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February 29, 2008

VIA HAND-DELIVERY

Crystal Brown
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

FEB 29 2008

Keith Layton, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

DOCKETED BY *nr*

Re: Perkins Mountain Water Company and Perkins Mountain Utility Company
Docket Nos. W-20380A-05-0490 and SW-20379A-05-0489
Responses to Staff's Third Set of Data Requests Dated February 21, 2008

Dear Ms. Brown and Mr. Layton:

Perkins Mountain Water Company and Perkins Mountain Utility Company hereby submit their responses to Staff's Third Set of Data Requests dated February 21, 2008. If you have any questions, please do not hesitate to contact me.

Sincerely,

Snell & Wilmer

Bradley S. Carroll

BSC:jyb
Enclosure

cc: Docket Control (Original plus 15 copies)
Robin Mitchell, Esq. (Via e-mail only)
Michele Finical (Via e-mail only)

**RESPONSE OF PERKINS MOUNTAIN WATER COMPANY
AND PERKINS MOUNTAIN UTILITY COMPANY
TO ARIZONA CORPORATION COMMISSION
STAFF'S THIRD SET OF DATA REQUESTS
DOCKET NOs. W-20380A-05-0490, SW-20379A-05-0489
February 21, 2008**

CSB 3.1 Perkins Mountain Water – Customer Deposits – On your “Proposed Rate Design” shown on Schedule A-5, you propose customer deposits to be paid in accordance to Arizona Administrative Cod R-14-2-403 B. Please provide your projected customer deposit balance at the end of the fifth year of operation.

Response: Please see attached Schedule A-13 for Perkins Mountain Water Company projecting the deposit balance for each of the first five years of operation. The projected customer balance at the end of the fifth year of operation is \$114,553.

Prepared by: Ray L. Jones
Aricor Water Solutions
25213 N. 49th Drive
Phoenix, AZ 85083

**Perkins Mountain Water Company
Estimate of Deposit Balance**

**Schedule A-13
Page 1**

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Customer Data | | | | | |
| Residential Customer Growth | 150 | 385 | 700 | 820 | 980 |
| Commercial Customer Growth | - | 2 | 5 | 10 | 13 |
| Year-End Residential Customers | 150 | 535 | 1,235 | 2,055 | 3,035 |
| Year-End Commercial Customers | - | 2 | 7 | 17 | 30 |
| Average Residential Customers | 38 | 343 | 885 | 1,645 | 2,545 |
| Average Commercial Customers | - | 1 | 5 | 12 | 24 |
| Revenue Data | | | | | |
| Residential Revenue | \$ 30,015 | \$ 275,422 | \$ 725,358 | \$ 1,364,589 | \$ 2,121,547 |
| Commercial Revenue | - | 918 | 4,564 | 13,819 | 31,689 |
| Billing Analysis | | | | | |
| Average Residential Monthly Bill | \$ 66.70 | \$ 67.01 | \$ 68.30 | \$ 69.13 | \$ 69.47 |
| Average Commercial Monthly Bill | | \$ 76.54 | \$ 84.52 | \$ 95.97 | \$ 112.37 |
| Deposit Maximums | | | | | |
| Residential @ 2.0x Average | \$ 133.40 | \$ 134.03 | \$ 136.60 | \$ 138.26 | \$ 138.94 |
| Commercial @ 2.5x Average | \$ - | \$ 191.35 | \$ 211.29 | \$ 239.92 | \$ 280.93 |
| Perkins Required Deposit | | | | | |
| Residential | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Commercial | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Deposit Analysis | | | | | |
| Beginning Balance | \$ - | \$ 15,000 | \$ 41,100 | \$ 77,076 | \$ 95,332 |
| Deposits Collected | \$ 15,000 | \$ 38,700 | \$ 70,500 | \$ 83,000 | \$ 99,300 |
| Deposits Refunded /1 | \$ - | \$ (13,500) | \$ (36,990) | \$ (69,368) | \$ (85,799) |
| Interest Applied (6% annually) | \$ - | \$ 900 | \$ 2,466 | \$ 4,625 | \$ 5,720 |
| Ending Balance | \$ 15,000 | \$ 41,100 | \$ 77,076 | \$ 95,332 | \$ 114,553 |

/1 - Assume 90% of previous year's balance will be eligible for refund the following year

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DOCKET NOs. W-20380A-05-0490, SW-20379A-05-0489
February 21, 2008**

CSB 3.2 Perkins Mountain Utility – Customer Deposits – On your “Proposed Rate Design” shown on Schedule A-5, you propose customer deposits to be paid in accordance to Arizona Administrative Code R-14-2-603 B. Please provide your projected customer balance at the end of the fifth year of operation.

Response: Please see attached Schedule A-13 for Perkins Mountain Utility Company projecting the deposit balance for each of the first five years of operation. The projected customer balance at the end of the fifth year of operation is \$114,553.

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**Perkins Mountain Utility Company
Estimate of Deposit Balance**

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Customer Data | | | | | |
| Residential Customer Growth | 150 | 385 | 700 | 820 | 980 |
| Commercial Customer Growth | - | 2 | 5 | 10 | 13 |
| Year-End Residential Customers | 150 | 535 | 1,235 | 2,055 | 3,035 |
| Year-End Commercial Customers | - | 2 | 7 | 17 | 30 |
| Average Residential Customers | 38 | 343 | 885 | 1,645 | 2,545 |
| Average Commercial Customers | - | 1 | 5 | 12 | 24 |
| Revenue Data | | | | | |
| Residential Revenue | \$ 33,750 | \$ 308,250 | \$ 796,500 | \$ 1,480,500 | \$ 2,290,500 |
| Commercial Revenue | - | 900 | 4,206 | 15,246 | 34,242 |
| Billing Analysis | | | | | |
| Average Residential Monthly Bill | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| Average Commercial Monthly Bill | | \$ 75.00 | \$ 77.89 | \$ 105.88 | \$ 121.43 |
| Deposit Ratios | | | | | |
| Residential @ 2.0x | \$ 150.00 | \$ 150.00 | \$ 150.00 | \$ 150.00 | \$ 150.00 |
| Commercial @ 2.5x | \$ - | \$ 187.50 | \$ 194.72 | \$ 264.69 | \$ 303.56 |
| Required Deposit | | | | | |
| Residential | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Commercial | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Deposit Analysis | | | | | |
| Beginning Balance | \$ - | \$ 15,000 | \$ 41,100 | \$ 77,076 | \$ 95,332 |
| Deposits Collected | \$ 15,000 | \$ 38,700 | \$ 70,500 | \$ 83,000 | \$ 99,300 |
| Deposits Refunded /1 | \$ - | \$ (13,500) | \$ (36,990) | \$ (69,368) | \$ (85,799) |
| Interest Applied (6% annually) | \$ - | \$ 900 | \$ 2,466 | \$ 4,625 | \$ 5,720 |
| Ending Balance | <u>\$ 15,000</u> | <u>\$ 41,100</u> | <u>\$ 77,076</u> | <u>\$ 95,332</u> | <u>\$ 114,553</u> |

/1 - Assume 90% of previous year's balance will be eligible for refund the following year

**RESPONSE OF PERKINS MOUNTAIN WATER COMPANY
AND PERKINS MOUNTAIN UTILITY COMPANY
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DOCKET NOs. W-20380A-05-0490, SW-20379A-05-0489
February 21, 2008**

**CSB 3.3 Land and Land Rights – For both the water and sewer companies,
please state the cost of land if known or estimated value if not known.**

Response: The developer, Rhodes Homes Arizona L.L.C., will convey any real property on which any Water Common Facilities or Wastewater Common Facilities are located at no cost to Perkins Mountain Water Company and Perkins Mountain Utility Company, respectively. Therefore the cost of land to the water and sewer companies will be zero.

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CSB 3.4 **Perkins Mountain Water – Water Conservation Expense – On your “Projected Income Statement” shown on Schedule A-2, you report a Water Conservation Expense in the amount of \$3,065 for the fifth year. Please discuss how this expense is needed in the provision of service.**

Response: The sole water supply for the Perkins Mountain service areas is the groundwater aquifers below the developments. Given this limited and finite water supply, comprehensive and effective water management is essential to the long-term sustainability of the communities to be served by the Perkins entities.

In recognition of the need for comprehensive water management, Perkins Mountain Water Company and Perkins Mountain Utility Company will operate as a single integrated water and wastewater supplier for their combined service areas. Working together, the Perkins entities will provide potable water services, wastewater treatment services and reclaimed water services to their customers.

This integrated approach to water management will insure reclaimed wastewater is reused within the service areas to the greatest extent possible, augmenting and preserving the limited groundwater supply. However, supply augmentation alone is not enough. Effective water management must include both supply augmentation and demand management programs.¹

Perkins Mountain Water Company has included water conservation expense in its filing in order to reflect funding needed to implement prudent demand management programs within its service area. Perkins Mountain Water Company expects to implement a customer education program for its customers. The education program will be based on the requirements for the Modified Non-Per Capita Conservation Program proposed for the Phoenix Active Management Area.²

¹ Arizona Department of Water Resources. (June 1999). Guiding Principles for Program Development. In *Third Management Plan 2000-2010 Phoenix Active Management Area*. (pp. 1-8 – 1-9).

² See Arizona Department of Water Resources. (January 2008). Appendix 5-N, Modified Non-Per Capita Conservation Program Water Conservation Measures Phoenix Active Management Area. In *Proposed Modifications to Chapter 5 Municipal Conservation Program Third Management Plan Phoenix Active Management Area*. (p. 5-59).

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In addition to customer education, Perkins Mountain Water Company expects to implement best management practices³. During the five year period covered in this filing, Perkins Mountain Water Company expects to focus on public awareness through special events and community presentations and conservation education through youth education and new homeowner landscape information. Additional best management practices are expected to be implemented as the service area grows and develops.

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³ *Ibid* (5-59 – 5-72)