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ORIGINAL

MEMORANDUM

30

TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

for

DATE: June 30, 2008

RE: STAFF REPORT FOR DEL RIO WATER COMPANY, L.L.C. – APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-04074A-08-0094)

Attached is the Staff Report for Del Rio Water Company, L.L.C. application for Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:lh

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

JUN 30 2008

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Service List for: Del Rio Water Company, L.L.C.
Docket No. W-04074A-08-0094

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

DEL RIO WATER COMPANY, L.L.C.

DOCKET NO. W-04074A-08-0094

APPLICATION FOR CERTIFICATE OF
CONVENIENCE AND NECESSITY

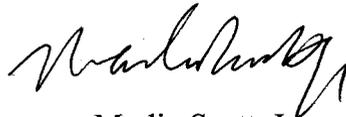
JUNE 30, 2008

STAFF ACKNOWLEDGMENT

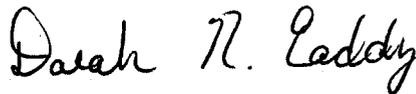
The Staff Report for Del Rio Water Company, L.L.C. (Docket No. W-04074A-08-0094) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis. Darak R. Eaddy was responsible for the review and recommendation on rate base and usage rates.



Blessing Chukwu
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer



Darak R. Eaddy
Public Utilities Analyst II

EXECUTIVE SUMMARY
DEL RIO WATER COMPANY, L.L.C.
DOCKET NO. W-04074A-08-0094

On February 15, 2008, Del Rio Water Company, L.L.C. ("Del Rio" or "Water Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide water service in portions of Yavapai County, Arizona. On April 21, 2008, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

Del Rio is a Limited Liability Company, in good standing with the ACC Corporations Division, and formed to provide water utility service in a portion of Yavapai County, Arizona, and is seeking a CC&N for these areas. The requested area is approximately 4.8 square-miles or 3,080 acres and is located in the Town of Chino Valley in Yavapai County. At the end of five years, Del Rio is projecting to serve 720 customers, all of whom will be of the residential class.

Staff has reviewed the proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Water Service CC&N

Staff recommends the Commission approve Del Rio's application for a CC&N to provide water service within portions of Yavapai County, Arizona, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of Del Rio's property devoted to water service is \$3,083,825.
2. That the Commission approve Staff's rates as shown on Water Schedule DRE-W-4. In addition to collection of its regular rates, Del Rio may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require Del Rio to file notice with Docket Control, as a compliance item in this docket, that Del Rio has started providing service to its first customer within 15 days of providing service.

5. That the Commission require Del Rio to file a rate application no later than three-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require Del Rio to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts for Water Utilities.
7. That the Commission require Del Rio to use the depreciation rates recommended by Staff.
8. That the Commission require Del Rio to finance 100 percent of its plant with equity with no more than 30 percent of the funding from Advance in Aid of Construction ("AIAC").
9. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, copies of the Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval to Construct ("ATC") for the Del Rio East – Alpha development when received by the Water Company, but in no event later than two years after the effective date of the order granting this application.
10. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Water Resources ("ADWR") Certificate of Assured Water Supply for the Del Rio East – Alpha development within two years after the effective date of the order granting this application.
11. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from the Town of Chino Valley for the requested area within 365 days of the decision in this matter.
12. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the arsenic treatment system when received by the Water Company, but in no event later than two years after the effective date of the order granting this application.
13. That the Commission require Del Rio to provide a performance bond or irrevocable sight draft letter of credit in the amount of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

Staff further recommends that the Commission's Decision granting the CC&N to Del Rio be considered null and void, after due process, should Del Rio fail to meet Conditions Nos. 3, 9, 10, 11, 12, and 13 listed above within the time specified.

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Introduction

On February 15, 2008, Del Rio Water Company, L.L.C. ("Del Rio" or "Water Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide water service in portions of Yavapai County, Arizona.

On April 21, 2008, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

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

The requested area is approximately 4.8 square-miles or 3,080 acres and is located in the Town of Chino Valley in Yavapai County. The requested area consists of Del Rio development (owned by The Bond Ranch at Del Rio Springs, L.L.C.) and a 24.82 acre property (owned by Del Rio Apartments, L.L.C.). Del Rio development consists of 3,055 acres. This first phase of the development known as Del Rio East – Alpha covers only approximately 292 acres of the requested 3,080 acres. At the end of five years, Del Rio is projecting to be serving 720 customers, all of whom will be of the residential class. According to an e-mail from Del Rio's Representative dated June 19, 2008, "Phase 2 of the Del Rio project is estimated to go into development in approximately four years. Depending on market conditions, it could be sooner or later than that. The Del Rio Apartments are estimated to go into development in approximately three years. Depending on market conditions and when water and sewer facilities are extended closer to the property, it could be sooner or later than that."

There is a partial commonality of ownership of The Bond Ranch at Del Rio Springs, L.L.C., and Del Rio Apartments, L.L.C. Most of the members of Del Rio Apartments, L.L.C., are also members of The Bond Ranch at Del Rio Springs, L.L.C. The Bond Ranch at Del Rio Springs, L.L.C., also has additional members who are not members of Del Rio Apartments, L.L.C. According to Corporations Division's record, The Bond Ranch at Del Rio Springs, L.L.C. is the sole member of the Water Company.

Del Rio received requests for service from The Bond Ranch at Del Rio Springs, L.L.C. and Del Rio Apartments, L.L.C. for their respective properties described above.

The Proposed Water System

In order to serve the Del Rio East – Alpha development, the Water Company is proposing to upgrade an existing well (1,000 gallons per minute ("GPM")), construct arsenic treatment facilities, a 500,000 gallon of storage tank, booster system and approximately 50,000 lineal feet

of transmission and distribution mains at a total projected cost of approximately \$6 million. Del Rio is projecting to serve 80 customers in the first year and 720 customers by the end of the fifth year. The first homes in the initial phase of the development are planned to be completed in 2010.

According to the Water Company's response to Staff's Insufficiency Letter, wastewater service will be provided within the requested water CC&N by the Town of Chino Valley through its existing wastewater treatment plant. The Bond Ranch at Del Rio Springs, L.L.C. has prepaid the sewer connection fees for its development.

Staff concludes that the Water Company's proposed water system will have adequate infrastructure to serve the Del Rio East – Alpha development.

Cost Analysis

Del Rio submitted an estimated plant-in-service spreadsheet for the first five years by National Association of Regulatory Utility Commissioners ("NARUC") plant account. Staff has reviewed this proposed plant-in-service and made an adjustment to Account No. 307 – Wells & Springs. The Water Company reported \$537,625 in this well account which included well pumping equipment totaling \$487,625. Staff reclassified this \$487,625 amount into Account No. 311 – Electrical Pumping Equipment and kept the remaining \$50,000 in Account No. 307 that related to the upgrading of the existing well. See Table A of the attached Engineering Report for Staff's adjustments to the Water Company's proposed plant-in-service.

Staff has reviewed the proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed 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

The Water Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that Del Rio file with Docket Control, as a compliance item in this docket, copies of the ATC for the Del Rio East – Alpha development when received by the Water Company, but in no event later than 2 years after the effective date of the order granting this application.

Arizona Department of Water Resources ("ADWR") Compliance

There is no ADWR compliance status to report at this time. The proposed CC&N will be located in the Prescott Active Management Area ("AMA") and will be subject to the Prescott AMA reporting and conservation requirements.

As part of the application, one property owner received a Physical Availability Demonstration on January 30, 2003, for The Bond Ranch at Del Rio Springs. This study area demonstrated that 3,531 acre-feet per year of groundwater was physically available for 100 years in Sections 22, 26, 27, and 34 of Township 17 North, Range 2 West, in Yavapai County. Also included in the application, the same property owner submitted a copy of the Certificate of Assured Water Supply application that was filed with ADWR on February 15, 2008.

Staff recommends that the Water Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Certificate of Assured Water Supply for the Del Rio East – Alpha development within two 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 in drinking water from 50 parts per billion (“ppb”) to 10 ppb. The latest arsenic level from the existing well source for the Del Rio East – Alpha development has been reported at 14 ppb. Based on this level, the Water Company will be constructing arsenic treatment facilities for its proposed water system.

Staff recommends that the Water Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for arsenic treatment system when received by the Water Company, but in no event later than two years after the effective date of the order granting this application.

Water Depreciation Rates

Del Rio has adopted the majority of Staff’s typical Water Depreciation Rates. The Water Company differs in the depreciation rates for Account 330 - Storage Tank at 10 percent and Account 348 - Other Tangible Plant at 3.33 percent. Staff recommends that the Water Company adopt Staff’s depreciation rate for the Storage Tanks at 2.22 percent and the Other Tangible Plant should have no rate at this time. Since the Water Company’s proposed plant-in-service has no plant facilities or plant cost for Account 348 – Other Tangible Plant, Staff suggest that this account’s depreciation rate be set in accordance with the specific capital item when known. Staff’s typical rates are presented in Table B of the attached Engineering Report and it is recommended that the Water Company use these depreciation rates by individual NARUC category as delineated.

Service Line and Meter Installation Charges

Del Rio is adopting Staff’s typical list of service line and meter installation charges. Since the Water 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 the charges as shown in Table C of the attached Engineering Report, with separate installation charges for service line and meter installations.

Fair Value Rate Base

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

Staff reviewed Del Rio's proposed Plant in Service and has made several adjustments. The Water Company proposed a capital structure of 100 percent equity and 0 percent debt. The Water Company is requesting that approximately 49.7 percent of the equity be funded through Advances in Aid of Construction ("AIAC"). The AIAC is in the form of a refundable developer advance to the Water Company. Staff's first adjustment is to increase the amount of actual equity investment from the Water Company in the capital structure from approximately 50 percent to approximately 70 percent. Staff believes that a strong equity position is fundamental to the long-term financial health and the dedication of owners to the utility's operational efficiency and effectiveness. The need for a strong equity position leads Staff to its adjustment to limit advances to 30 percent of total capital. Inadequate equity capital at start-up contributes to undermining the long-term financial health of a utility; it provides an insufficient earnings base for funding growth and future replacement of facilities; and discourages a long-term interest and commitment from owners. Therefore, a lower initial level of actual equity capitalization is not in the public interest. Staff's recommended capital structure is 100 percent equity, 0 percent debt, with no more than 30 percent of the funding from AIAC. See Schedules DRE-W-5 and DRE-W-6.

Staff reviewed Del Rio's revenue and expense projections and found them to be generally reasonable. However, Staff adjusted the proposed revenues in order to achieve the revenues needed to achieve a projected 8.04 percent rate of return by the fifth year of operations given Staff's recommended capital structure. Staff also has removed the three percent growth rate that the Water Company applied annually to the insurance and miscellaneous expenses. Staff adjusted the depreciation expense to reflect Staff's recommended 2.22 percent depreciation rate for Account 330.1 Storage Tanks. Finally, Staff adjusted the proposed property taxes to reflect changes to the proposed revenue. See Schedule DRE-W-1.

Staff adjusted plant in service by removing \$487,625 from Account No. 307 Wells & Springs and reclassifying this amount to Account No. 311 Pumping Equipment. This amount was for the purchase of well pumping equipment that had been incorrectly assigned to the Wells & Springs account. See Schedule DRE-W-2.

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

Staff determined the projected rate base for the water Plant in Service to be \$3,083,825 at the end of five years. See Schedule DRE-W-1.

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

Revenue and Expenses

As justification for the initial rates, Del Rio has estimated its revenue and expense. The revenue estimates were adjusted by Staff through adjustment of the recommended rates in order to obtain a projected return on rate base of 8.04 percent in year 5. Staff also reviewed the Water Company's expense estimates and as previously noted adjusted the property taxes expense, removed the proposed expense growth rate, and adjusted depreciation expense to reflect Staff's recommended depreciation rates and Staff's recommended water rates. See Schedule DRE-W-1 in the attached Rate Analyst Report.

Rate Design

All of the Water Company's projected revenue is derived from the residential customer class. Staff has reviewed the estimates and made several adjustments to the Water Company's proposed residential rates and rate structure to achieve a projected 8.04 percent return on rate base in year 5. Staff first adjusted Del Rio's proposed rate structure from a \$2.65 per 1,000 gallons flat rate to an inverted three-tier rate structure. Staff's recommended rate structure encourages efficient use of water resources by charging an increasing rate for increasing water usage. Staff also adjusted the Water Company's proposed minimum charges for the various meter sizes. Del Rio's proposed minimum charge for the 3/4-inch meter was adjusted from the Water Company's proposed charge of \$34 to \$35 per month. Staff's adjustments to the Water Company's proposed residential rates and rate structure were necessary to reflect Staff's adjustments to the Water Company's proposed capital structure and proposed expenses. See DRE-W-4 in the attached Rate Analyst Report.

Staff recommends the service charge for deposits be per Commission rule AAC R14-2-403(B) instead of the Water Company's proposed charge referencing Commission rule AAC R14-2-403(D). The other service charges proposed were found reasonable and should be adopted for the Water Company's initial rates. Staff also agreed with the Water Company's proposed charges for service line and for meter installation. See Schedule DRE-W-4.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the Water Company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that Del Rio be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from the Town of Chino Valley for the requested area within 365 days of the decision in this matter.

Fit and Proper

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

Del Rio is a new utility with no prior operating experience and plans to charge customer deposits or advances. Fann Environmental, Inc. will provide the Certified Operator services and is the On-Site Manager for the Water Company. According to the June 19, 2008 e-mail from the Water Company's Representative, Fann Environmental, Inc. is the operator of the Town of Chino Valley's sewer system.

In recent Commission Decisions,¹ performance bonds have been required for new CC&Ns where a substantial number of customer deposits or advances may be held by a regulated utility, the company has no prior experience in operating a water or wastewater facility, or where the financial strength of the entity could be in jeopardy due to inadequate funding, pending law suits, etc. Performance bonds or letters of credit provide the customers security in the event a new utility files for bankruptcy.

Staff believes that the ultimate obligation of the Commission is to protect the public interest; to that end the imposition of reasonable conditions to ensure Del Rio is conducting its business operations in a manner which will not compromise the interests of its customers should be required. Therefore, in order to accomplish these goals, Staff recommends the Commission require Del Rio to provide a performance bond or irrevocable sight draft letter of credit of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

¹ Such as Decision Nos. 68235, 68236, 68237.

Recommendations

Water Service CC&N

Staff recommends the Commission approve Del Rio's application for a CC&N to provide water service within portions of Yavapai County, Arizona, subject to compliance with the following conditions:

1. That the Commission find that the fair value rate base of Del Rio's property devoted to water service is \$3,083,825.
2. That the Commission approve Staff's rates as shown on Water Schedule DRE-W-4. In addition to collection of its regular rates, Del Rio may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require Del Rio to file notice with Docket control, as a compliance item in this docket, that Del Rio has started providing service to its first customer within 15 days of providing service.
5. That the Commission require Del Rio to file a rate application no later than three-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require Del Rio to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require Del Rio to use the depreciation rates recommended by Staff.
8. That the Commission require Del Rio to finance 100 percent of its plant with equity with no more than 30 percent of the funding from AIAC.
9. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, copies of the ADEQ Certificate of ATC for the Del Rio East – Alpha development when received by the Water Company, but in no event later than two years after the effective date of the order granting this application.
10. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the ADWR Certificate of Assured Water Supply for the Del Rio East – Alpha development within two years after the effective date of the order granting this application.

11. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from the Town of Chino Valley for the requested area within 365 days of the decision in this matter.
12. That the Commission require Del Rio to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the arsenic treatment system when received by the Water Company, but in no event later than two years after the effective date of the order granting this application.
13. That the Commission require Del Rio to provide a performance bond or irrevocable sight draft letter of credit in the amount of \$250,000. The bond or letter of credit shall remain in place until further Order of the Commission. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on each July and January covering the preceding six month period.

Staff further recommends that the Commission's Decision granting the CC&N to Del Rio be considered null and void, after due process, should Del Rio fail to meet Conditions Nos. 3, 9, 10, 11, 12, and 13 listed above within the time specified.

MEMORANDUM

DATE: June 5, 2008

TO: Blessing N. Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr.
Utilities Engineer *msj*

RE: Del Rio Water Company, LLC
Docket No. W-04074A-08-0094 (CC&N)

Introduction

Del Rio Water Company, LLC (“Company”) submitted an application for a Certificate of Convenience and Necessity (“CC&N”) to provide water service to areas near the Town of Chino Valley in Yavapai County. The total requested area is 4.8 square-miles or approximately 3,080 acres that would provide service to the Del Rio East – Alpha subdivision development in the first phase. This first phase development covers only approximately 292 acres of the requested 3,080 acres.

Company’s Proposed Water System

To serve the Del Rio East – Alpha development, the Company is proposing to upgrade an existing well (1,000 gallons per minute (“GPM”)), construct arsenic treatment facilities, a 500,000 gallon of storage tank, booster system and approximately 50,000 lineal feet of transmission and distribution mains at a total projected cost of approximately \$6 million. The Company is projecting to serve 80 customers in the first year and 720 customers by the end of the fifth year. The first homes in the initial phase of the development are planned to be completed in 2010.

Cost Analysis

The Company submitted an estimated plant-in-service spreadsheet for the first five years by National Association of Regulatory Utility Commissioners (“NARUC”) plant account. Staff has reviewed this proposed plant-in-service and made an adjustment to Account No. 307 – Wells & Springs. The Company reported \$537,625 in this well account which included well pumping equipment totaling \$487,625. Staff reclassified this \$487,625 amount into Account No. 311 – Electrical Pumping Equipment and kept the remaining \$50,000 in Account No. 307 that related to the upgrading of the existing well. Therefore,

Staff adjustments to the Company's proposed plant-in-service are shown shaded in Table A – Plant-in-Service below:

Table A. Plant-in-Service

Acct. No.	Plant-in-Service	CC&N Year 1	Total Year 1	Additions Year 2,3,4,5	Total 1st 5 Years
301	Organization	\$ -	\$ -	\$ -	\$ -
302	Franchise	-	-	-	-
303	Land & Land Rights Two sites; 0.48 & 1.52 acres	200,000	200,000	-	200,000
304	Structures & Improvements Clear & grub, 3 ac. Aggregate base course Site work-landscape	2,467 48,981 101,200	152,648	-	152,648
307	Wells & Springs Well 1-12" x 716 ft. (upgrade)	50,000	50,000	-	537,625
311	Electric Pumping Equip. Well-pump @ 1,000 GPM Pump station/hydro tank Utility hook-up, meter drop	487,625 632,500 56,925	1,177,050	-	689,425
320	Water Treatment Equip. Arsenic treatment - 350 gpm	632,500	632,500	-	632,500
330	Dist. Reservoir & Standpipe 500,000 gal. storage tank	569,250	569,250	-	569,250
331	Transmission & Dist. Mains 12"-Raw line, 500 ft. 12"-transmission line, 300 ft. 12"-mains, 10,715 ft. 8"-mains, 38,520 ft.	28,463 17,078 677,724 1,413,105	2,136,370	-	2,136,370
333	Services 80 each @ \$355 for Year 1 110 each @ \$355 for Year 2 170 each @ \$355 for Year 3 180 each @ \$355 for Year 4 180 each @ \$355 for Year 5	28,400	28,400	39,050 60,350 63,900 63,900	255,600
334	Meters 80 each @ \$165 for Year 1 110 each @ \$165 for Year 2 170 each @ \$165 for Year 3 180 each @ \$165 for Year 4	13,200	13,200	18,150 28,050 29,700	118,800

	180 each @ \$165 for Year 5			29,700	
335	Hydrants 99 each	626,175	626,175	-	626,175
345	Power Operated Equipment	75,900	75,900	-	75,900
		\$5,661,493	\$5,661,493	\$ 332,800	\$5,994,293

Staff has reviewed the Company's proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed 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 the Del Rio East – Alpha development when received by the Company, but in no event 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 in drinking water from 50 parts per billion ("ppb") to 10 ppb. The latest arsenic level from the exiting well source for the Del Rio East – Alpha development has been reported at 14 ppb. Based on this level, the Company will be constructing arsenic treatment facilities for its proposed water system.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for arsenic treatment system when received by the Company, but in no event later than 2 years after the effective date of the order granting this application.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

There is no ADWR compliance status to report at this time. The proposed CC&N will be located in the Prescott Active Management Area (“AMA”) and will be subject to the Prescott AMA reporting and conservation requirements.

Certificate of Assured Water Supply

As part of the application, one property owner received a Physical Availability Demonstration on January 30, 2003, for the Bond Ranch at Del Rio Springs. This study area demonstrated that 3,531 acre-feet per year of groundwater was physically available for 100 years in Sections 22, 26, 27, and 34 of Township 17 North, Range 2 West, in Yavapai County. Also included in the application, the same property owner submitted a copy of the Certificate of Assured Water Supply application that was filed with ADWR on February 15, 2008.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Certificate of Assured Water Supply for the Del Rio East – Alpha development within 2 years after the effective date of the order granting this application.

Water Depreciation Rates

The Company has adopted the majority of Staff’s typical Water Depreciation Rates. The Company differs in the depreciation rates for Account 330 - Storage Tank at 10% and Account 348 - Other Tangible Plant at 3.33%. Staff recommends that the Company adopt Staff’s depreciation rate for the Storage Tanks at 2.22% and the Other Tangible Plant should have no rate at this time. Since the Company’s proposed plant-in-service has no plant facilities or plant cost for Account 348 – Other Tangible Plant, Staff suggest that this account’s depreciation rate be set in accordance with the specific capital item when known. Therefore, Staff’s typical rates are presented in Table B and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated.

Service Line and Meter Installation Charges

The Company is adopting Staff’s typical list of service line and meter installation 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 the charges as shown in Table C, with separate installation charges for service line and meter installations.

Summary

Conclusions

- A. Staff concludes that the Company's proposed water system will have adequate infrastructure to serve the Del Rio East – Alpha development.
- 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.

Recommendations

- 1. Staff recommends that Staff's Table A – Plant-in-Service be adopted for the Company's plant-in-service in this proceeding.
- 2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ATC for the Del Rio East – Alpha development when received by the Company, but in no event later than 2 years after the effective date of the order granting this application.
- 3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for arsenic treatment system when received by the Company, but in no event later than 2 years after the effective date of the order granting this application.
- 4. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Certificate of Assured Water Supply for the Del Rio East – Alpha development within 2 years after the effective date of the order granting this application.
- 5. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table B.
- 6. Staff recommends approval of its service line and meter installation charges as shown in Table C, with separate installation charges for the service line and meter installations.

Table B. 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	12.50
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
348	Other Tangible Plant	-	-

Table C. Service Line and Meter Installation Charges

Meter Size	Service Line Charges	Meter Charges	Total Charges
5/8 x 3/4-inch	\$355	\$85	\$440
3/4-inch	\$355	\$165	\$520
1-inch	\$405	\$205	\$610
1-1/2-inch	\$440	\$415	\$855
2-inch Turbine	\$600	\$915	\$1,515
2-inch Compound	\$600	\$1,640	\$2,240
3-inch Turbine	\$775	\$1,420	\$2,195
3-inch Compound	\$815	\$2,215	\$3,030
4-inch Turbine	\$1,110	\$2,250	\$3,360
4-inch Compound	\$1,170	\$3,145	\$4,315
6-inch Turbine	\$1,670	\$4,445	\$6,115
6-inch Compound	\$1,710	\$6,180	\$7,890

MEMORANDUM

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

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

Date: June 5, 2008

RE: DEL RIO WATER COMPANY, LLC. APPLICATION FOR NEW
CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKET NO.
W-04074A-08-0094

INTRODUCTION

On February 15, 2008, Del Rio Water Company, LLC. (“Company” or “Del Rio”) submitted an application to the Arizona Corporation Commission (“Commission”) for a Certificate of Convenience and Necessity (“CC&N”) to provide public utility water services in the Town of Chino Valley in Yavapai County, Arizona. On April 21, 2008, the application was determined to have met sufficiency by the Commission Staff (“Staff”). The application indicates that the Company will provide water service to an area of approximately 3,080 acres in Chino Valley. At the end of five years Del Rio is projecting to be serving 720 customers, all of whom will be of the residential class.

FAIR VALUE RATE BASE

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

Staff reviewed the Company’s proposed Plant in Service and has made several adjustments. The Company proposed a capital structure of 100 percent equity and 0 percent debt. The Company is requesting that approximately 49.7 percent of the equity be funded through advances in aid of construction (“AIAC”). The AIAC is in the form of a refundable developer advance to the Company. Staff’s first adjustment is to increase the amount of actual equity investment from the Company in the capital structure from approximately 50 percent to approximately 70 percent. Staff believes that a strong equity position is fundamental to the long-term financial health and the dedication of owners to the utility’s operational efficiency and effectiveness. The need for a strong equity position leads Staff to its adjustment to limit

advances to 30 percent of total capital. Inadequate equity capital at start-up contributes to undermining the long-term financial health of a utility; it provides an insufficient earnings base for funding growth and future replacement of facilities; and discourages a long-term interest and commitment from owners. Therefore, a lower initial level of actual equity capitalization is not in the public interest. Staff's recommended capital structure is 100 percent equity, 0 percent debt, with no more than 30 percent of the funding from AIAC. See Schedules DRE-W-5 and DRE-W-6.

Staff reviewed the Company's revenue and expense projections and found them to be generally reasonable. However, Staff adjusted the proposed revenue in order to achieve the revenue needed to achieve a projected 8.04 percent rate of return by the fifth year of operations given Staff's recommended capital structure. Staff also has removed the three percent growth rate that the Company applied annually to the insurance and miscellaneous expenses. Staff adjusted the depreciation expense to reflect Staff's recommended 2.22 percent depreciation rate for Account 330.1 Storage Tanks. Finally, Staff adjusted the proposed property taxes to reflect changes to the proposed revenue. See Schedule DRE-W-1.

Staff adjusted plant in service by removing \$487,625 from Account No. 307 Wells & Springs and reclassifying this amount to Account No. 311 Pumping Equipment. This amount was for the purchase of well pumping equipment that had been incorrectly assigned to the Wells & Springs account. See Schedule DRE-W-2.

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

Staff determined the projected rate base for the water Plant in Service to be \$3,083,825 at the end of five years. See Schedule DRE-W-1.

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

REVENUE AND EXPENSE

As justification for the initial rates, the Company has estimated its revenue and expense. The revenue estimates were adjusted by Staff through adjustment of the recommended rates in order to obtain a projected return on rate base of 8.04 percent in year 5. Staff also reviewed the Company's expense estimates and as previously noted adjusted the property taxes expense, removed the proposed expense growth rate, and adjusted depreciation expense to reflect Staff's recommended depreciation rates and Staff's recommended water rates. See Schedule DRE-W-1.

RATE DESIGN

All of the Company's projected revenue is derived from the residential customer class. Staff has reviewed the estimates and made several adjustments to the Company's proposed residential rates and rate structure to achieve a projected 8.04 percent return on rate base in year 5. Staff first adjusted the Company's proposed rate structure from a \$2.65 per 1,000 gallons flat rate to an inverted three-tier rate structure. Staff's recommended rate structure encourages efficient use of water resources by charging an increasing rate for increasing water usage. Staff also adjusted the Company's proposed minimum charges for the various meter sizes. The Company proposed minimum charge for the 3/4-inch meter was adjusted from the Company's proposed charge of \$34 to \$35 per month. Staff's adjustments to the Company's proposed residential rates and rate structure were necessary to reflect Staff's adjustments to the Company's proposed capital structure and proposed expenses. See DRE-W-4.

Staff recommends the service charge for deposits be per Commission rule AAC R14-2-403(B) instead of the Company's proposed charge referencing Commission rule AAC R14-2-403(D). The other service charges proposed were found reasonable and should be adopted for the Company's initial rates. Staff also agreed with the Company's proposed charges for service line and for meter installation. See Schedule DRE-W-4.

RECOMMENDATIONS

Staff recommends:

- approval of Staff's rates as shown on Schedule DRE-W-4. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
- approval of Staff's capital structure as shown on Schedule DRE-W-6.
- the Company be required to notify Docket Control within 15 days of providing service to its first customer.
- the Company be required to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
- the Company be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for water utilities.
- the Company be required to use the depreciation rates recommended by Staff for water utilities.

**PROFORMA INCOME STATEMENT AND
ORIGINAL COST RATE BASE**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Operating Revenue:					
Metered Revenue	\$43,728	\$147,582	\$300,630	\$491,940	\$688,716
Other Water Revenue	2,000	2,750	4,250	4,500	4,500
Total Operating Revenue	\$45,728	\$150,332	\$304,880	\$496,440	\$693,216
Operating Expenses:					
Operation and Maintenance	\$15,444	\$36,124	\$70,787	\$114,115	\$158,681
Depreciation	124,335	250,076	253,656	258,130	262,732
Property Taxes	2,414	4,159	8,416	15,607	23,913
Income Taxes	0	0	0	0	0
Total Operating Expense	\$142,193	\$290,359	\$332,858	\$387,851	\$445,325
Operating Income/(Loss)	(\$96,466)	(\$140,027)	(\$27,978)	\$108,589	\$247,891
Less:					
Interest Income	0	0	0	0	0
Net Income	(\$96,466)	(\$140,027)	(\$27,978)	\$108,589	\$247,891
Number of Customers					
Residential	80	190	360	540	720
Commercial	0	0	0	0	0
Total	80	190	360	540	720
Plant in Service	\$5,661,493	\$5,718,693	\$5,807,093	\$5,900,693	\$5,994,293
Less: Accumulated Depreciation	124,335	374,411	628,067	886,197	1,148,928
Net Advances in Aid of Construction	1,601,341	1,650,009	1,713,770	1,758,587	1,774,913
Plus: 1/24 Power	313	675	1,375	2,250	3,150
Plus: 1/8 Operation and Maintenance	993	2,491	4,723	7,514	10,385
ORIGINAL COST RATE BASE	\$3,937,122	\$3,697,439	\$3,471,354	\$3,265,673	\$3,083,987
Rate of Return	-2.45%	-3.79%	-0.81%	3.33%	8.04%

PLANT IN SERVICE

Acc't No.	Description	Cost	Additions	Additions	Additions	Additions	Plant Total
		Year One	Year Two	Year Three	Year Four	Year Five	Year Five
301	Organization	-	-	-	-	-	-
302	Franchises	-	-	-	-	-	-
303	Land & Land Rights	200,000	-	-	-	-	200,000
304	Structures & Improvements	152,648	-	-	-	-	152,648
305	Collecting & Impounding Reservoirs	-	-	-	-	-	-
306	Lake, River, Canal Intakes	-	-	-	-	-	-
307	Wells & Springs	50,000	-	-	-	-	50,000
308	Infiltration Galleries	-	-	-	-	-	-
309	Raw Water Supply Mains	-	-	-	-	-	-
310	Power Generation Equipment	-	-	-	-	-	-
311	Pumping Equipment	1,177,050	-	-	-	-	1,177,050
320	Water Treatment Equipment	-	-	-	-	-	-
320.1	Water Treatment Plants	632,500	-	-	-	-	632,500
320.2	Solution Chemical Feeders	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipes	-	-	-	-	-	-
330.1	Storage Tanks	569,250	-	-	-	-	569,250
330.2	Pressure Tanks	-	-	-	-	-	-
331	Transmission & Distribution Mains	2,136,370	-	-	-	-	2,136,370
333	Services	28,400	39,050	60,350	63,900	63,900	255,600
334	Meters & Meter Installations	13,200	18,150	28,050	29,700	29,700	118,800
335	Hydrants	626,175	-	-	-	-	626,175
336	Backflow Prevention Devices	-	-	-	-	-	-
339	Other Plant & Miscellaneous Equipment	-	-	-	-	-	-
340	Office Furniture & Equipment	-	-	-	-	-	-
340.1	Computers & Software	-	-	-	-	-	-
341	Transportation Equipment	-	-	-	-	-	-
342	Stores Equipment	-	-	-	-	-	-
343	Tools, Shop & Garage Equipment	-	-	-	-	-	-
344	Laboratory Equipment	-	-	-	-	-	-
345	Power Operated Equipment	75,900	-	-	-	-	75,900
346	Communication Equipment	-	-	-	-	-	-
347	Miscellaneous Equipment	-	-	-	-	-	-
348	Other Tangible Plant	-	-	-	-	-	-
	Totals	\$5,661,493	\$57,200	\$88,400	\$93,600	\$93,600	\$5,994,293

PLANT IN SERVICE
Annual Accumulated Depreciation

Acc't No.	Description	Staff's	Staff's	1st year	2nd year	3rd year	4th year	5th year
		PIS Year 5	Depr. Rat	Acc. Depr.				
301	Organization	\$0	0.00%	-	-	-	-	-
302	Franchises	\$0	0.00%	-	-	-	-	-
303	Land & Land Rights	\$200,000	0.00%	-	-	-	-	-
304	Structures & Improvements	\$152,648	3.33%	2,542	7,625	12,708	17,791	22,874
305	Collecting & Impounding Reservoirs	\$0	2.50%	-	-	-	-	-
306	Lake, River, Canal Intakes	\$0	2.50%	-	-	-	-	-
307	Wells & Springs	\$50,000	3.33%	833	2,498	4,163	5,828	7,493
308	Infiltration Galleries	\$0	6.67%	-	-	-	-	-
309	Raw Water Supply Mains	\$0	2.00%	-	-	-	-	-
310	Power Generation Equipment	\$0	5.00%	-	-	-	-	-
311	Pumping Equipment	\$1,177,050	12.50%	73,566	220,697	367,828	514,959	662,091
320	Water Treatment Equipment	\$0		-	-	-	-	-
320.1	Water Treatment Plants	\$632,500	3.33%	10,531	31,593	52,656	73,718	94,780
320.2	Solution Chemical Feeders	\$0	20.00%	-	-	-	-	-
330	Distribution Reservoirs & Standpipes	\$0		-	-	-	-	-
330.1	Storage Tanks	\$569,250	2.22%	6,319	18,956	31,593	44,231	56,868
330.2	Pressure Tanks	\$0	5.00%	-	-	-	-	-
331	Transmission & Distribution Mains	\$2,136,370	2.00%	21,364	64,091	106,819	149,546	192,273
333	Services	\$255,600	3.33%	473	2,069	5,320	10,639	18,087
334	Meters & Meter Installations	\$118,800	8.33%	550	2,405	6,185	12,370	21,029
335	Hydrants	\$626,175	2.00%	6,262	18,785	31,309	43,832	56,356
336	Backflow Prevention Devices	\$0	6.67%	-	-	-	-	-
339	Other Plant & Miscellaneous Equipment	\$0	6.67%	-	-	-	-	-
340	Office Furniture & Equipment	\$0	6.67%	-	-	-	-	-
340.1	Computers & Software	\$0	20.00%	-	-	-	-	-
341	Transportation Equipment	\$0	20.00%	-	-	-	-	-
342	Stores Equipment	\$0	4.00%	-	-	-	-	-
343	Tools, Shop & Garage Equipment	\$0	5.00%	-	-	-	-	-
344	Laboratory Equipment	\$0	10.00%	-	-	-	-	-
345	Power Operated Equipment	\$75,900	5.00%	1,898	5,693	9,488	13,283	17,078
346	Communication Equipment	\$0	10.00%	-	-	-	-	-
347	Miscellaneous Equipment	\$0	10.00%	-	-	-	-	-
348	Other Tangible Plant	\$0	3.33%	-	-	-	-	-
	Totals	\$5,994,293		\$124,335	\$374,411	\$628,067	\$886,197	\$1,148,928

RATE DESIGN

Monthly Minimum Charge	Company Proposed Rates	Staff Recommended Rates
5/8 x3/4"	\$22.65	\$35.00
3/4"	34.00	35.00
1"	56.60	59.00
1 1/2"	113.25	118.00
2"	181.20	188.00
3"	362.40	376.00
4"	566.25	588.00
5"	850.00	NA
6"	1,132.50	1,175.00
Gallons Included in Minimum		
For all Meter Sizes	0	0
Commodity Rates:		
Per 1,000 Gallons for all Gallons	\$2.65	NA
Per 1,000 Gallons for 0 to 3,000 Gallons	NA	\$3.65
Per 1,000 Gallons for 3,001 to 10,000	NA	\$5.45
Per 1,000 Gallons for Gallons in Excess of 10,000	NA	\$7.00
Bulk Haulers per 1000	NA	\$7.00

RATE DESIGN (Cont.)

Service Line and Meter Installation Charges

Meter Size	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4"	\$355	\$85	\$440
3/4"	\$355	\$165	\$520
1"	\$405	\$205	\$610
1½"	\$440	\$415	\$855
2" - Turbine	\$600	\$915	\$1,515
2" - Compound	\$600	\$1,640	\$2,240
3" - Turbine	\$775	\$1,420	\$2,195
3" - Compound	\$815	\$2,215	\$3,030
4" - Turbine	\$1,110	\$2,250	\$3,360
4" - Compound	\$1,170	\$3,145	\$4,315
6" - Turbine	\$1,670	\$4,445	\$6,115
6" - Compound	\$1,710	\$6,180	\$7,890

Service Charges

<u>Service Charges</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Establishment	\$25.00	\$25.00
Establishment (After Hours)	35.00	35.00
Reconnection (Delinquent)	35.00	35.00
Reconnection (Delinquent and After Hours)	50.00	50.00
Meter Test	35.00	35.00
Deposit	*	*
Hydrant Meter Deposit	\$50.00	\$50.00 (a)
Deposit Interest	*	*
Re-Establishment (Within 12 Months)	**	**
Re-Establishment (After Hours)	**	**
NSF Check	25.00	25.00
Deferred Payment, Per Month	1.50%	1.50%
Meter Re-Read (If Correct)	25.00	25.00
Moving Meter at Customer Request per Rule R14-2-405B	Cost	Cost
Late Charge/Month	1.50%	1.50%
Main Extension per Rule R14-2-406B	Cost	Cost

Monthly Service Charge for Fire Sprinkler

4" or Smaller	NA	***
6"	NA	***
8"	NA	***
10"	NA	***
Larger than 10"	NA	***

* Per Commission Rules AAC R14-2-403(B)

** Months off system times the monthly minimum (R14-2-403.D)

*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

(a) Refundable deposit for meter to record bulk water from hydrants

Advances in Aid of Construction

Year		Gross Advances	Cumm. Advances	Refund 10.00%		Net Plant Advances Refunded		Net Advances Balance
1	\$	1,601,341	\$ 1,601,341	\$ -	\$	-	\$	1,601,341
2	\$	57,200	\$ 1,658,541	\$ 8,533	\$	8,533	\$	1,650,009
3	\$	88,400	\$ 1,746,941	\$ 24,638	\$	33,171	\$	1,713,770
4	\$	93,600	\$ 1,840,541	\$ 48,783	\$	81,954	\$	1,758,587
5	\$	93,600	\$ 1,934,141	\$ 77,274	\$	159,228	\$	1,774,913

Equity

	Year 1	Year 2	Year 3	Year 4	Year 5
Common Stock	\$4,060,152	\$4,060,152	\$4,060,152	\$4,060,152	\$4,060,152
Retained Earnings	(96,466)	(236,494)	(264,472)	(155,883)	92,008
Total Equity	\$3,963,685	\$3,823,658	\$3,795,680	\$3,904,269	\$4,152,160
Liabilities and Deferred Credits					
Advances in Aid of Construction	\$ 1,601,341	\$ 1,650,009	\$ 1,713,770	\$ 1,758,587	\$ 1,774,913
Long-Term Debt	-	-	-	-	-
Total Liabilities and Deferred Credits	-	-	-	-	-
Total Equity and Liabilty	\$5,565,027	\$5,473,666	\$5,509,450	\$5,662,856	\$5,927,073
Equity Percentage	71.22%	69.86%	68.89%	68.95%	70.05%
Advances Percentage	28.78%	30.14%	31.11%	31.05%	29.95%
Total percentage	100.00%	100.00%	100.00%	100.00%	100.00%

ENGINEERING MAP

TO BE

SUBMITTED

AT A LATER DATE