



0000088161

ORIGINAL

MEMORANDUM

30

TO: Docket Control

FROM: Ernest G. Johnson
for Director
Utilities Division

DATE: September 03, 2008

RE: STAFF REPORT FOR WICKENBURG RANCH WATER LLC'S APPLICATION FOR A RATE ADJUSTMENT (DOCKET NO. W-03994A-07-0657)

Attached is the Staff Report for Wickenburg Ranch Water LLC's application for a rate adjustment for a proposed facility. Staff recommends approval of its rates and charges.

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 September 15, 2008.

EGJ:GTM:kdh

Originator: Gary McMurry

Attachment: Original and sixteen copies

Arizona Corporation Commission

DOCKETED

SEP - 3 2008

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DOCKET CONTROL
AZ CORP COMMISSION

2008 SEP - 3 P 3:16

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Service List for: Wickenburg Ranch Water LLC
Docket No. W-03994A-07-0657

Mr. Steve Wene, Esq.
Moyes Storey Law Offices
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

Mr. David Green
Care of M3 Builders
Authorized Representative
4222 East Camelback Road, H100
Phoenix, Arizona 86018

Ms. Janice M. Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

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

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

WICKENBURG RANCH WATER LLC

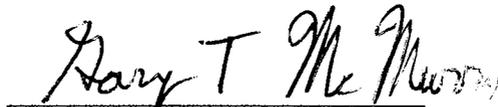
DOCKET NO. W-03994A-07-0657

APPLICATION FOR A RATE ADJUSTMENT ON A PROPOSED WATER FACILITY

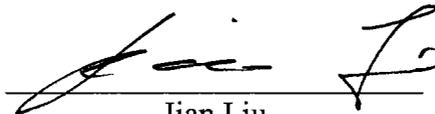
SEPTEMBER 03, 2008

STAFF ACKNOWLEDGMENT

The Staff Report for Wickenburg Ranch Water LLC, Docket No. W-03994A-07-0657 is the responsibility of the Staff members listed below. Gary McMurry is responsible for reviewing the Company's application, developing the revenue requirement and designing rates. Jian Liu is responsible for the engineering review. Trish Meeter is responsible for analysis of complaints, inquires, opinions, and any other consumer data relative to this case.



Gary McMurry
Public Utilities Analyst IV



Jian Liu
Utilities Engineer – Water/Wastewater



Trish Meeter
Public Utilities Consumer Analyst I

EXECUTIVE SUMMARY
WICKENBURG RANCH WATER LLC
DOCKET NO. W-03994A-07-0657

Wickenburg Ranch Water LLC (“Wickenburg Ranch” or “Company”) is an Arizona for profit Class C public service corporation in the development stages of providing water to a projected 1,791 customers in and around Wickenburg, Arizona in Maricopa County. The Arizona Corporation Commission (“Commission”) granted Wickenburg Ranch a Certificate of Convenience and Necessity (“CC&N”) and established its rates in Decision No. 42961, dated November 22, 1972. For various reasons, neither the planned development nor the anticipated water system was ever built. On November 20, 2007, Wickenburg filed an application with the Commission for a rate adjustment on a proposed facility in its CC&N.

Since Wickenburg Ranch has no existing facilities and no current customers, Staff evaluated the Company’s rate request in a manner consistent with processing an initial CC&N application. That is, Staff’s recommended rates are based on projected rate base and operating results for the fifth year of operations.

According to the Company’s response to a Staff data request, it requests rates that generate \$760,937 of revenue in the fifth year of operations for an operating margin of 10.8 percent and an \$82,295 operating income on a negative \$687,280 rate base. The Company requested rates only for 5/8 x 3/4-inch, 3/4-inch and 1-inch meters with monthly minimum rates of \$17.25, \$17.25, and \$28.75, respectively, and a uniform commodity rate of \$2.50 per 1,000 gallons for all meter sizes. The Company’s projected rate base for year five is negative primarily due to its plan to finance 100 percent of plant with advances-in-aid-of-construction (“AIAC”) and projected accumulated depreciation exceeds projected cumulative refunds of those advances. The Company’s requested rates would result in a monthly bill of \$31.82 for a 5/8 x 3/4-inch meter customer with projected median usage of 5,827 gallons.

Staff’s rates generate \$1,022,057 in year five of operations for a \$236,081 operating income and an 8.0 percent rate of return on a \$2,951,001 rate base. Staff’s rate base and revenue requirement are larger than the Company’s due to Staff’s use of a capital structure composed of 70.0 percent equity, 0.0 percent debt and 30.0 percent combined advances and contributions versus the Company’s capital structure composed of 100.0 percent AIAC. Staff’s revenue requirement is consistent with an expectation for the Company to maintain a balanced capital structure. In a capital structure inclusive of AIAC and contributions-in-aid-of-construction (“CIAC”), Staff typically recommends that combined AIAC and CIAC funding not exceed 30 percent of total capital for private and investor-owned utilities. Further, utilities that lack access to the capital markets should minimize the amount of debt in their capital structures. Avoiding debt is particularly important for utilities that lack access to the capital markets and have no operating experience that demonstrates the ability to meet debt service requirements.

Staff recommends a three-tier inverted rate structure for 5/8 x 3/4-inch and 3/4-inch meters and a two-tier inverted rate structure for larger meters. Staff recommends a monthly minimum charge of \$17.25 for 5/8 x 3/4-inch and 3/4-inch meters and monthly minimum

charges for larger meters based on the relative volumetric capacities. Detail of Staff's recommended rates and charges is presented on Schedule GTM-4. Staff's recommended rates would result in a monthly bill of \$41.29 for a 5/8 x 3/4-inch meter customer with projected median usage of 5,827 gallons.

Staff Recommends:

- Approval of Staff's rates and charges as shown in Schedule GTM-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 per Commission Rule (14-2-409D.5).
- That the Commission order Wickenburg Ranch to maintain a capital structure that includes no more than 30 percent combined advances-in-aid-of-construction and contributions-in-aid-of-construction with the remainder as equity.
- That the Company file with Docket Control as a compliance item in this docket, a copy of the ATC for the first subdivision of this development within two years of the effective date of the order granting this application.
- Authorization of the depreciation rates by plant account presented in Table A of the attached Engineering Report.
- That Wickenburg Ranch be required to file a rate application no later than three months following the fifth anniversary of the date that the Company begins providing service to its first customer.
- That the Company file notice with Docket Control, as a compliance item in this docket, that it has begun providing service to its first customer within 15 days of providing service.
- That the Company be ordered to file with Docket Control, as a compliance item, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
- That the Company be ordered to file with Docket Control, as a compliance item, a Curtailment tariff and a Cross-Connection/Backflow tariff within 30 days after the effective date of the Decision in this proceeding.

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ATTACHMENT

ENGINEERING MEMORMANDUMA

Introduction

On November 20, 2007, Wickenburg Ranch Water LLC (“Wickenburg Ranch” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) for a rate adjustment on a proposed facility near Wickenburg, Arizona. On December 14, 2007, the application was deemed insufficient by Commission Utilities Division Staff (“Staff”). On January 22, 2008, Wickenburg Ranch submitted a revised application for a rate adjustment. On February 21, 2008, the application was found sufficient.

Background

The CC&N for this project, the “Wickenburg Ranch Estates”, was granted to Yavapai Hills Water Company (“Yavapai Hills”) by Commission Decision No. 42961 on November 22, 1972. With the exception of a small resort, the Wickenburg Inn and Tennis Ranch, the planned development to be served by the Yavapai Hills Water Company never materialized. Between 1972 and 1994 the ownership of the property changed several times. In 1994, Petroleum Inc. acquired the property, resort, and Water Company from Yavapai Hills. Petroleum filed an application to permit the transfer of the Water Company and CC&N from Yavapai Hills to its subsidiary Wick Water Company (“Wick”) which was approved May 15, 1996, by Commission Decision No. 59646. In 2001, Petroleum/Wick sold the property and resort to a group of developers known as “CDC”. CDC applied for and received a transfer of the water system and CC&N to CDC Wickenburg Ranch by Commission Decision No. 64252 dated December 4, 2001.

Sometime thereafter (circa 2002) CDC began leasing the resort to an entity known as “Childhelp”, which is an organization involved in the prevention and treatment of child abuse. Childhelp continued to operate the resort and water system as a licensee as had been approved by the Commission. Childhelp’s lease expired in 2005, leaving the resort vacant.

In 2005, CDC Wickenburg transferred the membership interests in CDC Wickenburg to AR Wickenburg Ranch. In February 2007, the membership interests were transferred from AR Wickenburg to Vanwick LLC. In September 2007, CDC Wickenburg amended its articles of organization changing the name of the water company to Wickenburg Ranch Water LLC.

The Company met with Staff and the parties agreed that since there is virtually no existing plant and no revenue, the application to adjust rates should be patterned after an application for a CC&N rather than a rate application. The Company is requesting a rate adjustment for its proposed 2,162 acre master planned community because its projections indicate that the rates established by the Commission in 1972 for Yavapai Hills are now inadequate to cover projected operating expenses.

Presently, the only improvements to the property consist of a small resort, several wells, tanks, and 16,000 feet of distribution line, all of which were constructed in the early 1970’s. According to the Company, these assets are fully depreciated and are no longer in use due to

their poor condition. The resort, the Wickenburg Inn and Tennis Ranch, ceased operations in 2005. When completed, the project is anticipated to serve approximately 1,780 residential customers and eleven commercial entities. The construction, which is anticipated to start in the third quarter of 2008, will begin with no existing customers and virtually no plant.

Management

Wickenburg Ranch Water LLC is a limited liability corporation engaged in the business of providing water utility service to customers in Yavapai County, Arizona. According to the application, Wickenburg Ranch will be managed by Vanwick, LLC. The developer for the project, who will be providing all of the construction funding, is JVT Investors, LLC ("JVT Investors"). All three of these entities are in good standing with the Commission.

The Proposed Water Facilities

The Company has proposed a 2,162-acre master-planned community consisting of 1,780 single family units and eleven commercial entities. The Company is proposing to build a water system consisting of four wells and approximately 1.0 million gallons of storage capacity. Construction is anticipated to take approximately three years and the Company projects the development to sell out within five years. The Company has estimated construction costs to total \$6.6 million (see GTM-5). When fully developed, Wickenburg Ranch Estates commercial developments will include an 18-hole golf course, a club house, a resort and timeshare, and an equestrian center. Staff has reviewed the proposed plant-in-service and found that the plant facilities and costs are reasonable and appropriate. However, Staff makes no "used and useful" determination of the projected plant used as the basis for a fair value rate base in this proceeding and no particular future treatment should be inferred for rate-making or rate base purposes in the future.

Arizona Department of Environmental Quality (ADEQ)

Wickenburg Ranch has indicated in its application that the Certificate of Approval to Construct ("ATC") will be late filed by June 2008. As of the date of this report the Company has not received the ATC. Staff recommends that the Company file a copy of the ATC for the first subdivision of the development within two years of the effective date of the order granting this application.

Arizona Department of Water Resources (ADWR)

On February 11, 2008 ADWR approved the Company's application for a Designation of having an Adequate Water Supply. Accordingly, ADWR has determined that there is enough groundwater to meet the Company's projected potable water demands.

Commission

Staff has reviewed the Commission's records and notes that Wickenburg Ranch Water, LLC is in good standing with the Commission Corporations Division. Staff has also found no evidence of public complaints and there are no delinquencies or compliance issues for the applicant.

Rate Base

The Company's application included five years' projections for plant values, operating revenues, operating expenses, and the number of customers. Due to the lack of historical information, projections and assumptions were necessary to establish a fair value rate of return and initial rates. For the purposes of this report, the original cost rate base is equal to the fair value rate base.

The Company projects plant in service to total approximately \$2.5 million in year one with additions of \$1.0 million to \$1.4 million for each of the years two through four (refer to GTM-5). Wickenburg Ranch projects year five plant in service of \$6,639,016 (refer to GTM-5). Staff has reviewed and has found reasonable the Company's projections for plant-in-service at the end of year five.

Staff notes that the Company's rate base does not include a value for the land. According to the application, the land and structures will be transferred at no cost to the Company. The value of the land, according to the Company, "has not been determined yet primarily because the determination on the location and size of this real estate has not been finalized."

Staff's adjustments increased the Company's proposed rate base by \$3,638,281 from negative \$687,280 to \$2,951,001 as shown in Schedule GTM-1. Details of Staff's adjustments are discussed below.

Advances-in-Aid-of-Construction ("AIAC") – Adjustment No. 1 reduces AIAC by \$3,773,279 from \$5,390,398 to \$1,617,119. Staff removed 70 percent ($\$5,390,398 \times .7 = \$3,773,279$) of the proposed AIAC balance to reflect Staff's expectation for the Company to maintain a balanced capital structure as further discussed under the topic "Capital Structure" elsewhere in this report.

Working Capital – Adjustment No. 2 eliminates the Company proposed \$134,998 cash working allowance. The Company has included in its rate base calculation a cash working capital allowance based on the formula method (e.g., 1/24 of electric power expense and 1/8 of other operating and maintenance expenses). The formula method always results in a positive outcome. However, there is no basis for presuming that Wickenburg Ranch will experience a positive need for a cash working capital allowance in rate base. A lead-lag study is the best method for determining a value for cash working capital allowance. In the absence of a lead-lag

study, no provision of cash working capital is appropriate. Accordingly, Staff recommends a zero working capital allowance.

Operating Income

Wickenburg Ranch projects operating expenses of \$156,514 in year one, rising each year with the increasing customer base to \$678,642 in year five. The Company projects operating losses in years one through three, with profitability beginning in year four.

Staff's adjustments increased the Company's proposed revenue requirement by \$261,120, from \$760,937 to \$1,022,057, and operating income by \$153,785 from \$82,295 to \$236,081, based on projections for year five of operations, as shown in Schedule GTM-2. Details of Staff's adjustments to operating revenues and expenses are discussed below.

Metered Water Sales – Adjustment No. 3 increases this account by \$261,120, from \$750,587 to \$1,011,707. The Company's proposed year five operating revenues of \$760,937, \$750,587 of which is from Metered Water Sales and \$10,350 is from Other Operating Revenue, (see GTM-7) are based on providing a 10.8 percent operating margin since its projected rate base is negative due to zero reliance on investor supplied capital to finance its plant. Staff recommends operating revenue sufficient to provide an 8.0 percent rate of return on the projected rate base in year five of operations under the assumption that plant is financed by a balanced capital structure.

Staff's adjustments to operating expenses resulted in a net increase of \$107,334, from \$678,642 to \$785,976.

Water Testing - Adjustment No. 4 reduces water testing expense by \$4,953, from \$8,910 to \$3,957, to reflect the on-going normalized level based on year five of operations [$\$250 + (1,791 \text{ customers} \times \$2.07 \text{ per connection per year}) = \$3,957$].

Income Tax Expense – Adjustment No. 5 increases this account by \$112,287, from \$36,121 to \$148,408, to reflect application of the Federal and State statutory rates to Staff's taxable income.

Revenue Requirement

As noted previously, the Company's proposed \$760,937 revenue requirement is based on providing a 10.8 percent operating margin. The Company used the operating margin basis instead of a rate base/rate of return basis for determining a revenue requirement because it projects a negative rate base in year five of operations. The Company's projected rate base for year five is negative primarily due to its plan to finance 100 percent of plant with advances-in-aid-of-construction ("AIAC"). AIAC is a reduction to plant in the calculation of rate base. Initially, the AIAC and plant balances will effectively offset each other resulting in a rate base approximating zero. The Company projects that depreciation expense will accumulate (causing a reduction to rate base) more rapidly than AIAC will be refunded (causing an increase to rate base) resulting in a net reduction to rate base and an overall negative rate base.

Specifically, the application indicates that the land for the development will be transferred from the developer, JVT Investors to Wickenburg Ranch at no cost. Furthermore, the Company's application states that all construction will be funded by developer advances. Wickenburg Ranch has signed a "Water Facilities Extension Agreement" with JVT Investors whereby JVT Investors will provide the necessary construction financing and will be refunded in the amount of 15 percent of gross annual revenues over fifteen consecutive refund years. The Company projects that even if full build-out occurs within 15 years, its capital structure will be composed of 95 percent advances-in-aid-of-construction and 5 percent equity.

The Company has not yet submitted its Water Facilities Extension Agreement to the Commission for approval. Wickenburg Ranch indicated that it will submit the Water Facilities Extension Agreement and the ATC for approval once the ATC is received from ADEQ.

Staff recommends a \$1,022,057 revenue requirement, \$261,120 greater than the Company's request, to provide a \$236,081 operating income and an 8.0 percent rate of return on a \$2,951,001 projected rate base in year five of operations under the assumption that plant is financed by a balanced capital structure. Staff's rate base and revenue requirements are larger than the Company's due Staff's use of a capital structure composed of 70.0 percent equity, 0.0 percent debt and 30.0 percent combined advances and contributions versus the Company's capital structure composed of 100.0 percent AIAC.

Staff's recommendation is consistent with an expectation for the Company to maintain a balanced capital structure. In a capital structure inclusive of AIAC and contributions-in-aid-of-construction ("CIAC"), Staff typically recommends that combined AIAC and CIAC funding not exceed 30 percent of total capital for private and investor owned utilities. Further, utilities that lack access to the capital markets should minimize the amount of debt in their capital structures. Avoiding debt is particularly important for utilities that lack access to the capital markets and have no operating experience that demonstrates the ability to meet debt service requirements. The Company should submit a Water Facilities Extension Agreement and other financing requests, as necessary, to maintain a capital structure where AIAC and CIAC represent no more than 30 percent of total capital and the remainder is composed of equity.

Rate Design

The Company requested rates only for 5/8 x 3/4-inch, 3/4-inch and 1-inch meters with monthly minimum rates of \$17.25, \$17.25 and \$28.75, respectively, and a uniform commodity rate of \$2.50 per 1,000 gallons for all meter sizes. Detail of the Company's proposed rates and charges is presented on Schedule GTM-4. The Company's requested rates would result in a monthly bill of \$31.82 for a 5/8 x 3/4-inch meter customer with projected median usage of 5,827 gallons.

Staff recommends a three-tier inverted rate structure for 5/8 x 3/4-inch and 3/4-inch meters and a two-tier inverted rate structure for larger meters. Staff recommends a monthly minimum charge of \$17.25 for 5/8 x 3/4-inch and 3/4-inch meters and monthly minimum charges for larger meters based on the relative volumetric capacities. Detail of Staff's recommended rates and charges is presented on Schedule GTM-4. Staff's recommended rates would result in a monthly bill of \$41.29 for a 5/8 x 3/4-inch meter customer with projected median usage of 5,827 gallons.

Staff Conclusions and Recommendations

Staff recommends approval of Staff's rates and charges as shown in Schedule GTM-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 per Commission Rule (14-2-409D.5).

Staff recommends that the Commission order Wickenburg Ranch to maintain a capital structure that includes no more than 30 percent combined advances-in-aid-of-construction and contributions-in-aid-of-construction and the remainder as equity.

Staff recommends that the Company file with Docket Control as a compliance item in this docket, a copy of the ATC for the first subdivision of this development within two years of the effective date of the order granting this application.

Staff recommends authorization of the depreciation rates by plant account presented in Table B of the attached Engineering Report.

Staff further recommends that Wickenburg Ranch be required to file a rate case within five years of the date that the first customer is served by this utility.

Staff further recommends that the Company file notice with Docket Control, as a comply item in this docket, that it has begun providing service to its first customer within 15 days of providing service.

Staff further recommends that the Company be ordered to file with Docket Control, as a compliance item, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff recommends that the Company be ordered to file with Docket Control, as a compliance item, a Curtailment tariff and a Cross-Connection/Backflow tariff within 30 days after the effective date of the Decision in this proceeding.

RATE BASE - ORIGINAL COST

LINE NO.	(A)	(B)	(C)
	COMPANY ¹	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	\$ 6,639,016	\$ -	\$ 6,639,016
2	1,163,460	-	1,163,460
3	<u>\$ 5,475,556</u>	<u>\$ -</u>	<u>\$ 5,475,556</u>
<u>LESS:</u>			
4	\$ -	\$ -	\$ -
5	-	-	-
6	-	-	-
7	6,246,010	(3,773,279)	2,472,731
8	51,825	-	51,825
9		-	-
<u>ADD:</u>			
10	-	-	-
11	-	-	-
12	134,998	(134,998)	-
17	<u>\$ (687,280)</u>	<u>\$ 3,638,281</u>	<u>\$ 2,951,001</u>

References:

¹ Column (A), All amounts reflect numbers provided by Company in response to Staff Data Request No. 3.8, Exhibit 2 (see Schedule **GTM-9**).

² See Schedule **GTM-4**

³ Includes developer advances (\$5,390,398) and customer advances (\$855,611)

OPERATING INCOME STATEMENT - COMPANY PROPOSED AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ¹ PROPOSED RATES YEAR 5	[B] STAFF ADJUSTMENTS REF ³	[C] STAFF RECOMMENDED
1	REVENUES:			
2	Metered Water Sales	\$ 750,587	\$ 261,120 3	\$ 1,011,707
3	Water Sales - Unmetered	-	-	-
4	Other Operating Revenue	10,350	-	10,350
5	Total Operating Revenues	\$ 760,937	\$ 261,120	\$ 1,022,057
6	OPERATING EXPENSES:			
7	Salaries and Wages ²	\$ -	\$ -	\$ -
10	Employee Benefits	-	-	-
11	Purchased Power	55,054	-	55,054
13	Billing Services	-	-	-
14	Repairs and Maintenance	101,446	-	101,446
15	Office Supplies and Expense ²	-	-	-
16	Contract Labor	-	-	-
17	Outside Services	97,380	-	97,380
18	Water Testing	8,910	(4,953) 4	3,957
19	Rents ²	-	-	-
20	Transportation Expenses ²	-	-	-
21	Insurance - General Liability	12,613	-	12,613
22	Insurance - Health and Life ²	-	-	-
23	Regulatory Commission Expense - Rate Case	-	-	-
24	Miscellaneous Expense	3,000	-	3,000
25	Depreciation Expense	334,386	-	334,386
26	Taxes Other Than Income	-	-	-
27	Property Taxes	29,732	-	29,732
28	Income Tax	36,121	112,287 5	148,408
29	Total Operating Expenses	\$ 678,642	\$ 107,334	\$ 785,976
30	Operating Income (Loss)	\$ 82,295	\$ 153,785	\$ 236,081

References:

Column (A): Company Schedule (CW-2)

Column (B): Staff's proposed adjustments

Column (C): Column (A) + Column (B)

¹ Company's initial filing did not contain year 5 detail. All amounts are as per Schedule GTM-11.

² Company stated that these accounts are included in outside services as a management fee.

³ Refer to Schedule GTM - 3.

STAFF ADJUSTMENTS SUMMARY

- (1) \$ (3,773,279) To reduce Advances in Aid of Construction (AIAC) from 100 percent of capital (\$5,390,556) to 30 percent of capital.
- (2) \$ (134,998) To eliminate the Company's working capital allowance that was based on the formula method. Any allowance for cash working capital should be supported by a lead-lag study.
- (3) \$ 261,120 To provide an 8.0 percent rate of return.
- (4) \$ (4,953) To recognize water testing expenses in year five of operations consistent with the projected customer base. Staff calculated water testing expenses as follows; (1,791 customers * \$2.07 connection) plus the fixed \$250 per year fee or \$3,957.
- (5) \$ 112,287 To reflect application of the statutory State and Federal income tax rates to Staff's recommended taxable income.

RATE DESIGN

All Classes - Residential, Commercial, & Industrial	Present	-Proposed Rates-	
Monthly Usage Charge	Rates	Company	Staff
5/8" x 3/4" Meter	\$6.00	\$17.25	\$ 17.25
3/4" Meter		17.25	\$ 17.25
1" Meter		28.75	\$ 28.75
1 1/2" Meter			\$ 57.50
2" Meter			\$ 92.00
3" Meter			\$ 184.00
4" Meter			\$ 287.50
6" Meter			\$ 575.00
<u>Company Proposed</u>			
First 2,000 gallons	\$ -		
Second Tier - over 2,000 gallons	\$ 1.00		
Uniform Rate		\$ 2.50	
<u>Staff Recommended - 5/8 x 3/4 and 3/4 inch customers</u>			
Tier One Rate - 1 - 3,000 gallons			\$ 3.30
Tier Two Rate - 3,001 - 10,000 gallons			\$ 5.00
Tier Three Rate - Over 10,000 gallons			\$ 6.00
<u>Staff Recommended - 1 inch</u>			
Tier One Rate - 1 - 20,000 gallons			\$ 5.00
Tier Two Rate - over 20,000 gallons			\$ 6.00
<u>Staff Recommended - 1.5 inch</u>			
Tier One Rate - 1 - 45,000 gallons			\$ 5.00
Tier Two Rate - over 45,000 gallons			\$ 6.00
<u>Staff Recommended - 2 inch</u>			
Tier One Rate - 1 - 75,000 gallons			\$ 5.00
Tier Two Rate - over 75,000 gallons			\$ 6.00
<u>Staff Recommended - 3 inch</u>			
Tier One Rate - 1 - 150,000 gallons			\$ 5.00
Tier Two Rate - over 150,000 gallons			\$ 6.00
<u>Staff Recommended - 4 inch</u>			
Tier One Rate - 1 - 250,000 gallons			\$ 5.00
Tier Two Rate - over 250,000 gallons			\$ 6.00
<u>Staff Recommended - 6 inch</u>			
Tier One Rate - 1 - 500,000 gallons			\$ 5.00
Tier Two Rate - over 500,000 gallons			\$ 6.00
<u>Service Line and Meter Installation Charges</u>			
5/8" x 3/4" Meter	\$480	\$480	\$ 365 \$ 115
3/4" Meter	\$560	\$560	\$ 375 \$ 185
1" Meter	\$650	\$650	\$ 425 \$ 225
1 1/2" Meter	\$895	\$895	\$ 460 \$ 435
2" Turbine	\$1,555	\$1,555	\$ 615 \$ 940
2" Compound	\$2,280	\$2,280	\$ 615 \$ 1,665
3" Turbine	\$2,235	\$2,235	\$ 790 \$ 1,445
3" Compound	\$3,070	\$3,070	\$ 830 \$ 2,240
4" Turbine	\$3,440	\$3,440	\$ 1,130 \$ 2,310
4" Compound	\$4,395	\$4,395	\$ 1,195 \$ 3,200
6" Turbine	\$6,195	\$6,195	\$ 1,695 \$ 4,500
6" Compound	\$7,970	\$7,970	\$ 1,740 \$ 6,230
<u>Service Charges</u>			
1 Establishment	\$25.00	\$25.00	
2 Establishment (After Hours)	35.00	35.00	
3 Reconnection (Delinquent)	40.00	40.00	
4 NSF Check	25.00	25.00	
5 Meter Re-Read (If Correct)	25.00	25.00	
6 Meter Test (If Correct)	25.00	25.00	
7 Deferred Payment (per month)	1.50%	1.5%	
8 Deposit	75.00		
9 Deposit Interest	0.00%		
10 Re-Establishment (Within 12 Months)	**	**	
<u>Monthly Service Charge for Fire Sprinkler</u>			
4" or Smaller			***
6"			***
8"			***
10"			***
Larger than 10"			***

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403D)
*** 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.

PLANT IN SERVICE - COMPANY
Asset additions by year ¹

Acct. No.	Description	Year One	Additions Year Two	Additions Year Three	Additions Year Four	Additions Year Five	Plant Total Year Five
301	Organization	\$ -					\$ -
302	Franchises	-					-
303	Land & Land Rights	-					-
304	Structures & Improvements	-					-
305	Collecting & Impounding Reservoirs	-					-
306	Lake, River, Canal Intakes	-					-
307	Wells & Springs	500,000	-	-	-	-	500,000
308	Infiltration Galleries	-					-
309	Raw Water Supply Mains	-					-
310	Power Generation Equipment	-					-
311	Pumping Equipment	475,000	-	-	-	-	475,000
320	Water Treatment Equipment	-					-
320.1	Water Treatment Plants	-					-
320.2	Solution Chemical Feeders	-					-
330	Distribution Reservoirs/Standpipes	-					-
330.1	Storage Tanks	458,427	318,539	374,157	348,876	-	1,500,000
330.2	Pressure Tanks	-					-
331	Transmission & Distrib. Mains	911,624	633,444	744,046	693,772	-	2,982,886
333	Services	77,200	135,700	146,250	171,375	157,750	688,275
334	Meters & Meter Installations	39,220	68,080	73,300	85,695	78,360	344,655
335	Hydrants	45,292	31,472	36,967	34,469	-	148,200
336	Backflow Prevention Devices	-					-
339	Other Plant & Misc. Equipment	-					-
340	Office Furniture & Equipment	-					-
340.1	Computers & Software	-					-
341	Transportation Equipment	-					-
342	Stores Equipment	-					-
343	Tools, Shop & Garage Equip.	-					-
344	Laboratory Equipment	-					-
345	Power Operated Equipment	-					-
346	Communication Equipment	-					-
347	Miscellaneous Equipment	-					-
348	Other Tangible Plant	-					-
Totals		\$2,506,763	\$1,187,235	\$1,374,720	\$1,334,187	\$ 236,110	\$ 6,639,016

¹ These amounts reflect the Company's response to Staff Data Request No. 3.8 (see Schedule GTM-11).

ACCUMULATED DEPRECIATION - COMPANY ¹

Acct. No.	Description	Depreciation Rates	Company Projected Plant in Service Year Five	Accumulated Depreciation Year One	Accumulated Depreciation Year Two	Accumulated Depreciation Year Three	Accumulated Depreciation Year Four	Accumulated Depreciation Year Five
301	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
302	Franchises		-					
303	Land & Land Rights	0.00%	-					
304	Structures & Improvements	6.67%	-					
305	Collecting & Impounding Reservoirs	3.33%	-					
306	Lake, River, Canal Intakes		-					
307	Wells & Springs	3.33%	500,000	16,650	33,300	49,950	66,600	83,250
308	Infiltration Galleries		-					
309	Raw Water Supply Mains		-					
310	Power Generation Equipment		-					
311	Pumping Equipment	12.50%	475,000	59,375	118,750	178,125	237,500	296,875
320	Water Treatment Equipment	3.33%	-					
320.1	Water Treatment Plants		-					
320.2	Solution Chemical Feeders		-					
330	Distribution Reservoirs/Standpipes	2.22%	-					
330.1	Storage Tanks	10.00%	1,500,000	31,096	92,865	189,270	321,826	471,826
330.2	Pressure Tanks		-					
331	Transmission & Distrib. Mains	2.00%	2,982,886	12,367	36,934	75,276	127,996	187,654
333	Services	3.33%	688,275	1,285	6,116	15,640	30,453	50,746
334	Meters & Meter Installations	8.33%	344,655	1,634	7,736	19,727	38,340	63,786
335	Hydrants	2.00%	148,200	614	1,835	3,740	6,359	9,323
336	Backflow Prevention Devices		-					
339	Other Plant & Misc. Equipment		-					
340	Office Furniture & Equipment	6.67%	-					
340.1	Computers & Software		-					
341	Transportation Equipment	20.00%	-					
342	Stores Equipment		-					
343	Tools, Shop & Garage Equip.	5.00%	-					
344	Laboratory Equipment	10.00%	-					
345	Power Operated Equipment	5.00%	-					
346	Communication Equipment	10.00%	-					
347	Miscellaneous Equipment		-					
348	Other Tangible Plant	3.33%	-					
Totals			\$ 6,639,016	\$ 123,021	\$ 297,536	\$ 531,728	\$ 829,075	\$ 1,163,460

¹ These amounts reflect the Company's response to Staff Data Request No. 3.8 (see Schedule GTM-11).

PROFORMA INCOME STATEMENT ¹
and
ORIGINAL COST RATE BASE

	[A]		[B]		[C]		[D]		[E]		
LINE NO.	DESCRIPTION	Year One	Year Two	Year Three	Year Four	Year Five					
1	REVENUES:										
2	461 Metered Water Sales	\$ 40,536	72.7%	\$ 164,942	95.0%	\$ 340,495	97.3%	\$ 536,925	98.0%	\$ 750,587	98.6%
3	471 Misc Svc Revenue (establishment charges)	4,850	8.7%	8,750	5.0%	9,450	2.7%	11,100	2.0%	10,350	1.4%
4	474 Other Operating Revenue	10,350		-		-		-		-	
5	Total Operating Revenues	\$ 55,736	100.0%	\$ 173,692	100.0%	\$ 349,945	100.0%	\$ 548,025	100.0%	\$ 760,937	100.0%
6	OPERATING EXPENSES:										
7	601 Salaries and Wages	\$ -		\$ -		\$ -		\$ -		\$ -	
10	610 Purchased Water	-		-		-		-		-	
11	615 Purchased Power	3,395	2.2%	12,915	5.2%	25,655	7.1%	40,040	7.7%	55,054	8.1%
13	618 Chemicals	-		-		-		-		-	
14	620 Repairs and Maintenance	12,582	8.0%	18,637	7.5%	25,641	7.1%	64,940	12.4%	101,446	14.9%
15	621 Office Supplies and Expense	-		-		-		-		-	
16	630 Outside Services ²	9,148	5.8%	27,568	11.0%	44,980	12.5%	70,640	13.5%	97,380	14.3%
17	635 Water Testing	3,154	2.0%	4,053	1.6%	6,705	1.9%	7,846	1.5%	8,910	1.3%
18	641 Rents	-		-		-		-		-	
19	650 Transportation Expenses	-		-		-		-		-	
20	657 Insurance - General Liability	800	0.5%	2,262	0.9%	5,368	1.5%	8,860	1.7%	12,613	1.9%
21	659 Insurance - Health and Life	-		-		-		-		-	
22	666 Regulatory Commission Exp - Rate Case	-		-		-		-		-	
23	675 Miscellaneous Expense	1,000	0.6%	1,500	0.6%	2,000	0.6%	2,500	0.5%	3,000	0.4%
24	403 Depreciation Expense	123,021	78.6%	174,515	69.8%	234,192	65.0%	297,347	56.9%	334,386	49.3%
25	408 Taxes Other Than Income	-		-		-		-		-	
26	408.11 Property Taxes	3,414	2.2%	8,463	3.4%	15,787	4.4%	23,419	4.5%	29,732	4.4%
27	409 Income Tax	-		-		-		7,402		36,121	
40											
41	Total Operating Expenses	\$ 156,514	100.0%	\$ 249,913	100.0%	\$ 360,328	100.0%	\$ 522,994	100.0%	\$ 678,642	100.0%
42	Operating Income (Loss)	\$ (100,778)		\$ (76,221)		\$ (10,383)		\$ 25,031		\$ 82,295	
	Number of Customers										
	Residential	194		544		922		1,366		1,780	
	Commercial	2		4		6		9		11	
	Total	196		548		928		1,375		1,791	
	Plant in Service	\$ 2,506,763		\$ 3,693,998		\$ 5,028,185		\$ 6,362,373		\$ 6,639,016	
	Less: Accumulated Depreciation	123,021		297,536		531,728		829,075		1,163,460	
	Net Utility Plant in Service	\$ 2,383,742		\$ 3,396,462		\$ 4,496,457		\$ 5,533,298		\$ 5,475,556	
	Less: Customer Deposits	14,700		29,340		36,720		47,445		51,825	
	Customer Meter Advances	116,420		308,558		496,088		699,183		855,611	
	Net Advances in Aid of Construction	2,390,343		3,358,388		4,475,650		5,486,962		5,390,398	
	Plus: Allowance for Working Capital	31,200		47,145		88,273		117,776		134,998	
	Projected Rate Base	\$ (106,521)		\$ (252,679)		\$ (423,727)		\$ (582,516)		\$ (687,281)	
	Rate of Return on Rate Base	94.6%		30.2%		2.5%		-4.3%		-12.0%	
	Operating Margin	-180.8%		-43.9%		-3.0%		4.6%		10.8%	

¹ These amounts reflect the Company's response to Staff Data Request No. 3.8 (see Schedule GTM-10).

² Salaries, rent, transportation, and similar expenses are included as "Outside Services" (GTM-1.11).

DEVELOPER ADVANCES AND REPAYMENTS ¹

<u>Year</u>	<u>Gross Advances</u>	<u>Cumulative Advances</u>	<u>Gross Operating Revenue</u>	<u>Estimated Advance Repayments</u>	<u>Cumulative Repayment</u>	<u>Net Advances Balance</u>
1	\$ 2,390,343	\$ 2,390,343	\$ 45,386	\$ -	\$ -	\$ 2,390,343
2	983,455	3,373,798	173,692	15,411	15,411	3,358,388
3	1,155,170	4,528,968	349,945	37,908	53,319	4,475,650
4	1,077,118	5,606,086	548,025	65,806	119,125	5,486,962
5	-	5,606,086	760,937	96,563	215,688	5,390,399
	<u>\$ 5,606,086</u>			<u>\$ 215,688</u>		

CUSTOMER METER ADVANCES AND REPAYMENTS ²

<u>Year</u>	<u>Gross Deposits</u>	<u>Cumulative Deposits</u>	<u>Estimated Customer Refund</u>	<u>Cumulative Refund</u>	<u>Net Deposits</u>
1	\$ 116,420	\$ 116,420	\$ -	\$ -	\$ 116,420
2	203,780	320,200	11,642	11,642	308,558
3	219,550	539,750	32,020	43,662	496,088
4	257,070	796,820	53,975	97,637	699,183
5	236,110	1,032,930	79,682	177,319	855,611
	<u>\$ 1,032,930</u>		<u>\$ 177,319</u>		

CUSTOMER METER DEPOSITS AND REFUNDS ³

<u>Year</u>	<u>Gross Deposits</u>	<u>Cumulative Deposits</u>	<u>Estimated Customer Refund</u>	<u>Cumulative Refund</u>	<u>Net Deposits</u>
1	\$ 14,700	\$ 14,700	\$ -	\$ -	\$ 14,700
2	26,400	41,100	11,760	11,760	29,340
3	28,500	69,600	21,120	32,880	36,720
4	33,525	103,125	22,800	55,680	47,445
5	31,200	134,325	26,820	82,500	51,825
	<u>\$ 134,325</u>		<u>\$ 82,500</u>		

¹ Refer to Schedule GTM-12

² Refer to Schedule GTM-13

³ Refer to Schedule GTM-14

Wickenburg Ranch Water Company, LLC
 5-Year Pro Forma Rate Base Projections (1)
 Response to Staff Data Request GTM 2.1 (Revised)

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rate Base				
Gross Utility Plant in Service	\$ 2,506,763	\$ 3,693,998	\$ 5,068,718	\$ 6,402,906	\$ 6,639,016
Less: Accumulated Depreciation	123,021	297,536	531,728	829,075	1,163,460
Net Utility Plant in Service	\$ 2,383,742	\$ 3,396,463	\$ 4,536,990	\$ 5,573,831	\$ 5,475,556
Subtract:					
Customer Deposits	\$ 14,700	\$ 29,340	\$ 36,720	\$ 47,445	\$ 51,825
Customer Meter Advances	116,420	308,558	496,088	699,183	855,611
Developer Advances in Aid of Construction	2,390,343	3,358,388	4,475,650	5,486,961	5,390,398
Contributions in Aid of Construction (CIAC)	-	-	-	-	-
Amortization of CIAC	-	-	-	-	-
Add:					
Allowance for Working Capital	\$ 31,200	\$ 47,145	\$ 88,273	\$ 117,776	\$ 134,998
Projected Total Rate Base	\$ (106,521)	\$ (252,678)	\$ (383,194)	\$ (541,982)	\$ (687,280)

(1) Source: Company's response to Staff Data Request GTM 3.8, Exhibit 2

CW-2 (Revised)
WICKENBURG RANCH WATER COMPANY, LLC
PROFORMA INCOME STATEMENT YEARS 1 THROUGH 5 (i)

	YR ONE	YR TWO	YR THREE	YR FOUR	YR FIVE
Water Sales	\$ 40,536	\$ 164,942	\$ 340,495	\$ 536,925	\$ 750,587
Establishment Charges	4,850	8,750	9,450	11,100	10,350
Other Operating Revenue	-	-	-	-	-
TOTAL OPERATING REVENUE	\$ 45,386	\$ 173,692	\$ 349,945	\$ 548,025	\$ 760,937
OPERATING EXPENSES:					
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
Purchased Water	-	-	-	-	-
Power Costs	3,395	12,915	25,655	40,040	55,054
Water Testing	3,154	4,053	6,705	7,846	8,910
Repairs and Maintenance	12,582	18,637	25,641	64,940	101,446
Office Supplies Expense	-	-	-	-	-
Outside Services	9,148	27,568	44,980	70,640	97,380
Rents	-	-	-	-	-
Transportation Expense	-	-	-	-	-
Taxes Other Than Income & Property	-	-	-	-	-
Depreciation Expense	123,021	174,515	234,192	297,347	334,386
Insurance - General Liability	800	2,262	5,368	8,860	12,613
Insurance - Health and Life	-	-	-	-	-
Income Tax	-	-	-	7,402	36,121
Property Tax	3,414	8,463	15,787	23,419	29,732
Miscellaneous Expense	1,000	1,500	2,000	2,500	3,000
TOTAL OPERATING EXPENSE	\$ 156,514	\$ 249,912	\$ 360,328	\$ 522,993	\$ 678,641
OPERATING INCOME/(LOSS)	\$ (111,128)	\$ (76,221)	\$ (10,383)	\$ 25,032	\$ 82,295
OTHER INCOME/(EXPENSE):					
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	-	-	-	-	-
Other Expenses	-	-	-	-	-
Interest Expense	-	-	-	-	-
TOTAL OTHER INCOME/(EXPENSE)	\$ -	\$ -	\$ -	\$ -	\$ -
NET INCOME/(LOSS)	\$ (111,128)	\$ (76,221)	\$ (10,383)	\$ 25,032	\$ 82,295

(1) Source: Company's response to Staff Data Request GTM-3.8, Exhibit 6

WICKENBURG RANCH WATER COMPANY, LLC (1)
PROJECTED UTILITY PLANT FOR YEARS 1 THROUGH 5 (Revised)

Organization	Depr Rate	Prior to Customers	Additions		Depr Exp		Plant		Accum depr		Additions		Depr Exp		Plant		Accum depr			
			Year 1	Year 2	Year 1	Year 2	End of Year 1	End of Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Structures and Improvements	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Wells and Springs	3.33%	500,000	16,650	16,650	500,000	16,650	500,000	16,650	500,000	16,650	16,650	500,000	16,650	500,000	33,300	500,000	33,300	16,650	500,000	
Electric Pumping Equipment	12.50%	475,000	59,375	59,375	475,000	59,375	475,000	59,375	475,000	59,375	59,375	475,000	59,375	475,000	118,750	475,000	118,750	59,375	475,000	
Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Distribution Reservoirs/Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Storage Tank	10.00%	163,483	254,944	31,096	458,427	31,096	458,427	31,096	458,427	31,096	318,539	61,770	61,770	776,966	92,865	776,966	92,865	374,157	96,404	
Transmission and Distribution Mains	2.00%	325,101	586,523	12,367	911,624	12,367	911,624	12,367	911,624	12,367	633,444	24,567	24,567	1,545,068	36,934	1,545,068	36,934	744,046	38,342	
Services	3.33%	-	77,200	1,285	77,200	1,285	77,200	1,285	77,200	1,285	135,700	4,830	4,830	212,900	6,116	212,900	6,116	146,250	9,525	
Meters	8.33%	-	39,220	1,634	39,220	1,634	39,220	1,634	39,220	1,634	68,080	6,103	6,103	107,300	7,736	107,300	7,736	73,300	11,991	
Hydrants	2.00%	16,152	29,140	614	45,293	614	45,293	614	45,293	614	31,472	1,221	1,221	76,784	1,835	76,784	1,835	36,967	1,905	
Plant Structures/Improvements	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Office Furniture and Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tools and Work Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Tangible Plant	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Totals		\$ 1,479,736	\$ 1,027,027	\$ 123,021	\$ 2,506,763	\$ 123,021	\$ 2,506,763	\$ 123,021	\$ 2,506,763	\$ 123,021	\$ 1,187,235	\$ 174,515	\$ 1,187,235	\$ 174,515	\$ 3,693,998	\$ 297,536	\$ 3,693,998	\$ 297,536	\$ 1,374,720	\$ 234,192

(1) Source: Company's response to Staff Data Request No. GTM3.8, Exhibit 4

WICKENBURG RANCH WATER COMPANY, LLC
PROJECTED UTILITY PLANT FOR YEARS 1 THROUGH 5 (Revised)
(1)

	Plant End of Year 3	Accum depr End of Year 3	Additions Year 4	Depr Exp Year 4	Plant End of Year 4	Accum depr End of Year 4	Additions Year 5	Depr Exp Year 5	Plant End of Year 5	Accum depr End of Year 5
Organization										
Land and Land Rights										
Structures and Improvements										
Wells and Springs	500,000	49,950		16,650	500,000	66,600		16,650	500,000	83,250
Electric Pumping Equipment	475,000	178,125		59,375	475,000	237,500		59,375	475,000	296,875
Water Treatment Equipment										
Distribution Reservoirs/Standpipes										
Storage Tank	1,151,124	189,270	348,876	132,556	1,500,000	321,826		150,000	1,500,000	471,826
Transmission and Distribution Mains	2,289,114	75,276	693,772	52,720	2,982,886	127,996		59,658	2,982,886	187,654
Services	359,150	15,640	171,375	14,813	530,525	30,453	157,750	20,293	688,275	50,746
Meters	180,600	19,727	85,695	18,613	266,295	38,340	78,360	25,446	344,655	63,796
Hydrants	113,731	3,740	34,469	2,619	148,200	6,359		2,964	148,200	9,323
Plant Structures/Improvements										
Office Furniture and Equipment										
Transportation Equipment										
Tools and Work Equipment										
Laboratory Equipment										
Power Operated Equipment										
Communications Equipment										
Other Tangible Plant										
Totals	\$ 5,066,718	\$ 531,728	\$ 1,334,188	\$ 297,347	\$ 6,402,906	\$ 829,075	\$ 236,110	\$ 334,386	\$ 6,639,016	\$ 1,163,460

(1) Source: Company's response to Staff Data Request 3.08, Exhibit 5

Wickenburg Ranch Water Company, LLC
 (1)
 5-Year Projection of Estimated Developer Advances and Repayments
 Response to Staff Data Request GTM 2.7

	Year 1	Year 2	Year 3	Year 4	Year 5
Estimated Developer Advances Received	\$ 2,390,343	\$ 983,455	\$ 1,155,170	\$ 1,077,118	\$ -
Estimated Developer Advance Repayments	-	15,411	37,908	65,806	96,563
Cumulative Projected Developer Advances	\$ 2,390,343	\$ 3,358,388	\$ 4,475,650	\$ 5,486,961	\$ 5,390,398

(1) = Source : Company's response to Staff Data Request 2.7, Exhibit 5

Wickenburg Ranch Water Company, LLC
 (i)
 5-Year Projected Gross Customer Meter Advances and Repayments
 Response to Staff Data Request GTM 3.8

	Year 1	Year 2	Year 3	Year 4	Year 5
3/4" meters added per year	122	278	305	372	381
Meter Deposits Received 3/4" meter	\$ 68,320	\$ 155,680	\$ 170,800	\$ 208,320	\$ 213,360
Meter Deposits Refunded 3/4" meter	-	6,832	22,400	39,480	60,312
1" meters added per year	74	74	75	75	35
Meter Deposits Received 1" meter	\$ 48,100	\$ 48,100	\$ 48,750	\$ 48,750	\$ 22,750
Meter Deposits Refunded 1" meter	-	4,810	9,620	14,495	19,370
Meter Deposits Received	\$ 116,420	\$ 203,780	\$ 219,550	\$ 257,070	\$ 236,110
Meter Deposits Refunded	-	11,642	32,020	53,975	79,682
Cumulative balance	\$ 116,420	\$ 308,558	\$ 496,088	\$ 699,183	\$ 855,611

(i) = Source: Company's response to Staff Data Request GTM 3.8, Exhibit 1

Wickenburg Ranch Water Company, LLC
 5-Year Projection of Estimated Customer Deposits and Refunds
 Response to Staff Data Request GTM 2.6 (Revised)

	Year 1	Year 2	Year 3	Year 4	Year 5
New Customers Added per Year:					
Attached	48	131	158	155	168
Single Family	74	147	147	217	213
Custom	72	72	73	72	33
Commercial	2	2	2	3	2
Estimated Customer Deposits Received	\$ 14,700	\$ 26,400	\$ 28,500	\$ 33,525	\$ 31,200
Estimated Customer Deposits Refunded	-	11,760	21,120	22,800	26,820
Cumulative Projected Customer Deposits	\$ 14,700	\$ 29,340	\$ 36,720	\$ 47,445	\$ 51,825

(1) = Source: Company's response to Staff Data Request GTM 3.8, Exhibit 3

Schedule GTM-15

Wickenburg Ranch Water Company, LLC
 Computation of Working Capital Allowance
 Response to Staff Data Request GTM 3.9

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash working capital	\$ 141	\$ 538	\$ 1,069	\$ 1,668	\$ 2,294
1/24th Purchased Power ¹	19,140	29,625	-	-	-
1/24th Purchased Water	11,919	16,982	41,834	60,369	77,948
1/8th Operation & Maintenance	-	-	45,370	55,738	54,756
Materials and Supplies Expense ²	\$ 141	\$ 538	\$ 1,069	\$ 1,668	\$ 2,294
Prepayments	19,140	29,625	41,834	60,369	77,948
Total Working Capital Allowance	\$ 31,200	\$ 47,145	\$ 88,273	\$ 117,776	\$ 134,998

¹ 1/24th of power costs reflected each year on Income Statement.
² 1/8th of all other expense accounts reflected each year on Income Statement.
³ Years 1 and 2 total 0.5% of net plant in service, and years 3 through 5 equate 1% of net plant.

(1) = Source: Company's response to Staff Data Request GTM 3.9, Exhibit 7

TYPICAL BILL ANALYSIS
General Service 3/4-Inch Meter

Average Number of Customers: 1791

<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	5,827	\$9.83	\$31.82	\$21.99	223.8%
Median Usage	5,827	\$9.83	\$31.82	\$21.99	223.8%
<u>Staff Recommend</u>					
Average Usage	5,827	\$9.83	\$41.29	\$31.46	320.1%
Median Usage	5,827	\$9.83	\$31.82	\$21.99	223.8%

MEMORANDUM

DATE: June 30, 2008

TO: Gary T. McMurry
Public Utilities Analyst IV

FROM: Jian W. Liu 
Utilities Engineer

RE: Wickenburg Ranch Water LLC
Docket No. W-03994A-07-0657

Introduction

Wickenburg Ranch Water LLC ("Wickenburg Ranch" or "Company") has submitted an application to adjust rates. The Company is seeking approval to enable it to provide water service at reasonable rates and charges to a planned 2,162-acre development consisting of 2,324 housing units (according to the Company the rates that were set back in 1972 are not sufficient to allow the Company to go forward and serve the area; capital costs have increased so much the project is no longer economically viable).

In 1972, the Arizona Corporation Commission ("ACC") issued Decision No. 42961 granting Yavapai Hills Water Company a Certificate of Convenience and Necessity ("CC&N") to provide water service to a planned development near Wickenburg, Arizona. The ownership has been changed several times since the CC&N was granted in 1972. The Company currently serves no customers and has virtually no plant.

Company's Proposed Water System

The Company is proposing to construct a water system consisting of 4 groundwater wells, 1.0 million gallons of storage, booster systems, and a potable water distribution system to serve approximately 1,780 customers during the first 5 years of operation.

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

Cost Analysis

The Company submitted the following estimated plant-in-service amounts for all major components of the proposed water system. The Company proposes to fund its development through Advances in Aid of Construction.

Total for Hydrants:	\$148,200
1.0 million gallons of storage:	\$1,500,000
Booster systems:	\$475,000
Distribution system:	\$2,982,886
Wells:	\$500,000
Total:	\$5,606,086

Staff has reviewed the proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, no "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the proposed water facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the first subdivision of the project within 24 months of the effective date of the order granting this application.

Projected Water Testing Expenses

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 fee, plus an additional fee of \$2.07 per service connection regardless of meter size for participation in MAP (\$2.57 per service connection minus \$0.50 refund per service connection). Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections).

Projected Water Testing Expenses for MAP would be \$3,935 by using the 5th year of operation approximately 1,780 customers.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

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

Designation of Adequate Water Supply

On February 11, 2008 the Company’s application for a Designation of having an Adequate Water Supply was approved by ADWR.

Arizona Corporation Commission (“ACC”) Compliance

A check with the Utilities Division Compliance Section showed no delinquencies for Wickenburg Ranch Water, LLC. (ACC Compliance Section Email dated 5/29/08).

Water Depreciation Rates

The Staff’s typical and customary Water Depreciation Rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual National Association of Regulatory Utility Commissions category as delineated in the attached Table A.

Table A. Water Depreciation Rates

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

METER AND SERVICE LINE INSTALLATION CHARGES

The Company proposed its service line and meter installation charges which are listed in Table B below. 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, separate service line and meter charges have been developed. These charges are

refundable advances and the Company's proposed charges are within or below Staff's recommended range for these charges. Therefore, Staff recommends acceptance of the Company's proposed service line and meter installation charges.

Table B. Service Line and Meter Installation Charges

Meter Sizes	Service Line Charges	* Meter Charges	Total Charges
5/8" x 3/4"	365	115	480
3/4"	375	185	560
1"	425	225	650
1-1/2"	460	435	895
2" - Turbine	615	940	1,555
2" - Compound	615	1,665	2,280
3" - Turbine	790	1,445	2,235
3" - Compound	830	2,240	3,070
4" - Turbine	1,130	2,310	3,440
4" - Compound	1,195	3,200	4,395
6" - Turbine	1,695	4,500	6,195
6" - Compound	1,740	6,230	7,970

*Note: Meter charge includes meter box or vault.

CURTAILMENT PLAN TARIFF

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have this type of tariff, this proceeding provides an opportune time to prepare and file such a tariff.

Staff recommends that the Company file curtailment tariff in the form found on the Commission's website at:

<http://www.azcc.gov/Divisions/Utilities/forms/CurtailmentTariffSTANDARD.pdf>. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order in this proceeding for review and certification by Staff.

Summary

Conclusions

- A. Staff concludes that the Company's proposed water system will have adequate infrastructure to serve the requested development.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.
- D. The Company will not be located in an AMA and will not be subject to any AMA reporting and conservation requirements.
- E. On February 11, 2008 the Company's application for a Designation of having an Adequate Water Supply was approved by ADWR.
- F. A check with the Utilities Division Compliance Section showed no delinquencies for Wickenburg Ranch Water, LLC. (ACC Compliance Section Email dated 5/29/08).

Recommendations

- 1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the first subdivision of the development within 2 years of the effective date of the order granting this application.
- 2. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table A.
- 3. Staff recommends acceptance of the Company's proposed service line and meter installation charges.
- 4. Staff recommends that the Company file curtailment tariff in the form found on the Commission's website at:
<http://www.azcc.gov/Divisions/Utilities/forms/CurtailmentTariffSTANDARD.pdf>. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order in this proceeding for review and certification by Staff.