$0	$0	$0	$0	$0
394	Laboratory Equipment	$0	$0	$0	$0	$0	$0	$0	$0
395	Power Operated Equip	$0	$0	$0	$0	$0	$0	$0	$0
396	Communications Equipment	$0	$0	$0	$0	$300	$3,000	$1,350	$1,650
397	Miscellaneous Equipment	$1,000	$0	$0	$0	$850	$9,000	$3,050	$5,950
	Year 5 Totals	$1,648,840	$0	$0	$0	$596,207	$17,733,940	$1,941,887	$15,792,053

PROJECTED OPERATING INCOME STATEMENT - FIFTH YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] FIFTH YEAR COMPANY AS FILED	[B] STAFF FIFTH YEAR ADJUSTMENTS	[C] STAFF FIFTH YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:					
1	Metered Water Sales	1,470,000	210,000	1,680,000	662,177	2,342,177
2	Effluent Revenue	-	101,053	101,053		101,053
3	Other Operating Revenue	7,500	3,750	11,250	-	11,250
4	**Total Operating Revenues**	1,477,500	314,803	1,792,303	662,177	2,454,480
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$0	-	-		-
8	Sludge Removal Expense	$76,718	-	76,718		76,718
9	Purchased Power, Pumping Equi|	$67,850	7,250	75,100		75,100
10	Sewage Treatment and Testing	$0	-	-		-
11	Repairs and Maintenance	$35,000	-	35,000		35,000
12	Office Supplies and Expense	$0	-	-		-
13	Outside Services, Operations	$290,000	-	290,000		290,000
14	Outside Services, Billing and Cus	$21,000	3,000	24,000		24,000
15	Rents	$0	-	-		-
16	Transportation Expenses	$0	-	-		-
17	Insurance - General Liability	$0	-	-		-
18	Depreciation & Amortization	$398,027	55,518	453,545		453,545
19	Property Taxes	$39,893	22,579	62,472	7,694	70,166
20	Income Taxes	$211,913	87,409	299,322	252,623	$ 551,945
21	**Total Operating Expenses**	1,140,401	175,756	1,316,157	260,317	1,576,474
22	**Operating Income (Loss)**	337,099	139,047	476,146	401,860	878,006

PROJECTED STATEMENT OF OPERATING INCOME

	Per Company Year 1	Per Company Year 2	Per Company Year 3	Per Company Year 4	Per Company Year 5	Staff Adjustments		Staff Adjusted
Revenues:								
Flat Rate Revenues	$0	$210,000	$630,000	$1,050,000	$1,470,000	$210,000	A	1,680,000
Effluent Revenue	$0	$0	$0	$0	$0	$101,053	B	101,053
Establishment Charges	0	7,500	7,500	7,500	7,500	3,750	A	11,250
Total Operating Revenue	$0	$217,500	$637,500	$1,057,500	$1,477,500	$314,803		**$1,792,303**
Operating Expenses:								
Salaries and Wages	$0	$0	$0	$0	$0	$0		$ -
Sludge Removal Expense	0	34,424	37,572	73,570	76,718	0		76,718
Purchased Power, Pumping Equip	0	19,700	34,750	53,350	67,850	7,250	C	75,100
Sewage Treatment and Testing	0	0	0	0	0	0		0
Repairs and Maintenance	2,000	5,000	15,000	25,000	35,000	0		35,000
Office Supplies and Expense	0	0	0	0	0	0		0
Outside Services, Operations	10,000	145,000	190,000	240,000	290,000	0		290,000
Outside Services, Billing and Cust Serv	0	3,000	9,000	15,000	21,000	3,000	D	24,000
Rents	0	0	0	0	0	0		0
Transportation Expenses	0	0	0	0	0	0		0
Insurance - General Liability	0	0	0	0	0	0		0
Depreciation Expense	111,736	251,104	363,860	428,888	398,027	55,518	E	453,545
Property Tax	22	22	22	12,239	39,893	22,579	F	62,472
Income Tax	0	5,873	17,213	28,553	211,913	87,409	G	299,322
Total Operating Expenses	$123,758	$464,123	$667,417	$876,600	$1,140,401	$175,756		**$1,316,157**
OPERATING INCOME/(LOSS)	**($123,758)**	**($246,623)**	**($29,917)**	**$180,900**	**$337,099**	**$139,047**		**$476,146**
Other Income/(Expense):								
419 Interest and Dividend Income	$0	$0	$0	$0	$0	$0		$0
421 Non-Utility Income	0	0	0	0	0	0		0
427 Interest Expense	0	0	0	0	0	0		0
4XX Reserve/Replacement Fund Deposit	0	0	0	0	0	0		0
426 Miscellaneous Non-Utility Expense	0	0	0	0	0	0		0
Total Other Income/(Expense)	$0	$0	$0	$0	$0	$0		$0
NET INCOME/(LOSS)	**($123,758)**	**($246,623)**	**($29,917)**	**$180,900**	**$337,099**	**$139,047**		**$476,146**

Explanation of Adjustment

A - Flat rate revenue: $210,000 (250 additional customers x $70) x 12 months
Estab Charges $3,750 $15 (half of the $30 Establ Charge) x 250 additional customers
$213,750

B - Page 4.2 of the Stantec "Section 31 of the Ranch at White Hills CC&N Technical Support Water,Wastewater, and Reclaimed Water" report shows that the anticipated total daily demand in year 5 for effluent to be 92,286 gpd. Staff calculated the annual gallons by mutiplying the daily amount by 365 days per year and dividing by 1,000 gallons. The resulting number was multiplied by Staff's recommended rate for effluent (which Staff set lower than the first tier of the potable water rate).

	92,286	Anticipated total daily reclaimed water demand
divided by	1,000	
	92.286	Gallons in 1,000's
multiplied by	365	days
	33,684	Annual gallons
multiplied by	$ 3.00	Staff proposed effluent rate
	$101,053.17	

C - To reflect the increase for 250 additional customers. Staff divided the $14,500 increase in pur pumping power for 500 customers by two and added the resulting $7,250 to the purchased pumping power for the fifth year.

D - To reflect the increase for 250 additional customers. Staff multiplied the $1 monthly meter reading and billing rate by 250 customers times 12 months. The resulting $3,000 was added to outside services (billing & cust serv) expense for the fifth year.

E - See Schedule CSB-WW3, page 3 for depreciation expense calculation.

F - See Schedule CSB-WW3, page 4 (column A, line 18) for property tax calculation.

G - See Schedule CSB-WW1, page 2 (column B, line 52) for income tax calculation.

PROJECTED DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	[A] Plant in Service Per Staff	[B] Nondepreciable or Fully Depreciated Plant	[C] Depreciable Plant (Col A - Col B)	[D] Depreciation Rate	[E] Depreciation Expense (Col C x Col D)
1	351	Organization	$ 51,000	$ 51,000	$ -	0.00%	$ -
2	352	Franchises	$ 8,500	$ 8,500	$ -	0.00%	$ -
3	353	Land & Land Rights	$ 100,000	$ 100,000	$ -	0.00%	$ -
4	354	Structures & Improvements	$ 3,240,000	$ -	$ 3,240,000	3.33%	$ 107,892
5	355	Power Generation Equipment	$ 96,000	$ -	$ 96,000	5.00%	$ 4,800
6	360	Collection Sewers - Force	$ 360,000	$ -	$ 360,000	2.00%	$ 7,200
7	361	Collection Sewers - Gravity	$ 5,180,040	$ -	$ 5,180,040	2.00%	$ 103,601
8	363	Services to Customers	$ 1,080,000	$ -	$ 1,080,000	2.00%	$ 21,600
9	364	Flow Measuring Devices	$ 192,000	$ -	$ 192,000	10.00%	$ 19,200
10	365	Flow Measuring Installations	$ -	$ -	$ -	10.00%	$ -
11	366	Reuse Services	$ 18,000	$ -	$ 18,000	2.00%	$ 360
12	367	Reuse Meters & Installation	$ 14,400	$ -	$ 14,400	8.33%	$ 1,200
13	370	Receiving Wells	$ -	$ -	$ -	3.33%	$ -
14	371	Pumping Equipment	$ 432,000	$ -	$ 432,000	12.50%	$ 54,000
15	374	Reuse Distribution Reserviors	$ 720,000	$ -	$ 720,000	2.50%	$ 18,000
16	375	Reuse Transmission & Distribution Mains	$ 1,176,000	$ -	$ 1,176,000	2.50%	$ 29,400
17	380	Treatment & Disposal Equipment	$ 4,080,000	$ -	$ 4,080,000	5.00%	$ 204,000
18	381	Plant Sewers	$ 960,000	$ -	$ 960,000	5.00%	$ 48,000
19	382	Outfall Sewer Lines	$ -	$ -	$ -	3.33%	$ -
20	390.0	Office Furniture & Fixtures, General	$ 14,000	$ -	$ 14,000	6.67%	$ 934
21	390.1	Office Furniture & Fixtures, Computing	$ -	$ -	$ -	20.00%	$ -
22	391	Transportation Equipment	$ -	$ -	$ -	20.00%	$ -
23	392	Stores Equipment	$ -	$ -	$ -	4.00%	$ -
24	393	Tools Shop & Garage Equipment	$ -	$ -	$ -	5.00%	$ -
25	394	Laboratory Equipment	$ -	$ -	$ -	10.00%	$ -
26	395	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
27	396	Communication Equipment	$ 3,000	$ -	$ 3,000	10.00%	$ 300
28	397	Miscellaneous General Equipment	$ 9,000	$ -	$ 9,000	10.00%	$ 900
29			$ -	$ -	$ -		$ -
30		Total Plant	$ 17,733,940	$ 159,500	$ 17,574,440		$ 621,386
31							
32		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.54%				
33		CIAC:	$ 4,746,981				
34		Amortization of CIAC (Line 32 x Line 33):	$ 167,841				
35							
36		Depreciation Expense Before Amortization of CIAC:	$ 621,386				
37		Less Amortization of CIAC:	$ 167,841				
38		**Test Year Depreciation Expense - Staff:**	**$ 453,545**				
39		Depreciation Expense - Company:	$ 398,027				
40		**Staff's Total Adjustment:**	**$ 55,518**				

Double Diamond Utilities - Wastewater Division
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Test Year Ended: Fifth Year of Operation

PROJECTED PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Fifth Year Revenues	1,792,303	1,792,303
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,584,606	3,584,606
4	Staff Recommended Revenue	1,792,303	2,454,480
5	Subtotal (Line 4 + Line 5)	5,376,910	6,039,086
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,792,303	2,013,029
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,584,606	4,026,058
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,584,606	4,026,058
13	Assessment Ratio	23.50%	23.50%
14	Assessment Value (Line 12 * Line 13)	842,382	946,124
15	Composite Property Tax Rate - Obtained from ADOR	7.4161%	7.416140%
16	Staff Fifth Year Adjusted Property Tax Expense (Line 14 * Line 15)	62,472	
17	Company Proposed Property Tax	39,893	
18	Staff Test Year Adjustment (Line 16 - Line 17)	22,579	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		70,166
20	Staff Fifth Year Adjusted Property Tax Expense (Line 16)		62,472
21	Increase in Property Tax Due to Increase in Revenue Requirement		7,694
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		7,694
23	Increase in Revenue Requirement		662,177
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.161862%

Double Diamond
Wastewater Division
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Test Year Ended: Fifth Year of Operation

Schedule CSB-WW4

PROJECTED CAPITAL STUCTURE

Line No.		Year 1	Year 2	Year 3	Year 4	Year 5	Staff Adjustment	Ref	Staff as Adjusted
1	**Short-term Debt**	$ -	$ -	$ -	$ -	$ -	$ -		$ -
2									
3	**Long-Term Debt**	$ -	$ -	$ -	$ -	$ -	$ -		$ -
4									
5	**Advances in Aid of Construction, Net of Refunds**								
6	Advances In Aid of Construction (AIAC)	$ -	$ -	$ -	$ -	$ -	$ -		$0
7	Meter and Service Line Advances (Meter Deposits)	$ -	$ -	$ -	$ -	$ -	$ -		$ -
8	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -		$ -
9									
10	**Contributions In Aid of Construction (Net of Amort.)**								
11	Treatment Capacity (Hook-up Fees)	$3,660,000	$1,957,500	$ 4,005,000	$ 2,002,500	$ -	$ -		$ -
12	Net Contributions In Aid of Construction (CIAC)	$ -	$2,535,813	$ 4,810,958	$ 6,809,890	$ 8,275,231	$ (3,528,250)		$ 4,746,981
13	Subtotal	$3,660,000	$4,493,313	$ 8,815,958	$ 8,812,390	$ 8,275,231	$ -		$ 4,746,981
14									
15	**Total Advances and Contributions**	$3,660,000	$4,493,313	$ 8,815,958	$ 8,812,390	$ 8,275,231	$ (3,528,250)		$ 4,746,981
16									
17	**Equity**								
18	Common Stock	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ -		$ 2,500
19	Paid in Capital	$2,209,980	$3,523,893	$ 5,367,457	$ 6,169,425	$ 7,367,815	$ 3,528,250		$10,896,065
20	Retained Earnings	(63,738)	(310,361)	(340,277)	(159,376)	177,723	$ -		$ 177,723
21	Subtotal	$2,148,742	$3,216,032	$ 5,029,680	$ 6,012,549	$ 7,548,038	$ 3,528,250		$11,076,288
22									
23	**Total Capital (L1 + L3 + L12 + L18)**	$5,808,742	$7,709,345	$13,845,638	$ 14,824,939	$ 15,823,269	$ -		$15,823,269
24									
25	**Percent of Total AIAC/CIAC to Total Capital**	63.01%	58.28%	63.67%	59.44%	**52.30%**			**30.00%**
26	Percent of Total Equity to Total Capital	36.99%	41.72%	36.33%	40.56%	47.70%			70.00%
27	Total	100.00%	100.00%	100.00%	100.00%	100.00%			100.00%

Double Diamond Utilities, Inc.
Wastewater Division
Docket No.: WS-20543A-07-0435
Test Year Ended: Fifth Year of Operation

Schedule CSB-WW5

RATE DESIGN

	Proposed Rates	
	Company	Staff
Residential Service - Per Month	$ 70.00	$97.59
Effluent Sales[1]		
Per 1,000 Gallons	$ 3.00	$ 3.00

[1]Not applicable to turf irrigation on medians and other common areas

Non-refundable Capacity (Hook-up) Fee - Per Residential Unit	$ 1,500	$ -

Service Charges

	Proposed Rates	
	Company	Staff
Establishment	$30.00	$30.00
Establishment (After Hours)	60.00	60.00
Re-establishment of Service (Within 12 Months)	(2)	(2)
Reconnection (Delinquent)	60.00	60.00
Customer Deposit	(3)	(3)
Deposit Interest	6.00%	6.00%
NSF Check Charge	35.00	35.00
Late Payment Penalty (Per Month)	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%
Main Extentions / Meter Relocation	Cost (4)	Cost (4)
Service Calls - Not Company Responsibility	Cost (4)	Cost (4)
Revenue Taxes & Assessments	(5)	(5)

EXHIBIT 5

Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435
October 4, 2007

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

14. Please provide a copy of the owners', Leonard and Susan Mardian, resumes indicating 1) dates, titles(s) and companies with whom he/she was/is employed, 2) any professional organizations of which he/she is a member or officer, 3) educational background and degrees earned, and 4) any other information relevant to his/her professional career.

RESPONSE: Please see Exhibit 6 attached hereto and incorporated herein by reference as though fully set forth verbatim

RESPONDENT: Applicant

Exhibit 6

Exhibit 6 to Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435

RESUME OF
LEONARD AND SUSAN MARDIAN

PERSONAL BACKGROUND

LEONARD MARDIAN
Certified Public Accountant (Inactive)
Self Employed Real Estate Developer – 40 Years
Graduated Reno High School, Reno, Nevada
Received BA in Business Administration Degree from University of Nevada, Reno – June 3, 1963

SUSAN MARDIAN
Self Employed Real Estate Developer – 25 Years
Graduated High School – Kitchner Waterloo High School, 1976

CURRENT PROJECTS:

1) DEVELOPMENT OF TAVERN, 2 HOTELS, SELF STORAGE 6200 RAINBOW BLVD., LAS VEGAS, 2001 - Present

Acquired 5 acres of land at the Corner of Rainbow Blvd. at Sobb Avenue, received entitlements for shopping center, tavern, fast food and miniwarehouse. Completed construction of the Blackjack Lodge (Tavern) a 6,000 square foot 24 hour restaurant and bar, and a 60,000 square foot Storage One Self Storage facility. The Mardian's currently operate the Blackjack Lodge.

Received zoning entitlements for a 110 room hotel. Received Holiday Inn Express Franchise approval from InterContinental Hotels Group, Inc. The Holiday Inn Express opened on February 9, 2007. The Mardians currently operate the Holiday Inn Express.

Purchased adjacent 2.5 acre parcel for construction of a second hotel of 151rooms. Received zoning entitlements and approval from InterContinental Hotels Group, Inc. for a second franchise.

2) THE RANCH AT WHITE HILLS/MARDIAN RANCH WHITE HILLS, ARIZONA, 2001 – Present

November 2001, Leonard and Susan Mardian originally acquired 31,000 Acres of Land in White Hills, Arizona, 27 miles south of the Hoover Dam on Highway 93, one hour drive from Las Vegas for development of a major residential Master Planned Community. Later acquired an additional 9,000 acres, including approximately 1,000 acres of commercial property along Highway 93.

A combined commercial, public facilities and 61,250 homes Master Plan has been approved by Mohave County Planning and Zoning and Board of Supervisors similar to Las Vegas Master Planned Communities. In conjunction therewith, Water Approvals for a total of 48,000 homes have been obtained. This plan has three separate development areas:

Resume – Leonard and Susan Mardian
Page Two

Area	# of Acres	# of Homes
The Ranch at White Hills	5,800	23,000
The Ranch at Temple Bar	1,760	5,500
The Mardian Ranch and The Ranch at Red Lake	17,800	32,750
Total:	25,360	61,250

Planning and design of the first 640 acres is in process to construct 2,500 home sites including commercial and public facilities.

3) PURCHASE AND RENOVATION OF OFFICE BUILDING 9510 W. SAHARA AVENUE, LAS VEGAS, APRIL 2006

Purchased a 20,000 Square Foot 2 Story Office Building at Sahara Avenue and Ft. Apache Road. Renovated the building, and now have our Corporate headquarters located on the first floor. Leased the balance of the building.

4) DEVELOPMENT OF 10 ACRE SHOPPING CENTER SITE BERMUDA RD AT CACTUS AVE., LAS VEGAS, 1999 - Present

Acquired 10 acres of land at the Northeast Corner of Bermuda Road at Cactus Avenue, received entitlements for shopping center, tavern, convenience store and miniwarehouse. Completed construction of the Hurricane Tavern, a 65,000 square foot Storage One Self Storage Facility, and a Fast Food building, leased to Roberto's Tacos.

Currently constructing a $50,000,000 condominium project on this site, with 100 units, 3-story building over parking structure, named Milano Residences. Anticipated completion in 2008.

5) DEVELOPMENT OF 5 ACRE SHOPPING CENTER SITE DECATUR BL. AT HACIENDA, LAS VEGAS, 1998 - Present

Acquired 5 acres of land at the Southwest Corner of Decatur Blvd. at Hacienda Avenue, received zoning entitlements for shopping center, tavern, and convenience store. Completed all offsite improvements, then constructed Shopping Center including PT's Pub. Sold convenience store site. Constructed a fast food pad building for Dairy Queen and Roberto's Tacos. Completed construction of two Office/R&D buildings on the property. Later sold all properties.

6) DEVELOPMENT OF 5 ACRE SHOPPING CENTER SITE DECATUR BL AT RENO AVE, LAS VEGAS, 1998

Acquired 5 acres of land at the Northwest Corner of Decatur Blvd. at Reno Avenue, received zoning entitlements for shopping center, tavern, and convenience store. Completed all offsite improvements, and built the O'Aces Tavern. Became a limited partner in Convenience Store at corner (CityStop.) Later sold all properties.

**7) DEVELOPMENT OF AUTOMOTIVE CENTER
SPRING MOUNTAIN ROAD AT LINDELL, LAS VEGAS, 1998**

Acquired land near the Northeast Corner of Spring Mountain Road near Lindell Avenue, received zoning entitlements for automotive center, and convenience store. Completed offsite improvements and completed construction of Automotive/Retail building. Leased all buildings and sold the property in 2003.

**8) DEVELOPMENT AND SALE OF SELF STORAGE FACILITY
AUSSIE SELF STORAGE SPARKS, NEVADA, 1997**

Acquired land, received zoning entitlements and constructed a 43,000 square foot Self Storage Facility. Sold the property in 1998.

**9) CONVERSION OF OFFICE BUILDING TO SELF STORAGE FACILITY
IRVINE, CALIFORNIA, 1996**

Acquired a 43,000 square foot office building with 5.6 acres of land. Received zoning entitlements to convert existing building to a Self Storage Facility and additional entitlements for 140,000 square feet of new buildings. Completed conversion and operated facility for 9 months. Sold project to Shurgard Self Storage.

**10) PURCHASE AND SALE OF IMPERIAL CANYON SHOPPING
CENTER ANAHEIM HILLS, CALIFORNIA, 1995**

Purchased and refurbished an existing 43,000 square feet Shopping Center for $4,300,000. Increased the value of the property by leasing additional space, refurbishing the center, including paving, painting and improvements. Sold the center within 9 months of acquisition for $5,500,000

**11) FINISHED HOME LOTS, RAINBOW POINTE
LAS VEGAS, 1994**

Received zoning entitlements, subdivided and managed the planning and development of 234 finished lots on 34 acres of land, including offsite improvements. Represented Seller in the sale of finished lots to Kaufman and Broad.

**12) WAL-MART AND SAMS CLUB SHOPPING CENTER
LAS VEGAS, 1991 - 1993**

Development of a 53 acre Shopping Center, SWC of Rainbow Blvd. at Spring Mountain Road. Value of over $40,000,000. Including the following tenants: Wal-Mart, Sam's Club, International House of Pancakes, Sizzler, TCBY and Cleaners, and 80,000 square feet of in-line space, and Offices. Development responsibilities included the following: negotiated leases with Wal-Mart, in-line and pad tenants, negotiated the sale of land to Sam's Club negotiated construction contracts and obtained financing.

Resume – Leonard and Susan Mardian
Page Four

13) LEONARD MARDIAN PREVIOUS DEVELOPMENTS CALIFORNIA/NEVADA, 1960 - 1991

Leonard Mardian developed hotels including the Holiday Inn in Walnut Creek, California and the Sheraton Hotel in Concord, California. Leonard Mardian purchased the land, obtained zoning, constructed, operated and later sold the hotels. Leonard Mardian developed Apartment Complexes in San Diego, Reno, and the San Francisco Bay Area. He also developed Self Storage Facilities in San Diego and Concord, California.

Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435
October 4, 2007

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

7. Has Double Diamond Utilities, Inc. and/or any of their respective affiliated/associated entities been accused of allegations of political corruption (including but not limited to campaign violations and election law violations); allegations of construction violations; allegations of misconduct; and filings at administrative hearings, at the local, state, or federal agencies, including at the Federal Elections commission, Registrar of Contractors, or any violations of law? If so, please provide a comprehensive list of all affiliated/associated individuals and entities that have been accused of the above mentioned allegations; the litigation history; and. the individual case disposition.

RESPONSE: There is a single instance, whereby affiliated entities of Double Diamond Utilities, Inc. have worked with, and successfully resolved issues with the Arizona Department of Real Estate. In short, Double Diamond affiliates identified a potential issue with the Department of Real Estate and brought the problem to the Department's attention. This fully approved/authorized consent decree addressed all of the outstanding issues, and has been attached for your information as Exhibit 3 and is hereby incorporated herein by reference as though fully set forth verbatim.

The affiliated entities identified in the consent decree include Gateway Lots, LLC and Flannery & Allen, LLC.

Within the "FINDINGS OF FACT" determinations of this decree, there are numerous mitigating circumstances which are specifically identified which make this decree unique. As a result, a consent decree was initiated to fully address and resolve the issues identified.

Of significant importance is the Arizona Department of Real Estate consent decree "FINDING OF FACT" determination #3, which verifies these instances and reads as follows:

. . .

3. As mitigating circumstances, Respondents note the following:

a. The Matter was initiated as a result of the notice and information provided by Respondents to the Department. To date,

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

the Department has received no complaints from any prior purchasers of the Lots from Respondents.

b. As soon as Respondents learned of their potential non-compliance with Department of Real Estate requirements, Respondents met with and notified Department representatives and sought to comply with all applicable requirements.

c. In cooperation with the Department, Respondents produced copies of the deeds, related documents and information concerning Respondents' previous acquisitions, sales and/or transfers of the Lots.

d. Additionally, Respondents have voluntarily suspended lot sales in the Properties pending resolution of the Matter.

e. Prior to entry of this Consent Order, Gateway diligently worked in cooperation with Department representatives to complete and file an application for a subdivision public report for lots located within Gateway Acres Tract 1, Gateway Acres Tract 2, Gateway Acres Tract 7 and Gateway Acres Tract 8.

f. F & A has filed an application for a subdivision public report for lots located with the Flannery & Allen Tract 33-27-20.

RESPONDENT: Applicant

Exhibit 3

Arizona Department of Real Estate
2910 North 44th Street, Suite 100
Phoenix, AZ 85018
Telephone: (602) 468-1414
Facsimile: (602) 468-0562

BEFORE THE ARIZONA DEPARTMENT OF REAL ESTATE

In the matter of the subdivision violations of: **GATEWAY LOTS, LLC**, a Nevada limited liability company and **FLANNERY & ALLEN, LLC**, a Nevada limited liability company, Respondents.	**06F-SD-699** **CONSENT ORDER**

The Arizona Department of Real Estate ("Department") has investigated certain allegations of violations by GATEWAY LOTS, LLC, a Nevada limited liability company and FLANNERY & ALLEN, LLC, a Nevada limited liability company (collectively "Respondents") of the laws of this state pertaining to the acquisition, advertisement, division and/or sale of lots and parcels (collectively the "Lots") by Respondents and/or managers located in five (5) subdivisions within Mohave County, Arizona, more particular described as Flannery & Allen Tract 33-27-20, Gateway Acres Tract 1, Gateway Acres Tract 2, Gateway Acres Tract 7 and Gateway Acres Tract 8 (Collectively "the Properties"). Such review and/or investigation and the underlying subject matter thereof, including all acquisitions, advertisements, divisions, sales and/or transfers of lots in the Properties are hereinafter collectively referred to as the "Matter". The Department has sufficient grounds to charge all Respondents with violations of A.R.S. §32-2181 et. seq., to order them to cease and desist from selling or offering to sell lots or parcels located within the Development pursuant to A.R.S. §§32-2154 and 32-2183 (I), and to assess civil penalties pursuant to A.R.S. §32-2185.09.

Respondents have been informed of their right to receive written notice of the charges against them and to a hearing to contest those charges pursuant to A.R.S. §41-1092, et seq., to present evidence and be represented by an attorney. In order to settle this matter, Respondents hereby stipulate that the following Findings of Fact are true, and consent to the

Respondent(s) Initials

entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. At all material times, GATEWAY LOTS, LLC ("Gateway") was a Nevada limited liability company with a principal place of business at 4132 S. Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103.

2. At all material times, FLANNERY & ALLEN, LLC ("F&A") was a Nevada limited liability company with a principal place of business at 4132 S. Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103.

3. As mitigating circumstances, Respondents note the following:

a. The Matter was initiated as a result of the notice and information provided by Respondents to the Department. To date, the Department has received no complaints from any prior purchasers of the Lots from Respondents.

b. As soon as Respondents learned of their potential non-compliance with Department of Real Estate requirements, Respondents met with and notified Department representatives and sought to comply with all applicable requirements.

c. In cooperation with the Department, Respondents have produced copies of the deeds, related documents and information concerning Respondents' previous acquisitions, sales and/or transfers of the Lots.

d. Additionally, Respondents have voluntarily suspended lot sales in the Properties pending resolution of the Matter.

e. Prior to entry of this Consent Order, Gateway diligently worked in cooperation with Department representatives to complete and file an application for a subdivision public report for lots located within Gateway Acres Tract 1, Gateway Acres Tract 2, Gateway Acres Tract 7 and Gateway Acres Tract 8.

f. F&A has filed an application for a subdivision public report for lots located with the Flannery & Allen Tract 33-27-20.

Flannery & Allen Tract 33-27-20 transactions

4. As of October 7, 2005, there was no record with the Department of any receipt of or

Respondent(s) Initials

application for a public report by F&A, covering the Flannery & Allen Tract 33-27-20.

5. Between January 2004 and September 2005, F&A owned and offered for sale, sold or transferred various lots in the Flannery & Allen Tract 33-27-20 without notifying the Department of the intention to offer or sell lots and without a public report.

Gateway Acres Transactions

6. As of June 25, 2002, there was no record with the Department of any receipt or of application for a public report by Gateway covering lots within Gateway Acres, Tract 1.

7. As of June 5, 2005, there was no record with the Department of any receipt or of application for a public report by Gateway covering lots within Gateway Acres, Tract 2.

8. As of June 30, 2005, there was no record with the Department of any receipt or of application for a public report by Gateway covering lots within Gateway Acres, Tract 7.

9. As of May 16, 2005, there was no record with the Department of any receipt or of application for a public report by Gateway covering lots within Gateway Acres, Tract 8.

10. Between May 2002 and June 2005, Respondents owned and offered for sale, sold and/or transferred various lots and parcels located within Gateway Acres Tract 1, Gateway Acres Tract 2, Gateway Acres Tract 7, and Gateway Acres Tract 8 without notifying the Department of the intention to offer and sell, and without a public report.

CONCLUSIONS OF LAW

1. The Department has jurisdiction in this matter.

2. Pursuant to A.R.S. §32-2153.01, the Commissioner may enter a Consent Order upon agreement of the parties that includes terms to which the parties agree and which the Commissioner deems appropriate.

3. Respondents, by actions as described in the Findings of Fact, purchased, owned or had an ownership interest in subdivided lands within the meaning of A.R.S. §32-2101 (55)(a).

4. Respondents, through actions as described in the Findings of Fact, offered for sale, sold or transferred various lots within the Properties without first notifying the Commissioner in writing of the intent to do so, in violation of A.R.S. §32-2181 (A).

5. Respondents, through actions as described in the Findings of Fact, sold various lots

Respondent(s) Initials

within the Properties without first obtaining a public report from the Commissioner, in violation of A.R.S. §32-2183 (F).

6. Respondents, through actions as described in the Findings of Fact, sold various lots within the Properties without clearly and conspicuously disclosing the purchaser's right to rescind the agreement for sale within the seven (7) day time limit provided by statute, in violation of A.R.S. §32-2185.01 (D) and A.A.C. R4-28-804.

7. Respondents, through actions as described in the Findings of Fact, sold various lots within the Properties without clearly and conspicuously disclosing the purchaser's right to receive a copy of the public report and the purchaser's right to rescind the agreement for sale, in violation of A.R.S. §32-2185.06 and A.A.C. R4-28-803.

8. Respondents, through actions as described in the Findings of Fact, various lots within the Properties without obtaining a public report receipt from lot purchasers, in violation of A.A.C. R4-28-805.

9. None of the sales or offers for sale by Respondents were exempt from the public report requirement or any other provision of A.R.S. §32-2181, *et seq*.

10. Grounds exist under A.R.S. §32-2154 for the Commissioner to prohibit the offer for sale, sale or transfer of the subdivided lands referenced herein until such time as the Commissioner has issued a public report or exemption order, and to issue any other orders the Commissioner deems necessary to protect the public interest and ensure compliance with Arizona's subdivision laws, pursuant to A.R.S. §32-2183 (I).

11. Grounds exist to require Respondents to reimburse the Department for its investigative expenses pursuant to A.R.S. §32-2183.01 (H).

12. Grounds exist to assess civil penalties of One Thousand Dollars ($1,000.00) per violation against Respondents pursuant to A.R.S. §32-2185.09.

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

The Matter is conclusively settled and resolved as against Respondents and their members and manager, in accordance with the following terms and conditions:

Respondent(s) Initials

CEASE AND DESIST

1. Respondents shall cease and desist from selling, offering for sale, transferring or conveying any parcel or fractional interest in the Properties until Respondents demonstrate compliance with all applicable statutes and rules, and all orders contained herein.

CIVIL PENALTY

2. Respondents are assessed a civil penalty of Forty Five Thousand Dollars ($45,000.00), jointly and severally, due and payable with the return of the Consent Order signed by Respondents. The payment shall be in the form of a cashier's check or money order payable to the Arizona Department of Real Estate.

GRANT TO EDUCATION FUND

3. Respondents shall contribute Thirty Thousand Dollars ($30,000) to the Department's Education Fund as a grant to be used for educational publications and for such other educational efforts that the Commissioner deems proper for the guidance of licensees and the public pursuant to A.R.S. § 32-2107(D). The payment shall be in the form of a cashier's check or money order made payable to the Arizona Department of Real Estate Education Fund.

RESCISSION/PUBLIC REPORT

4. Respondents shall, within forty-five (45) days of the entry of this Order, submit to the Department's Compliance Officer ("Compliance Officer") copies of the rescission letters provided by Respondents to lot purchasers, together with proof that Respondents mailed or delivered the letters to each purchaser as described above. Purchasers shall have been given not less than ninety (90) days after receipt thereof to accept the offers to rescind their purchases.

5. Before offering for sale, selling or transferring any lot or parcel other than to effect rescission as provided in this Order, Respondents, individually or with the other Respondents shall, within sixty (60) days of the entry of this Order, obtain approval from the Department of Respondents' pending applications for public reports for the Properties pursuant to A.R.S. §32-2181, et seq., that covers all parcels, lots or tracts owned by Respondents.

6. Extensions of the deadlines set forth above may only be granted upon good cause and the express written consent of the Compliance Officer.

Respondent(s) Initials

ENFORCEMENT OF CONSENT ORDER

7. If the Commissioner determines that Respondents have failed to comply with any term or deadline of this Order, the Commissioner may commence additional disciplinary or other proceedings that the Commissioner deems appropriate in any court or before any tribunal of proper jurisdiction, and seek such orders as are necessary to enforce this Order and compel compliance.

RECORDING OF CONSENT ORDER

8. This Consent Order shall be recorded in the office of the Mohave County Recorder, pursuant to the provisions of pursuant to A.R.S. §32-2183.02.

9. Any publication or release concerning this Consent Order or the Matter shall include all of the mitigating factors contained in the Findings of Fact.

DATED this 22nd day of August, 2006.

for Tom Adams

ELAINE RICHARDSON, Commissioner
Arizona Real Estate Department

CONSENT TO ORDER

1. Respondents hereby acknowledge reading the foregoing Findings of Fact, Conclusions of Law and Order, are aware of the rights to an administrative hearing in this matter to present evidence, and have waived same.

2. Respondents admit the jurisdiction of the Department, admit the foregoing Findings of Fact, and consent to the entry of the foregoing Conclusions of Law and Order.

3. Respondents state that no promises were made outside of this Consent Order to induce entering into this Consent Order and declare that Respondents entered into this Consent Order voluntarily.

4. Respondents acknowledge that acceptance of this Consent Order is to settle the specific allegations by the Department in this matter and does not preclude any other agency or officer of this State, or subdivision thereof, from instituting other civil or criminal proceedings as may be appropriate in the future.

Respondent(s) Initials

5. Respondents hereby waive all rights to challenge the Commissioner's Findings of Fact, Conclusions of Law and Order on appeal, to the Commissioner or any court or other tribunal, and agree to be bound by this Consent Order.

6. Respondents acknowledge and agree that, although the Consent Order has not yet been accepted by the Commissioner, upon signing this Consent Order and returning this document (or a copy thereof) to the Department, Respondents may not revoke acceptance of the Consent Order. Respondents may not make any modifications to the document. Any modification to this original document are ineffective and void unless mutually approved by the parties.

7. Respondents agree to comply with all the terms and meet all the deadlines in this Consent Order, and that failure to do so may result in the Department filing this Consent Order with the superior court and obtaining a recordable judgment. Respondents agree not to oppose any such action taken by the Department.

8. Respondents agree to be available to testify fully and truthfully in any other enforcement proceedings brought by the Department resulting from this case.

Dated: August 17, 2006. By Susan Mardian

Manager (Title)
GATEWAY LOTS, LLC,
a Nevada Limited Liability Company, **Respondent**

Dated: August 17, 2006. By Susan Mardian

Manager (Title)
FLANNERY & ALLEN, LLC,
a Nevada Limited Liability Company, **Respondent**

Respondent(s) Initials

APPROVED BY THE MEMBERS AND MANAGERS OF RESPONDENTS

Dated: August 17, 2006

LEONARD MARDIAN

Dated: August 17, 2006

Susan Mardian

SUSAN MARDIAN

Dated: August 17, 2006

Lori Mardian Williams

LORI MARDIAN-WILLIAMS

APPROVED AS TO FORM:

Dated: AUGUST 21, 2006

Michael T. Denious, Esq.
Stoops, Denious, Wilson & Murray, PLC
350 E. Virginia Ave., Ste. 100
Phoenix, Arizona 85004
Attorney for Respondents

COPY of the foregoing sent via U.S. Mail this 22nd day of August, 2006, to:

Gateway Lots, LLC
Flannery & Allen, LLC
4132 S. Rainbow, PMB 324
Las Vegas, Nevada 89103
Respondents

Stoops, Denious, Wilson & Murray, PLC
Michael T. Denious, Esq.
350 E. Virginia Ave., Ste. 100
Phoenix, Arizona 85004
Attorney for Respondents

COPY of the foregoing delivered this 22nd day of August, 2006 to:

Arizona Department of Real Estate
Tom Adams, Director, Regulations
Mike Wheeler, Deputy Director, Administrative Actions Division
Roy Tanney, Director, Development Division
Eleni Katerelos, Compliance Officer
Admin. Actions for Real Estate Bulletin
2910 North 44th Street
Phoenix, AZ 85018

June Marshall

Respondent(s) Initials

SILVER STATE BANK

Cashiers Check 061619

Date: 8/17/06

Branch: 1008

GATEWAY LOTS, LLC

REMITTER

PAY TO THE ORDER OF EXACTLY **30,000 AND 00/100 DOLLARS $30,000.00

*******ARIZONA DEPARTMENT OF REAL ESTATE EDUCATION FUND*****

GATEWAY LOTS, LLC & FLANNERY & ALLEN, LLC

SILVER STATE BANK

Cashiers Check 061617

Date: 8/17/06

Branch: 1008

GATEWAY LOTS, LLC.************

REMITTER

PAY TO THE ORDER OF EXACTLY **45,000 AND 00/100 DOLLARS $45,000.00

*********ARIZONA DEPARTMENT OF REAL ESTATE******************

GATEWAY LOTS, LLC & FLANNERY & ALLEN, LLC

06F-SD-699

Arizona Dept. of Real Estate
Deposit No.: 553564 08/22/06 3:08 PM

Civil Penalties (Fines) $75000.00

Check $75,000.00

Change: $0.00
Clerk: jwilliams
Customer: 06F-SD-699

EXHIBIT 7

LAS VEGAS SUN

September 22, 2006

Commissioner won't explain land deal

Boggs McDonald got $100,000 loan from developer whose business benefited from her votes

By Tony Cook, Las Vegas Sun
Las Vegas Sun

Less than six months after helping to obtain a 2005 zoning change for a local hotel developer, Clark County Commissioner Lynette Boggs McDonald acquired 4.7 acres of land from the same developer in the boomtown of White Hills, Ariz.

The sale price: $125,000. The catch: The developer loaned her $100,000 to make the purchase.

Boggs McDonald never disclosed the loan on her financial disclosure forms, even though state law requires candidates to reveal loans of more than $5,000.

Moreover, Boggs McDonald voted on a liquor and gaming issue involving a tavern also owned by the developer, Susan Mardian. While the vote was a routine one, Boggs McDonald again failed to disclose her indebtedness to Mardian.

And there is another financial link between the commissioner and the developer. Over the past two years, Mardian has donated $11,500 to Boggs McDonald's campaign.

Boggs McDonald did not return phone calls for this story. Her campaign referred The Sun to attorney John Mowbray, to whom the Sun posed a list of questions Wednesday afternoon. As of Thursday evening, Mowbray said he had no information about the land deal.

• • •

In October 2004, Mardian wanted to build a 144-room full-service Holiday Inn on five acres that she owned on the 6200 block of South Rainbow Boulevard.

· Basketball
· Boxing
· Football
· Golf
· Hockey
· Racing
· Soccer
· Tennis

ENTERTAINMENT

· Today's A & E
· Las Vegas
· TV & Movies
· Theater & Music

SERVICES

· Classifieds
· Yellow Pages
· Subscribe
· Contact Us
· Jobs

"Part of our Holiday Inn franchise agreement requires us to build two hotels," Mardian explained in a letter to the county. "One limited-service and one full-service."

Zoning at the site, however, allowed only single-family residences on half-acre lots. Mardian wanted the property zoned for general commercial, which would permit the construction of the Holiday Inn - and, in so doing, probably raise the property's value.

The nearest similar facility was seven miles away, and the proposed four-story Holiday Inn would be close to Mardian's BlackJack Lounge. The Mardian family already had received approval to build a Holiday Inn Express just south of the proposed full-service hotel.

Mardian also asked that the usual requirement for separation between the roadway and sidewalk be set aside because adjacent properties had sidewalks abutting the street.

County staff recommended approval of Mardian's request. The commission approved the zoning change on Jan. 19, 2005.

Although the board's policy stipulates that the commissioner whose district encompasses the zoning change request should be the one to propose such an action, that did not happen in this case.

The Holiday Inn site is in Commissioner Rory Reid's district, but Reid abstained from voting because the Mardian family was a client of his law firm.

Instead, Boggs McDonald made the motion to grant Mardian's request. It passed with five votes, with Reid abstaining and Commissioner Yvonne Atkinson Gates absent.

Months before the vote, Mardian had given $5,000 in campaign contributions to Boggs McDonald in 2004. Then, three weeks before Mardian wrote to the county about the zoning issue, she gave Boggs McDonald an additional $2,500 contribution. A month before commissioners voted, Mardian contributed another $1,000. And Boggs McDonald's campaign received another $3,000 from Mardian during the last quarter of 2005, raising the two-year total to $11,500.

The Mardian family did not return calls.

Less than six months after the zoning vote, Boggs McDonald entered into a financial agreement in the spring of 2005 with the Mardian family.

Mardian and her husband, Leonard Mardian, also are developing a 25,000-acre master planned community in White Hills, Ariz. The development sits about 30 miles south of the Hoover Dam near the Nevada-Arizona border and, after the completion of the Hoover Dam bypass, is envisioned as a bedroom community of Las Vegas, 60 miles to the northwest.

Through their development company, the Mardians sold 4.7 acres to LSAR LLC, an entity controlled by Boggs McDonald and her husband, Steven McDonald, according to Mohave County, Ariz., property records.

The sale price was $125,000, according to an affidavit of property value filed with Mohave County.

The affidavit also reveals that the sale was financed with a loan from the seller - the Mardians' company.

According to the deed of trust, the loan was for $100,000. The interest rate and terms of the loan were not disclosed. The affidavit's space for details about the down payment also is blank, raising the question of where the additional $25,000 came from - or whether, in fact, the money was paid at all.

In May 2006, Boggs McDonald filed a financial disclosure form with the Nevada secretary of state. She listed the White Hills property, but did not mention the Mardians .

Under Nevada law, public officers must disclose any creditor to whom they or a member of their household owe more than $5,000, including debt secured by a deed of trust for real estate other than a personal residence.

Boggs McDonald's path again crossed that of the Mardians last month when she voted to approve a top employee designated to represent the BlackJack Lounge before the state liquor and gaming boards.

Although the vote was a routine one and occurred as part of the board's consent agenda - a list of items that commissioners approve with one vote - Boggs McDonald failed to disclose any financial ties to the tavern's owners.

Nevada ethics laws require a public officer to disclose any gifts or loan received from someone before voting on any matter involving that person.

Tony Cook can be reached at 259-2320 or at tony.cook@lasvegassun.com.

Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435
October 4, 2007

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

13. Please describe any and all mechanics, tax or other liens that have been assessed against any of the affiliated/associated entities or the directors and officers of Diamond Utilities, Inc.

RESPONSE: See Exhibit 5 attached hereto and incorporated herein by reference as though fully set forth verbatim.

RESPONDENT: Applicant

Exhibit 5

Exhibit 5 -- Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435

PERSONAL:

A. Two Internal Revenue Service Facsimile Federal Tax Lien Documents were filed against Mr. Leonard Mardian for the same tax period of 12/31/1986. While the tax period was the same for both liens, the amounts differed by $10.00 and as is evidenced by Exhibit A attached hereto and incorporated herein by reference, were served at two different times. Both liens reflect that these liens were "Self-released" and therefore have been completely satisfied by Mr. Mardian. Finally, Mr. Mardian's Social Security number is deemed propriety and therefore has been redacted from the documents attached as Exhibit A.

B. On or about November 7, 2007, the State of Arizona issued a Notice of State Tax Lien in the original amount of $989.23 against Mr. and Mrs. Mardian. Mr. and Mrs. Mardian were unaware that any such sums were due. As soon as Mr. and Mrs. Mardian were made aware of this lien, they immediately forwarded check number 10846 in the amount of $989.23 to the State of Arizona to fully resolve this matter. On or about June 13, 2006, the Notice of Intent to Release Lien was forwarded to Mr. and Mrs. Mardian. A copy of the lien, cancelled check satisfying the lien, and the notice of intent to release lien is attached hereto as Exhibit B and incorporated herein by reference as though fully set forth verbatim. Finally, Mr. and Mrs. Mardian's Social Security numbers are deemed propriety and therefore have been redacted from the documents attached as Exhibit B.

BUSINESS:

Rainbow Hotel, LLC.

Dayside, Inc. was the general contractor for the Holiday Inn Express ("HIE") located at 6220 South Rainbow Boulevard, Las Vegas, Nevada. HIE is owned and operated by Rainbow Hotel, LLC ("Rainbow"). Four liens were recorded during the construction of this Project: It is Rainbow's position that Dayside, Inc. failed to: (i) properly manage the project; (ii) failed to finish the project pursuant to its contract with Rainbow; and (iii) forced Rainbow to hire another general contractor to complete the project. The following liens were recorded against this project:

C. Sorensen Construction recorded a lien in the amount of $15,585.89 on or about November 14, 2006. Said lien was released on or about January 24, 2007. See, Exhibit C attached hereto and incorporated herein by reference as though fully set forth verbatim.

D. American Asphalt & Grading Co. recorded a lien on or about January 8, 2007 in the amount of $10,750.00. Said lien was released on or about January 22, 2007. See, Exhibit D attached hereto and incorporated herein by reference as though fully set forth verbatim.

E. Las Vegas Paving Corporation recorded a lien on or about January 16, 2007 in the amount of $14,635.03. Said lien was released on or about January 30, 2007. See, Exhibit E attached hereto and incorporated herein by reference as though fully set forth verbatim.

F. Dayside, Inc. recorded a lien on or about May 4, 2007. The validity and the amount of said lien is being challenged.

Exhibit 5 -- Double Diamond Utilities, Inc.'s
Responses To Staff's First Set
Of Data Requests To
Docket No. WS-20543A-07-0435

Milano Residences, LLC.

Dayside, Inc. was the original general contractor for a project called Milano Residences, LLC ("Milano") – a one hundred unit condominium development currently under construction and located at 430 East Cactus Avenue, Las Vegas, Nevada. It is Milano's position that Dayside, Inc. failed to properly manage the Milano project and failed to finish the project pursuant to its contract with Milano. Subsequently, Milano has been forced to hire another general contractor to complete the Milano project. The following liens were recorded against this project:

G. On or about May 10, 2007, Dayside, Inc. recorded two liens in the identical amount of $381,661.40 on two parcels of land owned by Milano Residences, LLC. The validity and amounts of both liens are being challenged. See, Exhibit G attached hereto and incorporated herein by reference as though fully set forth verbatim.

H. On or about May 17, 2007 Peri Formwork Systems, Inc. recorded a lien in the amount of $23,370.77. On or about September 27, 2007, Peri Formwork Systems, Inc. forwarded an Amended Lien. The validity and amount of Peri Formwork Systems, Inc.'s lien and/or amended lien is being challenged. See, Exhibit H attached hereto and incorporated herein by reference as though fully set forth verbatim.

The above represent those liens (existing and prior) of which the entities and individuals are aware. The Company and/or its affiliations have performed a due and diligent search of appropriate county records to determine any additional liens. However, the Company hereby reserves its right to supplement this response as new and/or additional information becomes known to the Company.

Exhibit 5-A

2692

INTERNAL REVENUE SERVICE FACSIMILE FEDERAL TAX LIEN DOCUMENT	COURT RECORDING DATA Lien Recorded : 02/20/1991 - 00:00A Recording Number: UCC Number : Liber : 91 02 20 Page : 0953 **Self-released**
District: Sacramento	IRS Serial Number: 689104014

This Lien Has Been Filed in Accordance with
Internal Revenue Regulation 301.6323(f)-1.

Name of Taxpayer :
LEONARD K MARDIAN

Residence :
2443 FAIR OAKS BLVD 323
SACRAMENTO, CA 95825-7684

With respect to each assessment below, unless notice of lien is refiled by the date in column(e), this notice shall constitute the certificate of release of lien as defined in IRC 6325(a).

Form (a)	Period (b)	ID Number (c)	Assessed (d)	Refile Deadline (e)	Unpaid Balance (f)
6672	12/31/1986	[redacted]	03/27/1989	04/26/1999	59680.50

Filed at: COUNTY RECORDER
SACRAMENTO COUNTY
SACRAMENTO, CA 95812

Total | $ 59680.50

This notice was prepared and executed at Sacramento, CA on this, the 13th day of February, 1991.

Authorizing Official:
N. SOPOLSKY

Title:
REVENUE OFFICER

68-01-3432

2692 | COURT RECORDING DATA

INTERNAL REVENUE SERVICE
FACSIMILE FEDERAL TAX LIEN DOCUMENT

Lien Recorded : 06/14/1993 - 00:00A
Recording Number: 05284
UCC Number :
Liber : 930614
Page :

Self-released

District: Reno | IRS Serial Number: 889321339

This Lien Has Been Filed in Accordance with
Internal Revenue Regulation 301.6323(f)-1.

Name of Taxpayer :
LEONARD K MARDIAN

Residence :
8099 PINNACLE PEAK AVE
LAS VEGAS, NV 89113

With respect to each assessment below, unless notice of lien is refiled by the date in column(e), this notice shall constitute the certificate of release of lien as defined in IRC 6325(a).

Form (a)	Period (b)	ID Number (c)	Assessed (d)	Refile Deadline (e)	Unpaid Balance (f)
6672	12/31/1986	[redacted]	03/27/1989	04/26/1999	59690.50

Filed at: COUNTY RECORDER
CLARK COUNTY
LAS VEGAS, NV 89155

Total | $ 59690.50

This notice was prepared and executed at Reno, NV
on this, the 04th day of June, 1993.

Authorizing Official:
RON SMITH 1300

Title:
CHIEF ADVISORY 88-01-9990

Exhibit 5-B

ARIZONA DEPARTMENT OF REVENUE
P.O. BOX 29070
PHOENIX, ARIZONA 85038-9070

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-1692713 11/08/05 13:03
2 OF 40
BLOCKNUMBERS

NOTICE OF STATE TAX LIEN

MARDIAN S R
MARDIAN L
4132 S RAINBOW #324
LAS VEGAS NV 89103

IMPORTANT RELEASE INFORMATION:
For each assessment listed below, unless this Notice of Lien is extended by the date given in column (2), this notice shall, on the day following such date, operate as a Certificate of Release.

Pursuant to the Arizona Revised Statutes Section 42-1152, Notice is hereby given that the following named taxpayer owes the Arizona Department of Revenue such unpaid amounts as are herein set forth and that pursuant to Section 42-1151 the Department has a lien against all the property or rights to property belonging to the taxpayer for such unpaid amount, plus accruing interest.

TYPE OF TAX: INCOME

ID NUMBERS: [redacted]

PLACE OF FILING: MARICOPA

LIEN NUMBER: 0502654

DATE OF ASSESSMENT	LAST DAY TO EXTEND LIEN	TAX PERIOD	TAX BALANCE	PENALTY	INTEREST THRU 11/30/05	UNPAID BALANCE OF ASSESSMENT
10/07/03	10/07/09	01/02-12/02	.00	42.99	37.55	80.54
10/17/05	10/17/11	01/04-12/04	.00	482.76	425.93	908.69
					TOTAL	989.23

PAGE 1 OF 1
DATED AT PHOENIX, ARIZONA THIS 7 DAY OF NOVEMBER , 2005
Signature R. F. Hummel Title: Administrator

For additional information call: Phoenix (602) 542-5551 / Tucson (520) 628-6442
East Valley (480) 545-3500

ADOR LN1010 (05/04) (ADOR 20-1002)

98

Check Images Statement period: Dec 01-Dec 31, 2005 Account number: [redacted] image page: 3 of 12

10846

SUSAN MARDIAN

LAS VEGAS, NV

WELLS FARGO BANK, N.A.

LAS VEGAS, NV

PAY TO THE ORDER OF ARIZONA DEPARTMENT OF REVENUE $ 989.23

Nine Hundred Eighty-Nine and 23/100 DOLLARS

PO BOX

PHOENIX, AZ

MEMO LIEN ID [redacted]

[redacted]

[redacted] 10846 989.23

0039 54031

FOR DEPOSIT Bank of America

AZ Dept. of Rev.

State Treasurer

0133941874

3350016436

STATE OF ARIZONA
Department of Revenue

Janet Napolitano
Governor

J. Elliott Hibbs
Director

MARDIAN SR
MARDIAN L
4132 S RAINBOW #324
LAS VEGAS NV 89103

NOTICE OF INTENT TO RELEASE LIEN

DATE: **June 13, 2006**

I.D. #: **9322543339 & 9322543339**

LIEN #'S: **0502654 (Filed with Maricopa County and Secretary of State)**

Pursuant to your inquiry, the above referenced lien has been satisfied, and this office is processing a release of lien.

The executed release will be sent by courier to the Maricopa County Recorder's Office and Secretary Of State.

If you need more information or have questions, please contact our Lien Department at (602) 716-7805.

Sincerely,

Renee Jordan
Administrator/gac

Exhibit 5-C

APN: 163-35-310-004

RECORDING REQUESTED
Sorensen Construction, Inc.

AND WHEN RECORDED MAIL TO:
Sorensen Construction, Inc.

536 N. Glasgow Avenue
Henderson, NV 89015

SPACE ABOVE LINE FOR RECORDER'S USE

MECHANICS' LIEN

NOTICE IS HEREBY GIVEN THAT: Pursuant to the provisions of the Nevada Statutes, Sorensen Construction, Inc., 536 N. Glasgow Avenue, Henderson, NV 89015 hereafter referred to as "Claimant" (whether singular or plural), claims a lien upon the real property and buildings, improvement or structures thereon, described in Paragraph Six (6)below, and states the following:

(1) That demand of Claimant after deducting all just credits and offsets is $15,585.89 together with interest thereon at the rate of 10.00 percent per annum from April 8, 2006.

(2) That the name of the owner(s) or reputed owner(s) of said property, is (are): Rainbow Hotel, LLC, 4132 S. Rainbow Boulevard, PMB 324, Las Vegas, NV 89103.

(3) That Claimant did from * until ** perform labor and/or supply materials as follows: General construction labor and material for construction, alteration or repair of said building, improvements or structures, which labor, or materials, or both of them were in fact used in the construction, alteration or repair of said buildings, improvements or structures, the location of which is set forth in Paragraph Six (6) below. *September 2005 **unknown

(4) Claimant furnished work and materials under contract with, or at the request of Dayside, Inc., 4175 Cameron Street, #A, Las Vegas, NV 89103.

(5) The terms, time given and conditions of the contract are: Net 60.

(6) That the property upon which said lien is sought to be charged is situated in the City of Las Vegas, County of Clark, State of Nevada, commonly known as Holiday Inn Express, 6220 S. Rainbow Boulevard, Las Vegas, NV and more particulary described as APN: 163-35-310-004.

VERIFICATION

I, Angela Darling, being first duly sworn on oath, according to law, deposes and says:

I am the Authorized Agent of Sorensen Construction, Inc. the Lien Claimant named in the foregoing Notice and Claim of Lien, know the contents thereof and state that the same are true of my own personal knowledge, except those matters stated upon information and belief; and, as to those matters, I believe them to be true. I further state that the Notice and Claim of Lien contains, among other things, a correct statement of demand of Lien Claimant, after deducting all just credits and offsets.

Angela Darling

Angela Darling / Authorized Agent

State of California
County of San Diego

On 11-8-06 before me, Nancie Raddatz, Notary Public
Date — Name, Title or Office - e.g. Jane Doe,

personally appeared Angela Darling
Name(s) of Signer(s)

☒ personally known to me - OR ☐ proved to me the basis of satisfactory evidence to be the person(s) whose name(s) is / are subscribed to the within instrument and acknowledged to me that he / she / they executed the same in his / her / their authorized capacity(ies), and that by his / her / their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

NANCIE RADDATZ
Commission # 1663883
Notary Public - California
San Diego County
My Comm. Expires May 29, 2010

WITNESS my hand and official seal.

Nancie Raddatz

Signature of Notary

Receipt/Conformed Copy
Requestor:
C MCCULLOUGH
01/24/2007 14:53:35 T20070013498
Book/Instr: 20070124-0004282
Mech Lien Release Page Count: 2
Fees: $15.00 N/C Fee: $0.00

Debbie Conway
Clark County Recorder

APN: 163-35-310-004

AFTER RECORDING, MAIL TO:

Christopher R. McCullough, Esq
601 South Rancho Drive, Suite A-10
Las Vegas, Nevada 89106

RELEASE OF MECHANIC'S LIEN

NOTICE IS HEREBY GIVEN:

1. That on November 14, 2006, **Sorensen Construction, Inc.**, recorded a Mechanic's Lien, in the Office of the County Recorder for Clark County, Nevada, in Book 20061114 as Instrument No. 03735, in the amount of $15585.89, which lien pertained to the real property and improvements known as the Holiday Inn Express 6220 South Rainbow Blvd., Las Vegas, Clark County, Nevada, Assessor's Parcel No. 163-35-310-004.

2. That in consideration of certain payments, credits, offsets, and adjustments received by, and/or agreed to by Lien Claimant, said Mechanic's Lien hereinabove referenced, has been satisfied, and Lien Claimant, for itself, its heirs, successors and assigns, hereby acknowledges, that upon the recordation of this Release of Mechanic's Lien, the Mechanic's Lien is released and deemed satisfied.

3. The property charged by said lien, which by this document is released from said lien, is the real property and improvements known as the 6220 South Rainbow Blvd.,

Las Vegas, Clark County, Nevada, Assessor's Parcel No. 163-35-310-004.

DATED this 19 day of January, 2007.

SORENSEN CONSTRUCTION INC.
By [signature]
Mack Sorensen

VERIFICATION

STATE OF NEVADA)
:ss
COUNTY OF CLARK)

MACK SORENSEN being first duly sworn, deposes and says:

That he is the authorized agent of SORENSEN CONSTRUCTION, INC., that he has read the foregoing RELEASE OF MECHANIC'S LIEN and knows the contents thereof, and that the same is true of his own knowledge, except for those matters therein stated on information and belief, and as for those matters he believes it to be true.

[signature]

SUBSCRIBED AND SWORN before me this
9th day of January, 2007.

Mariane C. Carter
NOTARY PUBLIC in and for said County and State

AFTER RECORDING, MAIL TO:

Christopher R. McCullough, Esq.
601 South Rancho Drive, Suite A-10
Las Vegas, Nevada 89106

VERIFICATION

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

JAMES M. BARKER, ESQ., being first duly sworn according to law, and oath deposes and says: That he is the Attorney for LAS VEGAS PAVING CORPORATION, the lien claimant above named; that he has read the above and foregoing CERTIFICATE BY LIEN CLAIMANT DISCHARGING AND RELEASING LIEN, knows the contents thereof, and that the same is true of his own knowledge, except for those matters therein stated on information and belief, and for those matters, he believes them to be true.

JAMES M. BARKER, ESQ.

SUBSCRIBED and SWORN to before me
this 24th day of January, 2007.

Kimberley Lovelady
Notary Public in and for said
County and State

NOTARY PUBLIC
KIMBERLEY LOVELADY
STATE OF NEVADA - COUNTY OF CLARK
[illegible]
No: [illegible]

When recorded return to:

Barker-Washburn
3110 S. Rainbow Blvd., Suite 105
Las Vegas, Nevada 89146

APN: 163-35-301-012

Receipt/Conformed Copy
Requestor:
LEGAL EXPRESS
01/30/2007 13:45:49 T20070017220
Book/Instr: 20070130-0002967
Lien Release Page Count: 2
Fees: $15.00 N/C Fee: $0.00

Debbie Conway
Clark County Recorder

CERTIFICATE BY LIEN CLAIMANT DISCHARGING AND RELEASING LIEN

NOTICE IS HEREBY GIVEN THAT:

The undersigned did, on the 16th day of January, 2007, record in **Book 20070116** as **Instrument No. 0004389** in the Office of the County Recorder of Clark County, Nevada, its Notice of Lien, by which the undersigned gave notice of its intention to hold and claim lien upon the following described property, owned or reputedly owned by: **Rainbow Hotel, LLC, 4132 S. Rainbow Blvd. PMB 324, Las Vegas, Nevada 89103-3106**, situated in the County of Clark, State of Nevada, more particularly described as **Holiday Inn Express, 6180 S. Rainbow Blvd., APN: 163-35-301-012**, located in Las Vegas, Nevada and the whole of said real property.

NOW, THEREFORE, for valuable consideration the undersigned does by these presents release, satisfy and discharge said lien in the above-described property by reason of such Notice of Lien, or by reason of the work and labor on, or materials furnished for said property.

DATED this 29th day of January, 2007.

JAMES M. BARKER, ESQ.
Attorney for Las Vegas Paving Corporation

Exhibit 5-D

AS

Receipt/Conformed Copy

Requestor:
AMERICAN ASPHALT & GRADING
01/08/2007 12:23:47 T20070003444
Book/Instr: 20070108-0002282
Lien Page Count: 1
Fees: $14.00 N/C Fee: $0.00

Debbie Conway
Clark County Recorder

APN: 163-35-310-004

After Recording Please Mail to:

American Asphalt & Grading Co.
2690 N Decatur Blvd.
Las Vegas, NV 89108

Attn: Shauna Somerville

NOTICE OF LIEN

The undersigned claims lien upon the property described in this notice for work,, or equipment furnished for the improvement of property:

1. The amount of the original contract is: $67,019.56
2. The total amount of all changes and additions, if any, is: $0.00
3. The total amount of all payments received to date is: $45,519.56
4. The amount of the lien, after deducting all just credits and offsets, is: $10,750.00
5. The name of the owner, if known, of the property is **Rainbow Hotel LLC**
6. The name of the person by whom the claimant was employed or to when the lien claimant furnished work, materials or equipment is: **BENECON INC.**
7. A brief statement of the terms of payment of the lien claimant's contract is: **NET 30 DAYS**
8. A description of the property to be charged with lien is: Holiday Inn Express
6220 S. Rainbow Blvd

Tom

By: [signature]
Shane Dryanski, CFO

State of Nevada)
) ss.
County of Clark)

Shane Dryanski, being first duly sworn on oath according to law, deposes and says:

I have read the foregoing Notice of Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief and, as to those matters, I believe them to be true.

[signature]
Shane Dryanski, CFO

Subscribed and sworn before me this
8 day of the month of January of the year 2007

Shauna S Somerville
(Notary Public in and for the County and State)

Shauna S. Somerville
Notary Public
State of Nevada
Date Appointment Exp: 05-19-2010
Certificate No: 02-75983-1

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

JAMES M. BARKER, ESQ., being first duly sworn on oath according to law, deposes and says:

I have read the foregoing Notice of Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief, and, as to those matters, I believe them to be true.

JAMES M. BARKER, ESQ.

SUBSCRIBED and SWORN to before me this 12th day of January, 2007.

Kris Peterson
Notary Public in and for said County and State

KRIS PETERSON
Notary Public-State of Nevada
No. 98-49486-1
My appt. exp. Nov. 4, 2010

When Recorded, Mail To:

Barker Washburn
3110 S. Rainbow Blvd., Suite 105
Las Vegas, Nevada 89146

Receipt/Conformed Copy

Requestor:
AMERICAN ASPHALT & GRADING CO
01/22/2007 12:03:04 T20070011261
Book/Instr: 20070122-0001994
Lien Release Page Count: 1
Fees: $14.00 N/C Fee: $0.00

Debbie Conway
Clark County Recorder

APN: **163-35-301-012**

After Recording Please Mail to:

American Asphalt & Grading Co.
2690 N Decatur Blvd
Las Vegas, NV 89108
Attn: Shauna Somerville

NOTICE OF DISCHARGE OR RELEASE OF LIEN

(N.R.S. 108.2437)

NOTICE IS HEREBY GIVEN THAT:

The undersigned did, on the **8** day of **January** **,2007** record in Book **20070108** as Instrument **0002283**, in the Office of the County Recorder of **Clark** County, Nevada, its Notice of Lien upon the following described property or improvements, owned or purportedly owned by: Rainbow Hotel LLC located in **Las Vegas** the County of **Clark,** State of Nevada, to wit:

Holiday Inn Express
6180 S Rainbow Blvd

NOW, THEREFORE, for valuable consideration the Undersigned does release, satisfy and discharge the notice of lien on the property or improvements described above by reason of the Notice of Lien.

Dated this 22 day of January 2007

By: [signature]
Shane Dryanski, CFO

Subscribed and sworn before me, this 22 day of January of 2007

[signature]
(Notary Public in and for the County and State)

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
T. REAVES
Appt. No. 05-100220-1
My Appt. Expires March 24, 2009

Exhibit 5-E

Exceptions 23

2007/0116-0004389

Fee: $15.00
N/C Fee: $0.00

01/16/2007 16:09:43
T20070008082
Requestor:
LEGAL EXPRESS

Debbie Conway KXC
Clark County Recorder Pgs: 2

APN No. 163-35-301-012

NOTICE OF LIEN

The undersigned claims a lien upon the property described in this notice for work, materials or equipment furnished or to be furnished for the improvement of the property:

1. The amount of the original contract is: **$ 50,295.98.**
2. The total amount of all additional or changed work, materials and equipment, if any, is: **$0.**
3. The total amount of all payments received to date is: **$ 35,660.95.**
4. The amount of the lien, after deducting all just credits and offsets, is: **$ 14,635.03.**
5. The name of the owner, if known, of the property is: **Rainbow Hotel, LLC, 4132 S. Rainbow Blvd. P M B 324, Las Vegas, Nevada 89103-3106.**
6. The name of the person by whom the lien claimant was employed or to whom the lien claimant furnished or agreed to furnish work, materials or equipment is: **American Asphalt.**
7. A brief statement of the terms of payment of the lien claimant's contract is: <u>Net payable within 30 days of Invoice.</u>
8. A description of the property to be charged with the lien is:

Holiday Inn Express
6180 S. Rainbow Blvd.
Las Vegas, Nevada
PT NW4 SW4 SEC 35 21 60
APN No. 163-35-301-012

LAS VEGAS PAVING CORPORATION

JAMES M. BARKER, ESQ.

APN: 163-35-301-012

Receipt/Conformed Copy
Requestor:
LEGAL EXPRESS
01/30/2007 13:45:49 T20070017270
Book/Instr: 20070130-0002057
Lien Release Page Count: 2
Fees: $15.00 N/C Fee: $0.00

Debbie Conway
Clark County Recorder

CERTIFICATE BY LIEN CLAIMANT DISCHARGING AND RELEASING LIEN

NOTICE IS HEREBY GIVEN THAT:

The undersigned did, on the 16th day of January, 2007, record in **Book 20070116** as **Instrument No. 0004389** in the Office of the County Recorder of Clark County, Nevada, its Notice of Lien, by which the undersigned gave notice of its intention to hold and claim lien upon the following described property, owned or reputedly owned by: **Rainbow Hotel, LLC, 4132 S. Rainbow Blvd. PMB 324, Las Vegas, Nevada 89103-3106**, situated in the County of Clark, State of Nevada, more particularly described as **Holiday Inn Express, 6180 S. Rainbow Blvd., APN: 163-35-301-012**, located in Las Vegas, Nevada and the whole of said real property.

NOW, THEREFORE, for valuable consideration the undersigned does by these presents release, satisfy and discharge said lien in the above-described property by reason of such Notice of Lien, or by reason of the work and labor on, or materials furnished for said property.

DATED this 29th day of January, 2007.

JAMES M. BARKER, ESQ.
Attorney for Las Vegas Paving Corporation

VERIFICATION

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

JAMES M. BARKER, ESQ., being first duly sworn according to law, and oath deposes and says: That he is the Attorney for LAS VEGAS PAVING CORPORATION, the lien claimant above named; that he has read the above and foregoing CERTIFICATE BY LIEN CLAIMANT DISCHARGING AND RELEASING LIEN, knows the contents thereof, and that the same is true of his own knowledge, except for those matters therein stated on information and belief, and for those matters, he believes them to be true.

JAMES M. BARKER, ESQ.

SUBSCRIBED and SWORN to before me
this 24th day of January, 2007.

Kimberley Lovelady
Notary Public in and for said
County and State

NOTARY PUBLIC
KIMBERLEY LOVELADY
STATE OF NEVADA - COUNTY OF CLARK

When recorded return to:

Barker-Washburn
3110 S. Rainbow Blvd., Suite 105
Las Vegas, Nevada 89146

Exhibit 5-F

Exception No. 20

20070504-0002566

Fee: $14.00
N/C Fee: $0.00

05/04/2007 13:34:25
T20070077774
Requestor:
DAYSIDE INC

Debbie Conway KXC
Clark County Recorder Pgs: 1

APN: 163-35-312-001
After Recording Please Mail to:

Name: Dayside, Inc.
Address: 4175 Cameron Street, Suite A
Las Vegas, NV 89103

Space above this line for recorder

NOTICE OF LIEN

The undersigned claims lien upon the property described in this notice for work and/or equipment furnished for the improvement of property:

1. The amount of the original contract is: $5,824,000.00
2. The total amount of all changes and additions, if any, is: $ 844,129.69
3. The total amount of all payments received to date is: $6,379,023.66
4. The amount of the lien, after deduction all just credits and offsets, is: $289,106.03
5. The name of the owner, if known, of the property is: **Rainbow Hotel, LLC.**
6. The name of the person by whom the claimant was employed or to when the lien claimant furnished work, materials or equipment is: **Rainbow Hotel, LLC.**
7. A description of the property to be charged with lien is:

Holiday Inn Express
6220 S. Rainbow Blvd.
Las Vegas, Nevada

Name of Claimant: Dayside, Inc.

By: ______________________
Ronald J. Day – President

State of Nevada)
)
County of Clark)

Ronald Day, being first duly sworn on oath according to law, deposes and says:

I have read the foregoing Notice of Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief and as to those matters, I believe them to be true.

____
Ronald J. Day – President

Subscribed and sworn before me this 4 day of the month of May, 2007.

____
(Notary Public)

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
MARCI M. CUTTER
No: 05-100703-1
My Appointment Expires Oct. 7, 2009

Exhibit 5-G

20070510-0003952

Fee: $14.00
N/C Fee: $0.00

05/10/2007 14:15:17
T20070082711
Requestor:
DAYSIDE INC.

Debbie Conway SOL
Clark County Recorder Pgs: 1

APN: 177-27-410-006

After Recording Please Mail to:

Name: Dayside, Inc.
Address: 4175 Cameron Street, Suite A
Las Vegas, Nevada 89103

Space above this line for Recorder's Use

MECHANIC'S LIEN

The undersigned, Dayside, Inc. referred to in this Claim of Lien as the Claimant, claims a mechanic's lien for the labor, services, equipment and/or materials described below, furnished for a work improvement upon that certain real property located in the County of Clark, state of Nevada, and described as follows:

Milano Residence, 430 E. Cactus Avenue, Las Vegas, Nevada

Parcel # 177-27-410-006

After deducting all just credits and offsets, the sum of $ 381,661.40 together with interest thereon at the rate of 1.5% percent per annum from 4/06/07 is due claimant for the following labor, service, equipment and or/materials furnished by Claimant:

General Conditions, Masonry, Plumbing, Slab on Grade

The name of the person or company by whom claimant was employed, or to whom claimant furnished the labor, services, equipment and/or materials is:

Milano Residences, LLC., 4132 South Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103

The name (s) and address (s) of the owner(s) or reputed owner(s) of the real property is/are:
Milano Residences, LLC., 4132 South Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103

Name of Claimant: Dayside, Inc.

By ______________________
Ronald J. Day - President

State of Nevada)
)
County of Clark)

Ronald J. Day, being first duly sworn on oath according to law, deposes and says:
I have read the foregoing Mechanic's Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief and as to those matters, I believe them to be true.

____
Ronald J. Day – President

Subscribed and sworn before me this 10th day of May, 2007.

____
Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
MARCI M. CUTTER
No: 05-100703-1
My Appointment Expires Oct. 7, 2009

APN: 177-27-410-011

After Recording Please Mail to:

Name: Dayside, Inc.
Address: 4175 Cameron Street, Suite A
Las Vegas, Nevada 89103

Fee: $14.00
N/C Fee: $0.00
05/10/2007 14:15:17
T20070082711
Requestor:
DAYSIDE INC
Debbie Conway SOL
Clark County Recorder Pgs: 1

Space above this line for Recorder's Use

MECHANIC'S LIEN

The undersigned, Dayside, Inc. referred to in this Claim of Lien as the Claimant, claims a mechanic's lien for the labor, services, equipment and/or materials described below, furnished for a work improvement upon that certain real property located in the County of Clark, state of Nevada, and described as follows:

Milano Residence, 430 E. Cactus Avenue, Las Vegas, Nevada

Parcel # 177-27-410-011

After deducting all just credits and offsets, the sum of $ 381,661.40 together with interest thereon at the rate of 1.5% percent per annum from 4/06/07 is due claimant for the following labor, service, equipment and or/materials furnished by Claimant:

General Conditions, Masonry, Plumbing, Slab on Grade

The name of the person or company by whom claimant was employed, or to whom claimant furnished the labor, services, equipment and/or materials is:

Milano Residences, LLC., 4132 South Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103

The name (s) and address (s) of the owner(s) or reputed owner(s) of the real property is/are:
Milano Residences, LLC., 4132 South Rainbow Blvd., PMB 324, Las Vegas, Nevada 89103

Name of Claimant: Dayside, Inc.

By ______________________
Ronald J. Day - President

State of Nevada)
)
County of Clark)

Ronald J. Day, being first duly sworn on oath according to law, deposes and says:
I have read the foregoing Mechanic's Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief and as to those matters. I believe them to be true.

____
Ronald J. Day – President

Subscribed and sworn before me this 10th day of May, 2007.

Marci M. Cutter

Notary Public

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
MARCI M. CUTTER
No. 05-100703-1
My Appointment Expires Oct. 7, 2009

Exhibit 5-H

(4)

20070517-0003533

Fee: $17.00
N/C Fee: $0.00

05/17/2007 15:09:27
T20070088967
Requestor:
MCDONALD CARANO WILSON LLP

Debbie Conway STN
Clark County Recorder Pgs: 4

APN# 177-27-410-011

NOTICE OF LIEN

Recording requested by:

McDONALD CARANO WILSON LLP

Return to:

Name: Anthony D. Guenther, Esq.

Address 2300 West Sahara Ave., Suite 1000

City/State/Zip Las Vegas, NV 89102

This page added to provide additional information required by NRS 111.312 Sections 1-2 (Additional recording fee applies).

This cover page must be typed or printed clearly in black ink only.

Clark County Assessor Parcel No.
177-27-410-011

After recorded, mail to:

Anthony D. Guenther, Esq.
McDonald Carano Wilson LLP
2300 West Sahara Avenue, Suite 1000
Las Vegas, Nevada 89102

NOTICE OF LIEN

The undersigned, PERI FORMWORK SYSTEMS, INC. ("Claimant"), claims a lien upon the property described in this notice for work, materials or equipment furnished for the improvement of the property:

1. The amount of the original contracts is $316,938.77.

2. The total amount of all changes and additions is $29,855.76.

3. The total amount of all payments received to date is $117,423.76.

4. The amount of the lien, after deducting all just credits and offsets is $230,370.77.

5. The name of the owner(s), if known, of the Property: Milano Residences, LLC.

6. The name(s) of the person by whom the lien claimant was employed or to whom the lien claimant furnished work, materials or equipment: Jaw's Construction, Inc. and/or Dayside, Inc.

7. A brief statement of the terms of payment of the lien claimant's contract: Net 30 days from invoice date, plus 1.5% per month on past due amounts plus collection costs, including attorneys' fees. Amounts about do not include finance charges/interest or collection costs.

8. A description of the property to be charged with the lien is: See Exhibit "1" attached hereto and incorporated herein by this reference as though set forth in full and at length.

STATE OF MARYLAND)
) ss.
COUNTY OF HOWARD)

Roland Hanelt, being first duly sworn on oath according to law, deposes and says: I have read the foregoing Notice of Lien, know the contents thereof, and state that the same is true of my own personal knowledge, after reasonable investigation, except those matters stated upon information and belief, and, as to those matters, I believe them to be true.

PERI FORMWORK SYSTEMS, INC.

____
Roland Hanelt, Vice President

Subscribed and sworn to before me
this 15th day of May, 2007.

____
Notary Public in and for said County and State

EXHIBIT 1

The real property and improvements described as:

Clark County Tax Assessor Description	Bermuda Cactus Shopping Center Plat Book 93 Page 87 Pt Lot 1

and/or described as

Address	430 East Cactus Ave, Enterprise Township, Clark County, Nevada

and/or described as

Clark County Tax Assessor Parcel No.	177-27-410-011

APN# 177-27-410-011

11-digit Assessor's Parcel Number may be obtained at:
http://redrock.co.clark.nv.us/assrrealprop/ownr.aspx

AMENDED NOTICE OF LIEN

Type of Document
(Example: Declaration of Homestead, Quit Claim Deed, etc.)

Recording Requested by:

Robert S. Downs, Esquire (410) 727-6464

Return Documents To:

Name Robert S. Downs, Esquire

Address Miles & Stockbridge P.C., 10 Light Street

City/State/Zip Baltimore, Maryland 21202

This page added to provide additional information required by NRS 111.312 Section 1-2

(An additional recording fee of $1.00 will apply)

This cover page must be typed or printed clearly in black ink only.

OR Form 108 ~ 06/06/2007
Coversheet.pdf

PERI FORMWORK SYSTEMS, INC.

NEVADA MECHANIC'S LIEN – AMENDED NOTICE OF LIEN

Assessor's Parcel Numbers:177-27-410-011

The undersigned claims a lien upon the property described in this notice for work, materials or equipment furnished for the improvement of the property described as follows:

1. The amount of the original contract is: $316,938.77

2. The total amount of all changes and additions, if any, is: $12,775.91

3. The total amount of all payments received to date is: $82,865.54

4. The amount of the lien, after deducting all just credits and offsets, is: $246,849.14

5. The name of the owner, if known, of the property is: Milano Residences, LLC

6. The name of the person by whom the lien claimant was employed or to whom the lien claimant furnished work, materials or equipment is: Dayside, Inc.

7. A brief statement of the terms of payment of the lien claimant's contract is: Net 30 days from invoice date, plus 1.5% per month on past due amounts plus collection costs, including attorneys' fees. Amounts about do not include finance charges/interest or collection costs.

8. A description of the property to be charged with the lien is: Bermuda Cactus Shopping Center, Plat Book 93 Page 87, Pt Lot 1.

PERI Formwork Systems, Inc.

Robert S. Downs, on behalf of PERI Formwork Systems, Inc.

I, Robert S. Downs, being first duly sworn on oath according to law, deposes and says:

I have read the foregoing Notice of Lien, know the contents thereof and state that the same is true of my own personal knowledge, except those matters stated upon information and belief, and, as to these matters, I believe them to be true.

Robert S. Downs

SUBSCRIBED AND SWORN to before me this 21st day of the month of September, of the year 2007.

Notary Public in and for Harford Co. in the State of Maryland

My commission expires: Charlene E. Getz NOTARY PUBLIC Harford County, Maryland My Commission Expires 02/01/08