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MEMORANDUM

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Arizona Corporation Commission

2008 JAN 15 P 2:48

FROM: Ernest G. Johnson  
Director  
*for* Utilities Division

~~DOCKETED~~

JAN 15 2008

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: January 15, 2008

DOCKETED BY

RE: STAFF REPORT FOR LIVCO WATER COMPANY'S APPLICATIONS FOR A PERMANENT RATE INCREASE (DOCKET NO. W-02121A-07-0506) AND FINANCING (DOCKET NO. W-02121A-07-0688).

Attached is the Staff Report for Livco Water Company's applications for a permanent rate increase and associated financing. Staff recommends approval of the rate increase application using Staff's recommended rates and charges, and approval of Staff's financing amount.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before January 25, 2008.

EGJ:JMM:tdp

Originator: Jeffrey M. Michlik

Service List for: Livco Water Company  
Docket Nos. W-02121A-07-0506 and W-02121A-07-0688

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**LIVCO WATER COMPANY**

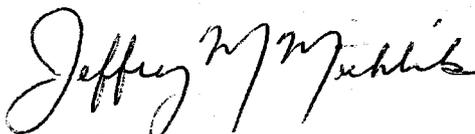
**DOCKET NOS. W-02121A-07-0506 and W-02121A-07-0688**

**APPLICATIONS FOR A  
PERMANENT RATE INCREASE AND ASSOCIATED FINANCING**

**January 15, 2008**

## STAFF ACKNOWLEDGMENT

The Staff Report for Livco Water Company, Docket Nos. W-02121A-07-0506 and W-02121A-07-0688 was the responsibility of the Staff members listed below. Jeffrey M. Michlik was responsible for the financial review and analysis of the Company's applications, recommended revenue requirements, rate base, rate design, and financing. Marlin Scott Jr. was responsible for the engineering and technical analysis. Trish Meeter was responsible for reviewing the Commission's records on customer complaints filed with the Commission.



Jeffrey M. Michlik  
Public Utilities Analyst V



Marlin Scott Jr.  
Utilities Engineer



Trish Meeter  
Consumer Analyst I

**EXECUTIVE SUMMARY  
LIVCO WATER COMPANY'S  
APPLICATION FOR A PERMANENT RATE INCREASE AND FINANCING  
DOCKET NOS. W-02121A-07-0506 AND W-02121A-07-0688**

Livco Water Company ("Company") is engaged in the business of providing water services to customers in the communities of Old Concho Townsite and Concho Valley, located 15 miles west and 18 miles southwest, respectively, of St. Johns along State Highway 61 in Apache County. The Company provides services to approximately 368 metered customers and its current rates were effective June 1, 2006, per Arizona Corporation Commission Decision No. 68751.

Rate Case:

The Company's water rate application requested an increase in revenue of \$52,834, or 49.27 percent over the Company's test year revenue of \$107,243. The Company's proposed total operating revenue of \$160,077 will produce an operating income of \$20,907, for an 11.20 percent rate of return on an original cost rate base ("OCRB") of \$186,678. The Company claims that its proposed rate increase is necessary at this time due to an increase in operating expenses which are primarily the result of increases in salaries and wages, insurance, property taxes, and depreciation since the last rate case. The increases to salaries and wages and other expenses reflect the levels of expense necessary for the Company to provide safe and reliable utility service to its customers. The Company's proposed rates increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$21.95, for an increase of \$7.52 or 52.11 percent.

Staff's recommended rates would increase revenue by \$45,672 or 42.12 percent over Staff's adjusted test year revenues of \$108,444. Staff recommended revenues of \$154,116 will produce an operating income of \$21,076, for an 11.50 percent rate of return on an OCRB of \$183,278. Staff's recommended rates would increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$18.74, for an increase of \$4.31 or 29.87 percent.

Financing:

The Company requests authorization to incur debt of \$124,000, which will be financed by the Water Infrastructure Finance Authority, the proceeds of which will be used to upgrade and replace old water meters. Staff recommends authorization of the loan amount.

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**ATTACHMENTS**

Engineering Report ..... A

**Fact sheet**

**Type of Ownership:** Arizona "C" Corporation.

**Location:** The Company serves water customers located in the communities of Old Concho Townsite and Concho Valley, located 15 miles west and 18 miles southwest, respectively, of St. Johns along State Highway 61 in Apache County.

**Rates:** Permanent rate increase application filed: August 31, 2007. The application became sufficient on November 1, 2007.

**Current Rates:** Decision No. 68751, dated June 5, 2006.

**Prior Test Year:** December 31, 2004.

**Current Test Year Ended:** December 31, 2006.

**Metered Rates:**

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge Based on 5/8 X 3/4 inch meter	\$11.00	\$16.74	\$14.75
Gallons in minimum	0	0	0
Tier One from 1 gallon to 3,000 gallons	\$1.10	\$1.67	\$1.25
Tier Two from 3,001 gallons to 10,000 gallons	\$1.50	\$2.28	\$2.00
Tier Three all gallons over 10,001	\$1.65	\$2.51	\$2.40
Typical residential bill (based on median usage of 3,122 gallons)	\$14.43	\$21.95	\$18.74

### **Fact Sheet (Continued)**

#### **Customers:**

The Company served an average of 368 metered customers during the test year, broken-out by meter size as follows:

5/8 – inch meter	315
3/4 – inch meter	15
1 – inch meter	30
1 ½ - inch meter	3
2 – inch meter	4
2 – inch Old Concho	1

#### **Complaints:**

Number of customer complaints/opinions since rate application filed: 6  
Percentage of complaints to customer base: 1.6

#### **Notifications:**

Customer notification was mailed on August 31, 2007.

#### **Summary of Rate Filing**

On August 31, 2007, Livco Water Company (“Company”) filed an application for a permanent rate increase with the Arizona Corporation Commission (“Commission”). On November 1, 2007, the application was deemed sufficient by the Utilities Division Staff (“Staff”).

Based on test year results as adjusted by Staff, the Company suffered an operating loss of \$15,040 and a negative rate of return as shown on Schedule JMM-1.

The Company’s proposed rates would produce operating revenues of \$160,077 and result in an operating income of \$20,907, for an 11.20 percent rate of return on an original cost rate base (“OCRB”) of \$186,678. The Company’s proposed rates would increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$21.95, for an increase of \$7.52 or 52.11 percent.

Staff’s recommended rates would produce operating revenues of \$154,116 and result in an operating income of \$21,076, for an 11.50 percent rate of return on an OCRB of \$183,278. Staff’s recommended rates would increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$18.74, for an increase of \$4.31 or 29.87 percent.

The Company utilized a test year ending December 31, 2006.

### **Company Background**

The Company is an Arizona "C" Corporation. The Company shares are owned by two stock holders; Country Club Properties of Concho, Inc. which owns 738 shares or 90 percent of all shares, and Sunstar Capital L.L.C. which owns 82 shares or 10 percent of all shares.

The current rates have been in effect since June 1, 2006 per Decision No. 68751.

During the test year ended December 31, 2006, the Company provided water service to an average of 368 metered customers.

### **Consumer Services**

A review of the Consumer Services Section database for the Company from January 1, 2005, through December 20, 2007, revealed that in 2007 there were zero complaints, six inquires and six opinions opposing the rate increase. In 2006, there were zero complaints and four inquiries and no opinions. In 2005, there were three complaints (relating to the quality of service), and three inquiries and no opinions. All Complaints and inquires have been resolved and closed.

### **Compliance**

The Utilities Division Compliance Section showed no outstanding compliance issues.

The Company is not within an Active Management Area and is not subject to the Arizona Department of Water Resources monitoring and reporting requirements for groundwater withdrawals.

Arizona Department of Environmental Quality reported that the Company's Public Water System #01-018, had no deficiencies and is currently delivering water that meets the quality standards required by the Arizona Administrative Code, Title 18 Chapter 4.

The Company indicated the arsenic levels in its source supply at 6 parts per billion ("ppb") for Well # 1 and less than 1 ppb for Well # 2.

The Corporations Division of the Commission indicates the Company is in good standing.

The Company has a certificate of good standing from the Arizona Department of Revenue ("ADOR"), dated July 24, 2007.

Staff has confirmed through the Apache County Assessor's website that as of December

18, 2007, the Company is current on its property taxes.

### **Engineering Analysis**

The water system was visited on November 30, 2007, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Mrs. Jenni Wicks, Office Manager for the Company. A complete discussion of Staff's technical findings and recommendations and a complete description of the Company's water system is provided in the attached Engineering Report.

### **Rate Base**

As shown on Schedule JMM-2, page 1, Staff recommends a rate base of \$183,278. This represents a decrease of \$3,399 from the Company's proposed rate base of \$186,678, primarily due to Staff's adjustment of working capital.

### **Plant-in-Service**

Adjustment A decreased plant-in-service by \$37, Staff's adjustment A removes a late fee which was capitalized as the result of the Company not paying an invoice on time. The Company was assessed a \$37.33 late fee by the vendor. As the amount is diminimus in size, no adjustment was required to be made to accumulated depreciation. See Schedule JMM-2, page 2 of 2.

### **Working Capital**

Adjustment B decreased cash working capital by \$3,362 due, primarily to Staff's adjustments to operating expenses. See Schedule JMM-2, page 1 of 2.

### **Operating Revenues**

Staff's adjustments to operating revenue resulted in an increase of \$1,201 from \$107,243 to \$108,444 as shown on Schedule JMM-3, page 1.

Metered Water Revenue – Adjustment A increased metered water revenue by \$1,201 from \$105,156 to \$106,357, to reflect Staff's disallowance of a pro-forma adjustment by the Company, which involved the following four meter changes:

1. School meter change from 1 inch to 2 inch in June 2006.
2. Concho Realty meter change from 1.5 inch to 5/8 inch in 2007.
3. Don Borg meter change from 1 inch to 3/4 inch in 2007.
4. Concho Valley Golf-restroom meter change from 1 inch to 5/8 inch.

As a result of these four changes, as proposed by the Company, in which it used 2007 test year data and projections to claim there should be a reduction of \$1,201 in metered revenues. Staff believes this pro-forma adjustment by the Company creates a mismatch between test year revenues and expenses, as the Company is trying to use revenue adjustments that happened outside the test year. Further, as some of the 2007 test year data is based on projections, the amounts are not known and measurable.

Staff concurs with the Company's other revenue adjustment to use test year 2006 billing determinants and apply the current rates that were approved in Commission Decision No. 68751 dated June 5, 2006, to the full year. This adjustment increased test year revenues by \$4,523 from \$101,835 to \$106,357.

### Operating Expenses

Staff's adjustments to operating expenses resulted in a decrease of \$4,631 from \$128,115 to \$123,484, as shown on Schedule JMM-3, page 1. The adjustments are explained below.

Purchased Power – Adjustment B increased purchased power by \$1,223 from \$16,784 to \$18,007, to reflect a reclassification of \$1,309 from office supplies and expenses to purchased power and Staff's disallowance of \$86 related to late fees.

Repairs and Maintenance – Adjustment C decreased repairs and maintenance expenses by \$36 from \$4,814 to \$4,778. This adjustment reflects Staff's disallowance of a \$36 late fee from a Company vendor.

Office Supplies and Expense – Adjustment D decreased office supplies expense by \$1,387 from \$10,389 to \$9,002, to reflect Staff's reclassification of \$1,309 from office supplies and expenses to purchased power and disallowance of \$78 related to vendor late fees.

Outside Services – Adjustment E decreased outside services by \$18 from \$10,353 to \$10,335, to reflect Staff's disallowance of \$18 in late fees from a Company vendor.

Water Testing Expense – Adjustment F increased water testing expense by \$353 from \$1,353 to \$1,706 to reflect the amount shown in Staff's Engineering Report.

Insurance – General Liability – Adjustment G decreased insurance – general liability by \$134 from \$6,362 to \$6,228, to reflect Staff's disallowance of a portion of the insurance cost that relates to the wastewater division of the Company.

Regulatory Commission Expense – Rate Case – Adjustment H decreased regulatory commission expense by \$931 from \$4,306 to \$3,375. Staff normalized rate case expense over four years (i.e. \$3,500 last rate case + \$10,000 estimated in this case divided by 4).

Miscellaneous Expense – Adjustment I decreased miscellaneous expense by \$3,761 from \$3,899 to \$138. Of the \$3,761 adjustment, \$1,361 relates to charitable contributions, while the remaining \$2,400 related to a customer's ruptured pipe, which Staff does not consider a normal re-occurring expense.

Property Taxes – Adjustment J decreased property taxes by \$1,719 from \$6,318 to \$4,599, to reflect Staff's calculation of property taxes. The Company used the ADOR methodology to calculate the property tax amount. Staff believes the Company miscalculated its amount by including \$447.85 in late fees and using a property tax rate of 11.00 percent. Based on the 2006 property tax notice provided to Staff, the primary assessed rate is 4.2886 percent and the secondary rate is 3.7960 percent.

Income Taxes – Adjustment K increased income taxes by \$1,780 from negative \$5,759 to negative \$3,979, to reflect Staff's adjusted test year expense level based on taxable income and application of statutory federal and state tax rates.

### **Other Expenses**

Interest Expense – Adjustment L decreased interest expense by \$895 from \$895 to \$0. The Company provided Staff with documentation, in which the Company has a revolving line of credit with the owner who may loan the Company up to \$9,000 at an annual interest rate of 10 percent. However, this line of credit was not approved by the Commission and is long-term in nature, as it has been in existence since April 29, 2004, and there is no maturity date. Staff recommends denial of interest expense on this unauthorized loan.

### **Revenue Requirement**

The Company's proposed 11.20 percent rate of return on rate base would provide an operating income of \$160,077.

Staff's recommended 11.50 percent rate of return on rate base would provide an operating income of \$154,116.

### **Rate Design**

The Company's proposed rates would increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$21.95, for an increase of \$7.52 or 52.11 percent.

Staff's recommended rates would increase the typical residential bill with a median usage of 3,122 gallons from \$14.43 to \$18.74, for an increase of \$4.31 or 29.87 percent.

Staff concurs with the Company's service line and meter installation charges (see Engineering Report), and service charges.

### **Other Rate Design Matters**

Staff typically sets the monthly minimum charges for different meter sizes based on an engineering flow multiplier. For example, a 1 and 1/2-inch meter usually has 5 times the flow capacity of a 5/8 – inch meter, and therefore the monthly minimum charge for a 1 and 1/2 – inch meter is usually priced at a monthly minimum rate that is 5 times that of a 5/8 – inch meter.

Upon review of the current rates, it appears to Staff that the monthly minimum rates for the 3/4-inch meter and larger customers were set too low. As a result, there appears to be a subsidization of the larger meters by the 5/8-inch meter customers based on flow size capacity.

Staff, in an attempt to adjust these inequities, has given the Company a higher monthly rate than what the Company requested for its metered customers at the 3/4-inch level and larger.

### **Summary of Financing**

#### **Introduction**

On December 14, 2007, the Company filed a financing application to be considered in conjunction with the current rate case. On December 19, 2007, Staff filed a motion to consolidate the financing application with the rate application. The Company's application requested authorization to borrow \$124,000, at a 6.5 percent annual interest rate from the Water Infrastructure Finance Authority ("WIFA").

#### **Public Notice**

The Company included an affidavit of publication on January, 4, 2008 in the local newspaper.

#### **Purpose of the Proposed Financing**

The purpose of the long-term debt financing is to upgrade and replace old water meters.

#### **Engineering Analysis of the Proposed Financing**

Staff examined the meters, construction plans and estimated costs and found them to be reasonable and appropriate. A complete discussion of the construction project and costs are discussed in the attached Engineering Report.

#### **Financial Analysis**

Staff's analysis is based on Staff's adjusted test year financial statements dated December 31, 2006. The financial analysis shown on Schedule JMM-6 presents selected financial information from the financial statements, and the pro forma effect of the proposed \$124,000

WIFA loan. Schedule JMM-6 also shows the capital structure and debt service coverage ("DSC") and times interest earned ("TIER") ratios.

### **Capital Structure**

At December 31, 2006, the Company's capital structure consisted of 100 percent equity. The Company's drawing of the entire proposed WIFA loan of \$124,000 would result in a pro forma capital structure comprised of 1.05 percent short-term debt, 40.43 percent long-term debt and 58.53 percent equity as shown on Schedule JMM-6.

### **Interest and Debt Service Coverage**

Staff also examined the effects of the proposed financing on the Company's DSC and TIER.

DSC represents the number of times internally generated cash (i.e. earnings before interest, income tax, depreciation and amortization expenses) cover required principle and interest payments on debt. A DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations.

TIER represents the number of times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily mean that debt obligations cannot be met in the short term.

The Company's DSC and TIER resulting from its 2006 adjusted financial statements are not meaningful as the Company had no debt. Including Staff's recommended revenue requirement and fully drawing the proposed \$124,000 loan, creates a pro forma DSC and TIER of 3.93 and 3.34, respectively. The pro forma DSC and TIER show that the Company would have adequate cash flow to meet all obligations including the proposed debt.

### **Staff Recommendations**

Staff recommends the following:

approval of its rates and charges as shown in Schedule JMM-4. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409.D.

the Company file with Docket Control, as a compliance item in this Docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.

**LIVCO WATER COMPANY**

Docket Nos. W-02121A-07-0506 and W-02121A-07-0688

Schedule JMM-1

Test Year Ended December 31, 2006

**SUMMARY OF FILING**

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$105,156	\$106,357	\$157,990	\$152,029
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	2,087	2,087	2,087	2,087
<b>Total Operating Revenue</b>	<b>\$107,243</b>	<b>\$108,444</b>	<b>\$160,077</b>	<b>\$154,116</b>
Operating Expenses:				
Operation and Maintenance	\$106,673	\$101,982	\$106,673	\$101,982
Depreciation	16,953	16,953	16,953	16,953
Property & Other Taxes	10,248	8,529	10,248	8,529
Income Tax	(5,759)	(3,979)	5,296	5,576
<b>Total Operating Expense</b>	<b>\$128,115</b>	<b>\$123,484</b>	<b>\$139,170</b>	<b>\$133,040</b>
<b>Operating Income/(Loss)</b>	<b>(\$20,872)</b>	<b>(\$15,040)</b>	<b>\$20,907</b>	<b>\$21,076</b>
Rate Base O.C.L.D.	\$186,678	\$183,278	\$186,678	\$183,278
Rate of Return - O.C.L.D.	-11.18%	-8.21%	11.20%	11.50%
Operating Margin	-19.46%	-13.87%	13.06%	13.68%

NOTES: 1. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

**LIVCO WATER COMPANY**

Docket Nos. W-02121A-07-0506 and W-02121A-07-0688  
 Test Year Ended December 31, 2006

Schedule JMM-2  
 Page 1 of 2

**RATE BASE**

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$522,612	(\$37)	A	\$522,575
Less:				
Accum. Depreciation	299,274	0		299,274
<b>Net Plant</b>	<b>\$223,338</b>	<b>(\$37)</b>		<b>\$223,301</b>
Less:				
Plant Advances	\$11,175	\$0		\$11,175
Customer Deposits	5,565	0		5,565
<b>Total Advances</b>	<b>\$16,740</b>	<b>\$0</b>		<b>\$16,740</b>
Contributions Gross	\$143,253	\$0		\$143,253
Less:				
Amortization of CIAC	108,723	0		108,723
<b>Net CIAC</b>	<b>\$34,530</b>	<b>\$0</b>		<b>\$34,530</b>
<b>Total Deductions</b>	<b>\$51,270</b>	<b>\$0</b>		<b>\$51,270</b>
Plus:				
1/24 Purchased Water and Power	\$699	\$51	B	\$750
1/8 Operation & Maint.	13,910	(3,413)	B	10,497
Inventory	0	0		0
Prepayments	0	0		0
<b>Total Additions</b>	<b>\$14,610</b>	<b>(\$3,362)</b>		<b>\$11,247</b>
<b>Rate Base</b>	<b>\$186,678</b>	<b>(\$3,399)</b>		<b>\$183,278</b>

A See Schedule JMM-2, page 2.

B Staff's inclusion of formula-method working capital based on recommended operating expenses.

**LIVCO WATER COMPANY**

Docket Nos. W-02121A-07-0506 and W-02121A-07-0688

Test Year Ended December 31, 2006

Schedule JMM-2

Page 2 of 2

**PLANT ADJUSTMENT**

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$1,882	0	\$1,882
302 Franchises	0	0	0
303 Land & Land Rights	1,060	0	1,060
304 Structures & Improvements	15,988	0	15,988
307 Wells & Springs	49,726	(37) A	49,689
311 Pumping Equipment	72,104	0	72,104
320 Water Treatment Equipment	0	0	0
330 Distribution Reservoirs & Stan	65,020	0	65,020
331 Transmission & Distribution M	234,430	0	234,430
333 Services	0	0	0
334 Meters & Meter Installations	62,855	0	62,855
335 Hydrants	9,101	0	9,101
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipm	327	0	327
340 Office Furniture & Equipment	6,439	0	6,439
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipm	2,955	0	2,955
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	0	0	0
347 Miscellaneous Equipment	357	0	357
348 Other Tangible Plant	367	0	367
105 C.W.I.P.	0	0	0
<b>TOTALS</b>	<b>\$522,612</b>	<b>(\$37)</b>	<b>\$522,575</b>

*Explanation of Adjustment:*

- A Staff made an adjustment to remove a late fee which was capitalized as the result of the Company not paying an invoice on time. The Company was assessed a \$37.33 late fee by the vendor.

**LIVCO WATER COMPANY**

Docket Nos W-02121A-07-0506 and W-02121A-07-0688  
 Test Year Ended December 31, 2006

Schedule JMM-3

Page 1 of 3

**STATEMENT OF OPERATING INCOME**

	Company Exhibit	Staff Adjustments		Staff Adjusted
<b>Revenues:</b>				
461 Metered Water Revenue	\$105,156	\$1,201	A	\$106,357
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	2,087	0		2,087
<b>Total Operating Revenue</b>	<b>\$107,243</b>	<b>\$1,201</b>		<b>\$108,444</b>
<b>Operating Expenses:</b>				
601 Salaries and Wages	\$44,470	\$0		\$44,470
610 Purchased Water	0	0		0
615 Purchased Power	16,784	1,223	B	18,007
618 Chemicals	55	0		55
620 Repairs and Maintenance	4,814	(36)	C	4,778
621 Office Supplies & Expense	10,389	(1,387)	D	9,002
630 Outside Services	10,353	(18)	E	10,335
635 Water Testing	1,353	353	F	1,706
641 Rents	0	0		0
650 Transportation Expenses	1,304	0		1,304
657 Insurance - General Liability	6,362	(134)	G	6,228
659 Insurance - Health and Life	708	0		708
666 Regulatory Commission Expense - Rate Case	4,306	(931)	H	3,375
670 Bad Debt Expense	1,876	0		1,876
675 Miscellaneous Expense	3,899	(3,761)	I	138
403 Depreciation Expense	16,953	0		16,953
408 Taxes Other Than Income	3,930	0		3,930
408.11 Property Taxes	6,318	(1,719)	J	4,599
409 Income Tax	(5,759)	1,780	K	(3,979)
<b>Total Operating Expenses</b>	<b>\$128,115</b>	<b>(\$4,631)</b>		<b>\$123,484</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(\$20,872)</b>	<b>\$5,832</b>		<b>(\$15,040)</b>
<b>Other Income/(Expense):</b>				
419 Interest and Dividend Income	\$0	\$0		\$0
421 Non-Utility Income	0	0		0
427 Interest Expense	895	(895)	L	0
4XX Reserve/Replacement Fund Deposit	0	0		0
426 Miscellaneous Non-Utility Expense	0	0		0
<b>Total Other Income/(Expense)</b>	<b>(\$895)</b>	<b>\$895</b>		<b>\$0</b>
<b>NET INCOME/(LOSS)</b>	<b>(\$21,767)</b>	<b>\$6,727</b>		<b>(\$15,040)</b>

**LIVCO WATER COMPANY**Docket Nos. W-02121A-07-0506 and W-02121A-07-0688  
Test Year Ended December 31, 2006Schedule JMM-3  
Page 2 of 3**STAFF ADJUSTMENTS**

A -	METERED WATER REVENUE - Per Company	\$105,156	
	Per Staff	<u>106,357</u>	<u>\$1,201</u>
	To disallow a Company proforma adjustment which used revenue data which was outside the test year.		
B -	PURCHASED POWER - Per Company	\$16,784	
	Per Staff	<u>18,007</u>	<u>\$1,223</u>
	To reclassify purchased power from office supplies and expenses.		
C -	REPAIRS AND MAINTENANCE - Per Company	\$4,814	
	Per Staff	<u>4,778</u>	<u>(\$36)</u>
	Disallowance of a \$36 late fee from a vendor.		
D -	OFFICE SUPPLIES & EXPENSE - Per Company	\$10,389	
	Per Staff	<u>9,002</u>	<u>(\$1,387)</u>
	To reclassify \$1,309 to purchased power, and disallow \$78 related to late fees.		
E -	OUTSIDE SERVICES - Per Company	\$10,353	
	Per Staff	<u>10,335</u>	<u>(\$18)</u>
	Disallowance of an \$18 late fee from a vendor.		
F -	WATER TESTING - Per Company	\$1,353	
	Per Staff	<u>1,706</u>	<u>\$353</u>
	To increase water testing costs to reflect Staff Engineering's recommended level.		
G -	INSURANCE - GENERAL LIABILITY - Per Company	\$6,362	
	Per Staff	<u>6,228</u>	<u>(\$134)</u>
	To remove a portion of the insurance cost that relates to the wastewater division of the Company.		

**STAFF ADJUSTMENTS (Cont.)**

H -	REGULATORY COMMISSION EXPENSE - Per Company	\$4,306	
	Per Staff	3,375	(\$931)

To normalize rate case expense over a four year period.

I -	MISCELLANEOUS EXPENSE - Per Company	\$3,899	
	Per Staff	138	(\$3,761)

Of the \$3,761, Staff disallowed, \$1,361.07 was related to charitable contributions, while the remaining \$2,400 related to water damage caused by a ruptured pipe.

J -	PROPERTY TAXES - Per Company	\$6,318	
	Per Staff	4,599	(\$1,719)

To reflect Staff's adjustment to property taxes.

K -	INCOME TAXES - Per Company	(\$5,759)	
	Per Staff	(3,979)	\$1,780

To decrease income tax by \$1,780 to reflect the calculation of income tax based on Staff's adjusted test year taxable income.

L -	INTEREST EXPENSE - Per Company	\$895	
	Per Staff	0	(\$895)

To reflect Staff's disallowance of a loan that was not authorized by the Commission.

LIVCO WATER COMPANY

Docket Nos. W-2121A-07-0506 and W-02121A-07-0688  
 Test Year Ended December 31, 2006

Schedule JMM-4  
 Page 1 of 2

**RATE DESIGN**

Monthly Usage Charge	Present	-Proposed Rates-	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$11.00	\$16.74	\$14.75
3/4" Meter	11.00	\$16.74	\$16.75
1" Meter	14.00	\$21.31	\$25.75
1 1/2" Meter	20.00	\$30.44	\$47.50
2" Meter	50.00	\$76.10	\$85.00
3" Meter	116.00	\$176.55	\$236.00
4" Meter	181.00	\$275.48	\$368.75
6" Meter	362.00	\$550.96	\$737.50
2" Old Concho Townsite Interconnect	120.00	\$182.64	\$120.00
Gallons Included in Minimum	\$0.00	\$0.00	\$0.00
Gallons Included in Minimum - Old Concho Townsite	\$0.00	\$0.00	\$0.00
<u>Commodity Rate (per 1,000 gallons):</u>			
<u>5/8 x 3/4 Inch Meters to 1 1/2 Inch Meters</u>			
Up to 4,000 gallons	\$1.10	\$1.67	N/A
4,001 to 10,000 gallons	\$1.50	\$2.28	N/A
Over 10,000 gallons	\$1.65	\$2.51	N/A
<u>2 Inch and Larger Meters</u>			
Up to 50,000 gallons	1.10	1.67	N/A
50,001 to 100,000 gallons	1.50	2.28	N/A
Over 100,000 gallons	1.65	2.51	N/A
<u>Old Concho Interconnect</u>			
Excess of Minimum per 50,000 gallons	1.10	1.67	N/A
50,001 to 100,000 gallons	1.50	2.28	N/A
Over 100,000 gallons	1.65	2.51	N/A
<u>5/8 x 3/4 Inch and 3/4 inch (Residential)</u>			
Up to 3,000 gallons	1.10	1.67	1.25
3,000 to 10,000 gallons	1.50	2.28	2.00
Over 10,000 gallons	1.65	2.51	2.40
<u>5/8 x 3/4 Inch and 3/4 inch (Commercial)</u>			
Up to 3,000 gallons	1.10	1.67	N/A
3,000 to 10,000 gallons	1.50	2.28	2.00
Over 10,000 gallons	1.65	2.51	2.40
<u>3/4 Inch (Residential)</u>			
Up to 3,000 gallons	1.10	1.67	1.25
3,000 to 10,000 gallons	1.50	2.28	2.00
Over 10,000 gallons	1.65	2.51	2.40
<u>3/4 Inch (Commercial)</u>			
Up to 3,000 gallons	1.10	1.67	N/A
3,000 to 10,000 gallons	1.50	2.28	2.00
Over 10,000 gallons	1.65	2.51	2.40
<u>1 Inch (Residential and Commercial)</u>			
Up to 24,000 gallons	N/A	N/A	2.00
Over 24,000 gallons	N/A	N/A	2.40
<u>1 1/2 Inch (Residential and Commercial)</u>			
Up to 60,000 gallons	N/A	N/A	2.00
Over 60,000 gallons	N/A	N/A	2.40

**LIVCO WATER COMPANY**

Docket Nos. W-2121A-07-0506 and W-02121A-07-0688  
 Test Year Ended December 31, 2006

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 Page 2 of 2

**RATE DESIGN - CONTINUED**

2 Inch (Residential, Commercial, and Old Concho)

Up to 150,000 gallons	N/A	N/A	2.00
Over 150,000 gallons	N/A	N/A	2.40

3 Inch (Residential and Commercial)

Up to 500,000 gallons	N/A	N/A	2.00
Over 500,000 gallons	N/A	N/A	2.40

4 Inch (Residential and Commercial)

Up to 830,000 gallons	N/A	N/A	2.00
Over 830,000 gallons	N/A	N/A	2.40

6 Inch (Residential and Commercial)

Up to 1,750,000 gallons	N/A	N/A	2.00
Over 1,750,000 gallons	N/A	N/A	2.40

Commodity Rates

Standpipe - Bulk Water	3.50	5.33	5.00
------------------------	------	------	------

Service Line and Meter Installation Charges

			Service Line Charge	Meter Installation	Total Recommended
5/8" x 3/4" Meter	\$500.00	\$500.00	\$370.00	\$130.00	\$500.00
3/4" Meter	\$575.00	\$575.00	\$370.00	\$205.00	\$575.00
1" Meter	\$660.00	\$660.00	\$420.00	\$240.00	\$660.00
1½" Meter	\$900.00	\$900.00	\$450.00	\$450.00	\$900.00
2" Meter - Turbo	\$1,525.00	\$1,525.00	\$580.00	\$945.00	\$1,525.00
2" Meter - Compound	\$2,220.00	\$2,220.00	\$580.00	\$1,640.00	\$2,220.00
3" Meter - Turbo	\$2,165.00	\$2,165.00	\$745.00	\$1,420.00	\$2,165.00
3" Meter - Compound	\$2,960.00	\$2,960.00	\$765.00	\$2,195.00	\$2,960.00
4" Meter - Turbo	\$3,360.00	\$3,360.00	\$1,090.00	\$2,270.00	\$3,360.00
4" Meter - Compound	\$4,265.00	\$4,265.00	\$1,120.00	\$3,145.00	\$4,265.00
6" Meter - Turbo	\$6,035.00	\$6,035.00	\$1,610.00	\$4,425.00	\$6,035.00
6" Meter - Compound	\$7,750.00	\$7,750.00	\$1,630.00	\$6,120.00	\$7,750.00

Service Charges

Establishment	\$25.00	\$25.00	\$25.00
Establishment (After Hours)	\$40.00	\$40.00	\$40.00
Reconnection (Delinquent)	\$40.00	\$40.00	\$40.00
Deposit	\$25.00	\$25.00	\$25.00
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	*	**	*
Re-Establishment (Within 12 Months After Hours)	**	**	**
NSF Check	\$25.00	\$25.00	\$25.00
Deferred Payment (per month)	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	20.00	20.00	20.00
Moving Customer Meter (Customer Request)	***	***	***
Late Penalty Payment (per month)	1.50%	1.50%	1.50%

\* Per Commission Rules (R14-2-403.B)  
 \*\* Months off system times the minimum (R14-2-403.D)  
 \*\*\* 1.5% of unpaid monthly balance.

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 299

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	6,354	\$18.93	\$28.79	\$9.86	52.09%
Median Usage	3,122	\$14.43	\$21.95	\$7.52	52.11%
<u>Staff Recommend:</u>					
Average Usage	6,354	\$18.93	\$25.21	\$6.28	33.17%
Median Usage	3,122	\$14.43	\$18.74	\$4.31	29.87%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$11.00	\$16.74	52.18%	\$14.75	34.09%
1,000	12.10	18.41	52.15%	16.00	32.23%
2,000	13.20	20.08	52.12%	17.25	30.68%
3,000	14.30	21.75	52.10%	18.50	29.37%
4,000	15.40	23.42	52.08%	20.50	33.12%
5,000	16.90	25.70	52.07%	22.50	33.14%
6,000	18.40	27.98	52.07%	24.50	33.15%
7,000	19.90	30.26	52.06%	26.50	33.17%
8,000	21.40	32.54	52.06%	28.50	33.18%
9,000	22.90	34.82	52.05%	30.50	33.19%
10,000	24.40	37.10	52.05%	32.50	33.20%
15,000	32.65	49.65	52.07%	44.50	36.29%
20,000	40.90	62.20	52.08%	56.50	38.14%
25,000	49.15	74.75	52.09%	68.50	39.37%
50,000	90.40	137.50	52.10%	128.50	42.15%
75,000	131.65	200.25	52.11%	188.50	43.18%
100,000	172.90	263.00	52.11%	248.50	43.72%
125,000	214.15	325.75	52.11%	308.50	44.06%
150,000	255.40	388.50	52.11%	368.50	44.28%
175,000	296.65	451.25	52.12%	428.50	44.45%
200,000	337.90	514.00	52.12%	488.50	44.57%

**LIVCO WATER COMPANY**

Docket # W-02065A-07-0312, W-02065A-07-0307, AND W-02065A-0306  
 Test Year Enc December 31, 2006

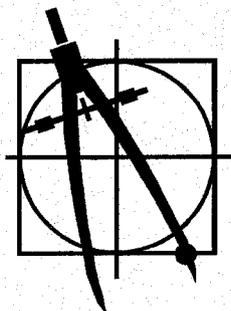
Schedule JMM-6

**FINANCIAL ANALYSIS**

Selected Financial Information  
 Pro forma Includes Immediate Effects of the Proposed Long-term Debt

	[A] 12/31/2006 Test Year Operating Results <u>Without Loan</u>		[B]  With Staff Recommended Operating Income and Staff Recommended Loan Amount of \$124,000 <u>Pro Forma</u>		
1 Operating Income/(Loss)	\$ (15,040)		\$ 21,076		
2 Depreciation Expense	\$ 16,953		\$ 16,953		
3 Income Tax Expense	\$ (3,979)		\$ 5,576		
4 Interest Expense	\$ -		\$ 7,968		
5 Principal Repayment	\$ -		\$ 3,126		
<b>TIER &amp; DSC Calculation</b>					
<b>TIER</b>					
6 [1+3] ÷ [4]	Not Meaningful		3.34		
<b>DSC</b>					
7 [1+2+3] ÷ [4+5]	Not Meaningful		3.93		
8 Short-term Debt	\$ -	0.00%	\$ 3,126	(b)	1.05%
9 Long-term Debt	\$ -	0.00%	\$ 120,874	(c)	40.43%
10 Common Equity	\$ 175,000	(a) 100.00%	\$ 175,000		58.53%
11 Total Capital	\$ 175,000	100.00%	\$ 299,000		100.00%

- (a) Includes capital for both the water and waste water division (i.e. \$152,163 water division + \$22,837 waste water division).
- (b) The \$3,126 amount reflects the projected current maturities on the debt.
- (c) The \$120,873 amount reflects the \$124,000 ending balance less projected current maturities on the debt (i.e. \$124,000 - \$3,126).



**Engineering Report for Livco Water  
Company**

**Docket No. W-02121A-07-0506 (Rates)  
and W-02121A-07-0688 (Financing)**

**December 19, 2007**

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

**CONCLUSIONS**

- A. Livco Water Company ("Company") has adequate well and storage capacity to serve its present customer base and reasonable growth.
- B. The Arizona Department of Environmental Quality ("ADEQ") has reported no deficiencies and has determined that the Company's system, PWS No. 01-018, is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company's arsenic levels for its two wells are at 6 part per billion ("ppb") and less than 1 ppb. Based on these levels, the Company is in compliance with the new arsenic maximum contaminant level of 10 ppb.
- D. The Company is not within an Active Management Area ("AMA") and therefore, is not subject to any AMA reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.
- F. The Company has an approved curtailment tariff that became effective on May 11, 2005.
- G. The Company has an approved backflow prevention tariff that became effective on May 11, 2005.

**RECOMMENDATIONS**

- 1. The Company's water system had a water loss of 20.5% during the 2006 test year. In order to address the high water loss, the Company submitted on December 14, 2007, a financing application for a \$124,000 Water Infrastructure Finance Authority loan to assist in completing the Water Meter Replacement Program that

the Company had implemented. Staff has reviewed this financing request and concludes that the Water Meter Replacement Program is appropriate and the cost estimate totaling \$124,000 is reasonable.

2. Staff recommends its annual water testing expense of \$1,706 be used for purposes of this application.
3. The Company has adopted Staff's typical and customary depreciation rates and Staff recommends that the Company continue to use the depreciation rates delineated in Table B on a going-forward basis.
4. Staff recommends its Service Line and Meter Installation Charges as delineated in Table C.

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**A. LOCATION OF COMPANY**

Livco Water Company (“Company”) serves the community of Concho Valley, which is located approximately 18 miles southwest of St. Johns along State Highway 61. Figure 1 shows the location of the Company within Apache County and Figure 2 shows the Certificate of Convenience and Necessity (“CC&N”) covering approximately five square-miles.

**B. DESCRIPTION OF THE WATER SYSTEM**

The water system was field inspected on November 30, 2007, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Jenni Wicks, Office Manager for the Company. The Company operates a water system serving the Concho Valley Subdivisions and the surrounding area. The water system consists of two wells, two storage tanks, three booster systems and a distribution system serving 371 customers as of December 2006.

The Company also provides water service to the Old Concho Townsite with a 1-inch meter. During a leak report in November 2007, the Company replaced the old 2-inch meter with a 1-inch meter. The reason this meter size was reduced was because it was discovered that the outlet side of the meter was constructed with 1-inch pipe.

A system schematic is shown as Figure 3 and a detailed plant facility listing is as follows:

Table 1. Well Data

Well Information	Well No. 1	Well No. 2
Casing Size	12-inch	6-inch
Casing Depth	833 ft.	74 feet
Pump Size	60-Hp	5-Hp
Pump Type	Submersible	Submersible
Pump Yield	225 GPM	60 GPM
Wellhead meter	4-inch	1-1/2-inch
Treatment	None	None

Table 2. Storage Tanks

Storage Capacity	Location
250,000 gallons	Near Well No. 1
24,000 gallons	Near Well No. 2



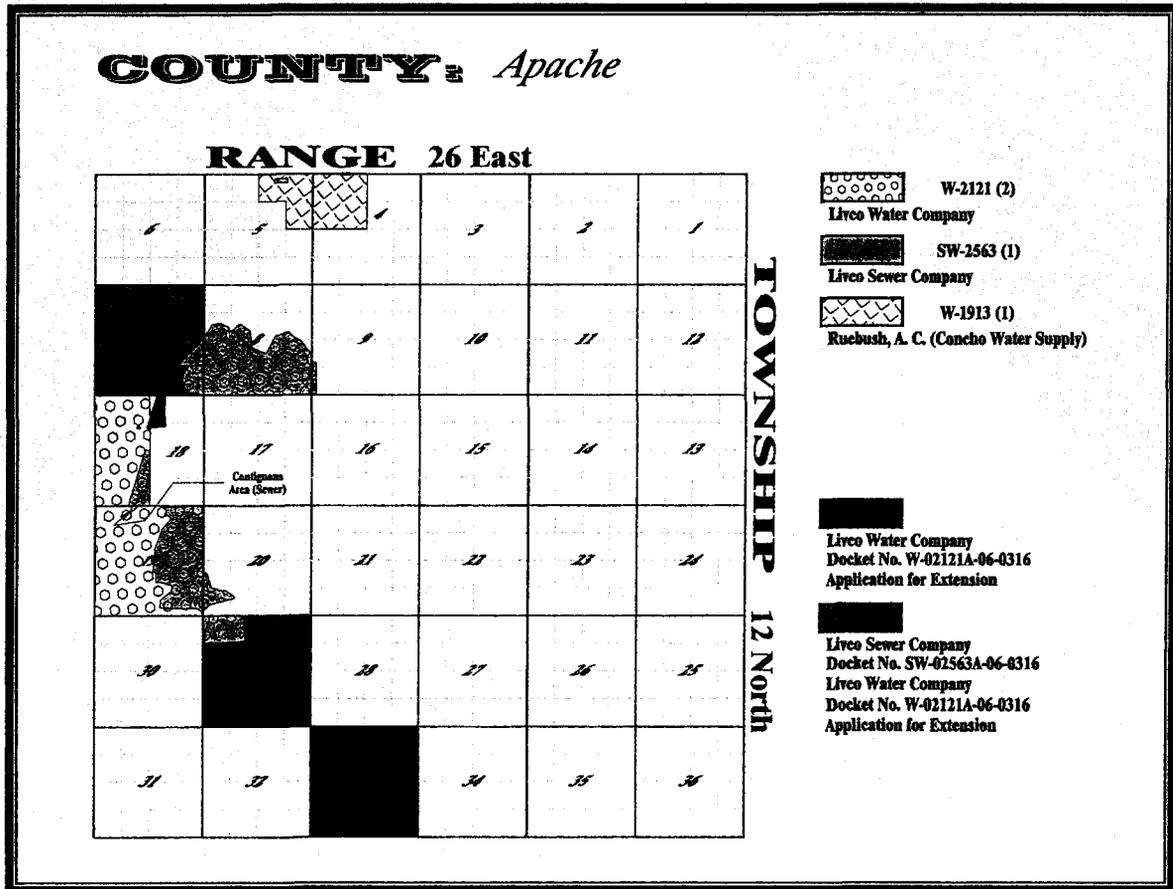


Figure 2. Certificated Areas

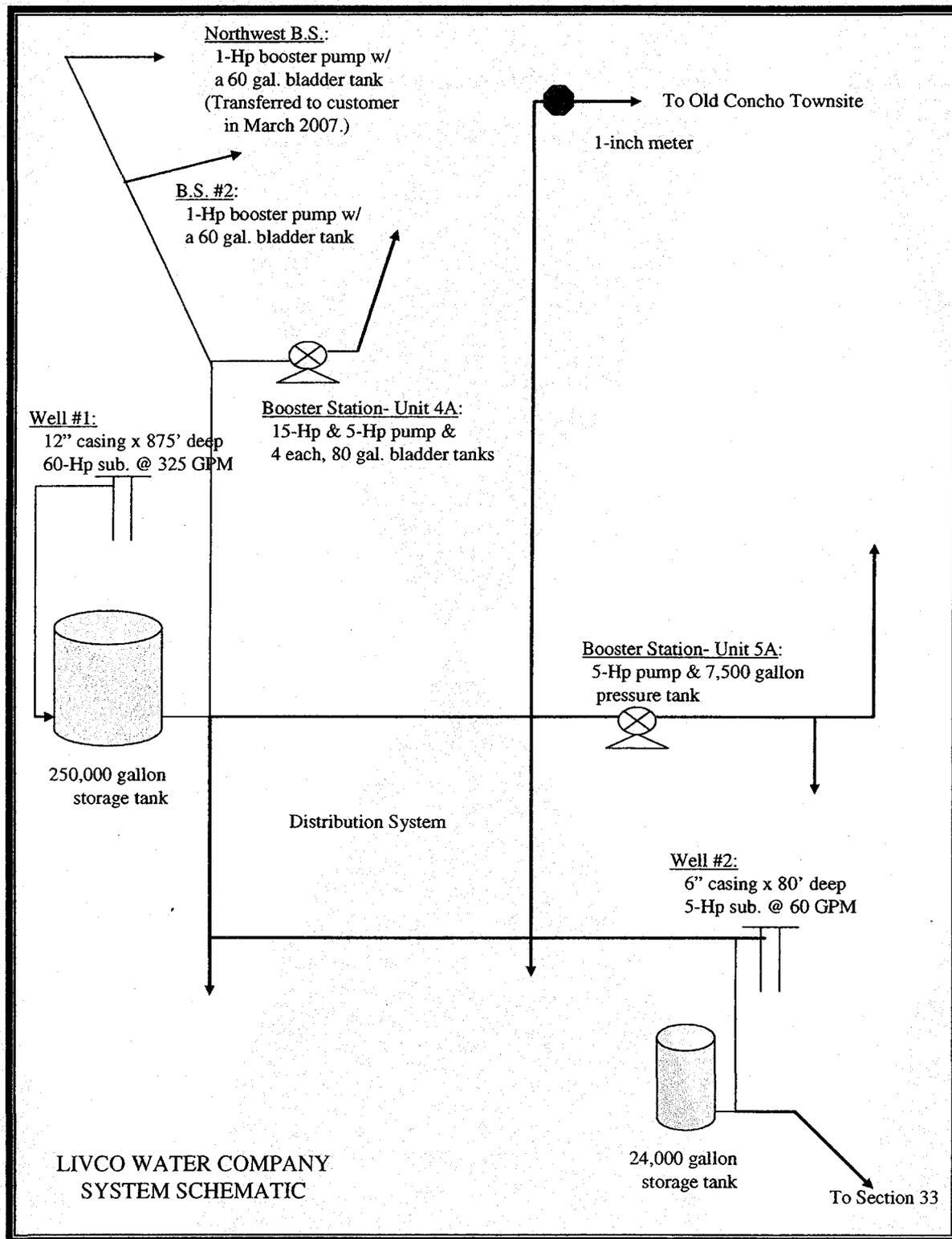


Figure 3. Water System Schematic

Table 3. Booster Systems

Booster Station ("B.S.")	Booster Pump	Pressure Tank	Serving # of Connections
B.S. Unit 4A	15-Hp & 5-Hp	4 each, 80 gallon bladder tanks	13
B.S. #2	1-Hp	60 gallon bladder tank	5
* Northwest B.S.	1-Hp	60 gallon bladder tank	1
B.S. Unit 5A	5-Hp	3,000 gallon tank	4

\* Note: This booster system was transferred to the customer in March 2007.

Table 4. Water Mains

Diameter	Material	Length
2-inch	PVC	5,237 ft.
3-inch	PVC	2,060 ft.
4-inch	PVC	85,749 ft.
6-inch	PVC	77,939 ft.
8-inch	PVC	1,184 ft.
8-inch	AC	2,910 ft.

Table 5. Customer Meters

Size	Quantity
5/8 x 3/4-inch	392
3/4-inch	19
1-inch	30
1-1/2-inch	2
2-inch	5

Table 6. Structures

Structures	Quantity
Well No. 1 fencing	10 ft. x 15 ft.
250k Tank site fencing	60 ft. x 60 ft.
Booster Sta. Unit 4A building	10 ft. x 18 ft.

B.S. #2 building	7 ft. x 9 ft.
* Northwest B.S. building	4 ft. x 6 ft.
Well No. 2 building	8 ft. x 8 ft.
24,000 gal. tank site fencing	25 ft. x 28 ft.
Booster Sta. Unit 5A building	10 ft. x 30 ft.

\* Note: This booster system was transferred to the customer in March 2007.

Table 7. Fire Hydrants

Size	Quantity
Standard	15

**C. WATER USE**

Water Sold

Figure 4 represents the water consumption data provided by the Company in its water use data sheet. Customer consumption experienced a high monthly water use of 480 gallons per day (“GPD”) per connection in July and the low monthly water use of 119 GPD per connection in March for an average monthly use of 281 GPD per connection.

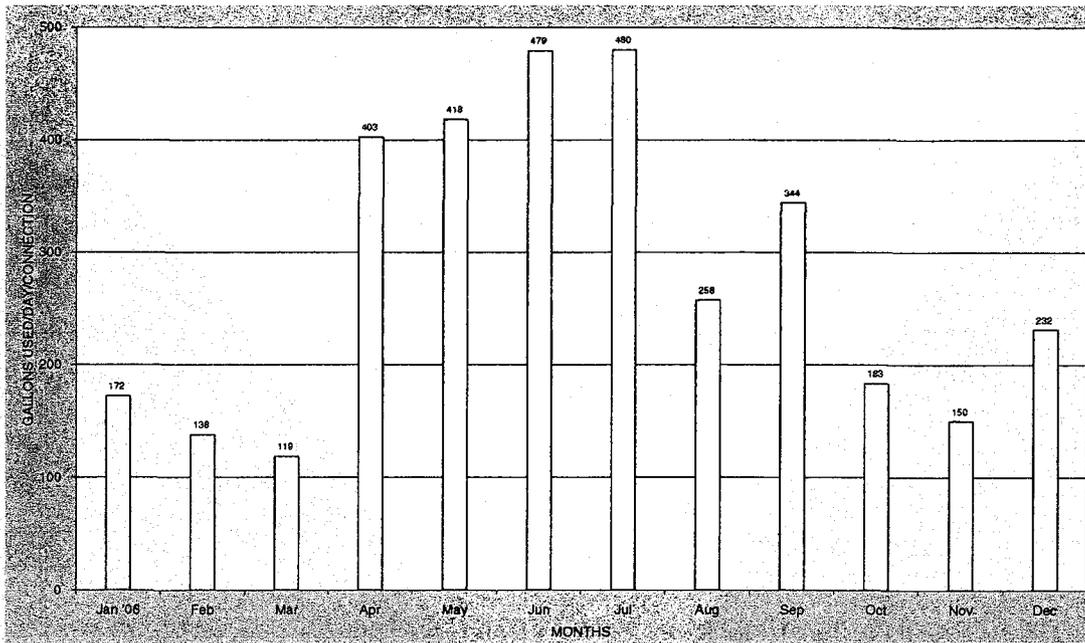


Figure 4. Water Use

### Non-Account Water

Non-account water should be 10% or less and never more than 15%. In its revised water use data sheet submitted on October 12, 2007, the Company reported 47,614,000 gallons of water pumped and 37,849,000 gallons of water sold. This represents a water loss of 20.5%.

In the last rate case and its Decision No. 68751 (dated June 5, 2006); the Company was ordered to monitor its system and submit a water loss reduction report or a detailed analysis and plan to reduce the water loss to 10% or less. In its 2006 Annual Report, the Company submitted its monitoring results that indicated a 21.1% water loss with an explanation that the high water loss was caused by 20-year old customer meters and a 30-year old well meter not registering accurately. Although the Company has stated that approximately 25% of the customer meters have been replaced, the Company did not have enough revenue to replace the remaining approximate 300 meters.

In order to address the high water loss, the Company submitted on December 14, 2007, a financing application for a \$124,000 Water Infrastructure Finance Authority ("WIFA") loan to assist in completing the Water Meter Replacement Program that the Company had implemented. (See Section I of this report for the financing application discussion.)

### System Analysis

The current well capacity of 285 GPM and storage capacity of 274,000 gallons is adequate to serve its present customer base and reasonable growth.

## **D. GROWTH**

Figure 5 details the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2006, the Company had 371 customers and it is projected that the Company could have approximately 405 customers by 2011.

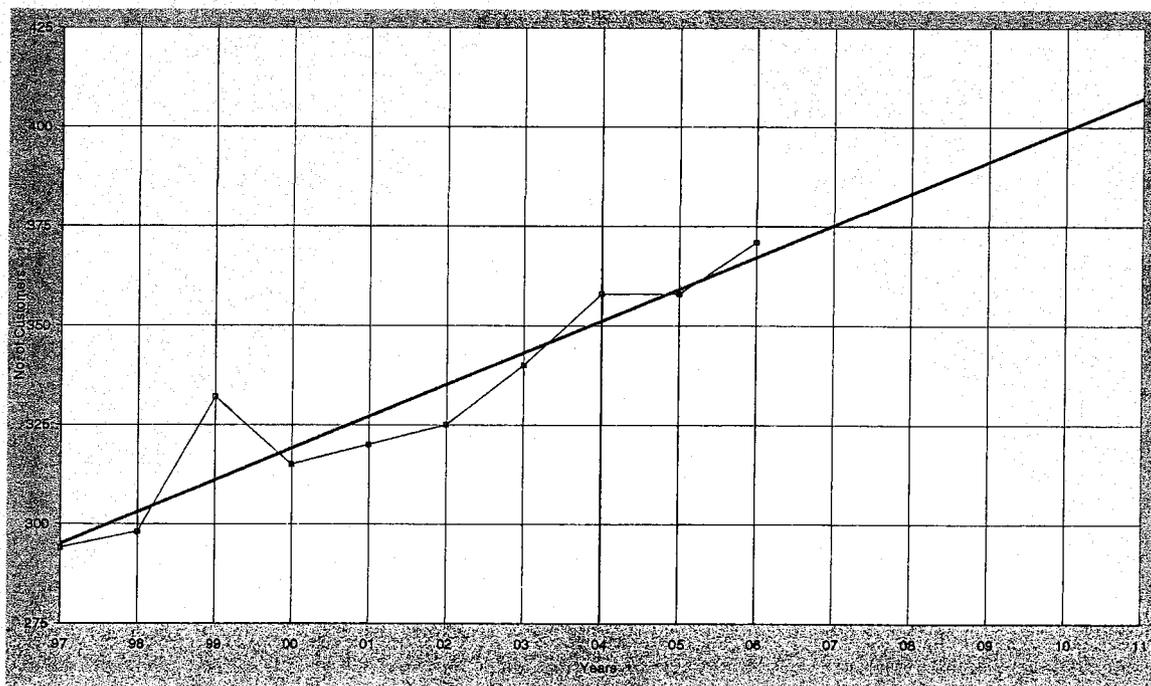


Figure 5. Growth Projection

#### E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

##### Compliance

According to an ADEQ Compliance Status Report, dated May 24, 2007, that was submitted with the rate application; ADEQ reported no deficiencies and has determined that the Company's system, PWS #01-018, is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

##### Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Starting January 1, 2002, water companies paid a fixed \$250 per year member fee, plus an additional fee of \$2.57 per service connection for participation in MAP. Participation in the MAP program is mandatory for water systems that serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its water testing cost at \$1,353 during the test year. Staff has reviewed these expenses and has recalculated the annual expense by adding some omitted total coliform monitoring requirements. Table A shows Staff's adjusted annual monitoring expense estimate of \$1,706 with participation in the MAP.

Table A. Water Testing Cost

Monitoring	Cost per test	No. of test	Annual Cost
Total coliform – monthly	\$17	24	\$408
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs	MAP	MAP	\$1,188
Lead & Copper – per 3 years	\$33	10	\$110
Total			<b>\$1,706</b>

Note: ADEQ's MAP invoice for the 2007 Calendar Year was \$1,188.05.

Staff recommends its annual water testing expense of \$1,706 be used for purpose of this application.

#### Arsenic

The Company indicated the arsenic levels in its source supply at 6 parts per billion (“ppb”) for Well #1 and less than 1 ppb for Well #2. Based on these arsenic levels, the Company is in compliance with the new arsenic maximum contaminant level of 10 ppb.

#### **F. ARIZONA DEPARTMENT OF WATER RESOURCES COMPLIANCE**

The Company is not located in any Active Management Area (“AMA”) and therefore, is not subject to any AMA reporting and conservation requirements.

#### **G. ARIZONA CORPORATION COMMISSION COMPLIANCE**

A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.

#### **H. DEPRECIATION RATES**

In the prior rate case, the Company adopted Staff's typical and customary depreciation rates. These rates are presented in Table B and it is recommended that the Company continue to use these depreciation rates by individual NARUC category on a going-forward basis.

Table B. Depreciation Rates

NARUC Acct. 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
348	Other Tangible Plant	20	5.00

**I. OTHER ISSUES**

1. Service Line and Meter Installation Charges

The Company did not request changes to its total service line and meter installation charges. However, 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

below, which are equal to current charges, with separate installation charges for the service line and meter installations.

Table C. Service Line and Meter Installation Charges

Meter Size	Service Line Charges	Meter Installation Charges	Total Charges (Equal to current charges)
5/8 x 3/4-inch	\$370	\$130	\$500
3/4-inch	\$370	\$205	\$575
1-inch	\$420	\$240	\$660
1-1/2-inch	\$450	\$450	\$900
2-inch – Turbine	\$580	\$945	\$1,525
2-inch – Compound	\$580	\$1,640	\$2,220
3-inch – Turbine	\$745	\$1,420	\$2,165
3-inch – Compound	\$765	\$2,195	\$2,960
4-inch – Turbine	\$1,090	\$2,270	\$3,360
4-inch – Compound	\$1,120	\$3,145	\$4,265
6-inch – Turbine	\$1,610	\$4,425	\$6,035
6-inch – Compound	\$1,630	\$6,120	\$7,750

2. Curtailment Plan Tariff

The Company has an approved curtailment tariff that became effective on May 11, 2005.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on May 11, 2005.

4. Financing Application, Docket No. W-02121A-07-0688

On December 14, 2007, the Company filed a financing application to assist in funding a Water Meter Replacement Program. The Company is requesting WIFA financing approval in the amount of \$124,000 for replacement of approximately 300 water meters and appurtenant facilities in order to address its water loss issue. The old meters will be replaced with new electronic sensor meters which will include remote meter-reading capability.

Staff has reviewed this financing request and concludes that the implementation of the Water Meter Replacement Program is appropriate and the cost estimate totaling \$124,000 is reasonable.