



0000092612

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

DEC 23 2008

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF  
GOLD CANYON SEWER COMPANY FOR A  
DETERMINATION OF FAIR VALUE OF ITS  
UTILITY PLANT AND PROPERTY AND FOR  
INCREASES IN ITS RATES AND CHARGES  
FOR UTILITY SERVICE BASED THEREON.

DOCKET NO. SW-02519A-06-0015

DECISION NO. 70662

ORDER CLARIFYING DECISION  
NO. 70624

Special Open Meeting  
December 22, 2008  
Phoenix, Arizona

BY THE COMMISSION:

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On January 13, 2006, Gold Canyon Sewer Company ("Gold Canyon" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the current fair value of its utility plant and property and for increases in its rates and charges for wastewater utility service provided to customers in the Company's certificated service area in Pinal County, Arizona.

2. On June 28, 2007, the Commission issued Decision No. 69664, granting a rate increase to Gold Canyon.

3. On July 18, 2007, the Residential Utility Consumer Office ("RUCO") filed an Application for Rehearing on two issues raised by RUCO during the hearing: (1) an allegation of "excess capacity" in the Company's treatment plant and (2) the capital structure employed in the Commission's Order for purposes of determining the Company's cost of capital.

1           4.     During an Open Staff Meeting held on August 1, 2007, the Commission granted  
2 rehearing to RUCO.

3           5.     Hearings were held before an Administrative Law Judge, and additional testimony and  
4 exhibits were admitted into the evidentiary record. The record produced by the prior hearings in this  
5 docket was incorporated into the rehearing record of this case.

6           6.     On November 19, 2008, the Commission issued Decision No. 70624.

7           7.     On November 28, 2008, Gold Canyon docketed its Notice of Filing which contained  
8 its revised rates and charges.

9           8.     On December 3, 2008, RUCO filed its Response to Gold Canyon's Notice of Filing  
10 and Motion to Disapprove Gold Canyon's Proposed Revised Rates and Charges.

11          9.     On December 5, 2008, Gold Canyon filed a Petition for Rehearing Pursuant to A.R.S.  
12 § 40-253.

13          10.    On December 8, 2008, Chairman Gleason docketed a letter and Gold Canyon  
14 docketed its Filing Regarding RUCO's Response to Notice of Filing Revised Rates and Charges.

15          11.    On December 10, 2008, the Commission's Utilities Division Staff ("Staff") docketed  
16 its Notice of Filing responding to Gold Canyon's November 28, 2008 filing of revised rates and  
17 charges.

18          12.    On December 11, 2008, Gold Canyon filed its Reply to Response to RUCO's Motion  
19 to Disapprove Gold Canyon's Proposed Revised Rates and Charges.

20          13.    On December 12, 2008, a Procedural Order was issued scheduling a procedural  
21 conference for December 22, 2008.

22          14.    On December 19, 2008, notice of a December 22, 2008 Special Open Meeting was  
23 issued.

24          15.    The Procedural Conference and Special Open Meeting were conducted as noticed on  
25 December 22, 2008.

26                                    **CONCLUSIONS OF LAW**

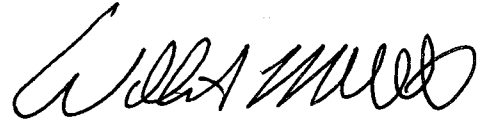
27          1.     Gold Canyon is a public service corporation within the meaning of Article XV of the  
28 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-367, 40-202, 40-321, and 40-361.



1 IT IS FURTHER ORDERED that the weighted cost of capital approved in this case shall be  
2 8.54 percent and that Gold Canyon Sewer Company shall submit by December 29, 2008, rates and  
3 charges revised per this cost of capital. Gold Canyon Sewer Company's weighted cost of debt is 3.38  
4 percent and the Company's weighted cost of equity is 5.16 percent. The Company will use the  
5 weighted cost of debt of 3.38 percent in order to calculate Gold Canyon's test year adjusted level of  
6 income tax expense, using the interest synchronization method, to arrive at the revised level of  
7 operating revenue that will be generated by the revised rates and charges.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.



12 CHAIRMAN

COMMISSIONER

13   
14 COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

16 IN WITNESS WHEREOF, I, BRIAN C. MCNEIL, Executive  
17 Director of the Arizona Corporation Commission, have  
18 hereunto set my hand and caused the official seal of the  
19 Commission to be affixed at the Capitol, in the City of Phoenix,  
20 this 23<sup>rd</sup> day of Dec., 2008.

  
21 BRIAN C. MCNEIL  
22 EXECUTIVE DIRECTOR

23 DISSENT \_\_\_\_\_

24 DISSENT \_\_\_\_\_

1 SERVICE LIST FOR: GOLD CANYON SEWER COMPANY

2 DOCKET NO.: SW-02519A-06-0015

3 Jay L. Shapiro  
4 Todd Wiley  
5 Patrick J. Black  
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13 Andy Kurtz  
14 MOUNTAINBROOK VILLAGE  
15 AT GOLD CANYON RANCH ASSOCIATION  
16 5674 South Marble Drive  
17 Gold Canyon, AZ 85218

18 Mark Tucker, P.C.  
19 2650 East Southern Avenue  
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21 Attorney for Cal-Am Properties, Inc.

22 Janice Alward, Chief Counsel  
23 Legal Division  
24 ARIZONA CORPORATION COMMISSION  
25 1200 West Washington Street  
26 Phoenix, AZ 85007

27 Ernest G. Johnson, Director  
28 Utilities Division  
ARIZONA CORPORATION COMMISSION  
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22  
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## ATTACHMENT 1

Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Computation of Increase in Gross Revenue  
 Requirements As Adjusted

Exhibit  
 Schedule A-1  
 Page 1  
 Witness: Bourassa

Line

No.

1	Fair Value Rate Base	\$	15,371,260
2			
3	Adjusted Operating Income		562,633
4			
5	Current Rate of Return		3.66%
6			
7	Required Operating Income	\$	1,312,706
8			
9	Required Rate of Return on Fair Value Rate Base		8.54%
10			
11	Operating Income Deficiency	\$	750,072
12			
13	Gross Revenue Conversion Factor		1.6286
14			
15	Increase in Gross Revenue		
16	Requirement	\$	1,221,593
17			
18	% Increase		48.93%
19			
20			

21	Customer	Present	Proposed	Dollar	Percent
22	Classification	Rates	Rates	Increase	Increase
23	(Residential Commercial, Irrigation)				
24					
25	Residential	\$ 2,055,375	\$ 3,077,307	\$ 1,021,932	49.72%
26	Residential (<700 SF) per dwelling	86,535	129,560	43,025	49.72%
27	Residential (Homeowner's Association)	75,732	113,385	37,654	49.72%
28	Commercial	178,185	266,778	88,593	49.72%
29	Effluent Sales	31,699	47,460	15,761	
30				-	0.00%
31	Revenue Annualization	25,531	38,230	12,699	49.74%
32	<b>Subtotal</b>	<b>\$ 2,453,056</b>	<b>\$ 3,672,722</b>	<b>\$ 1,219,665</b>	<b>49.72%</b>
33					
34	Other Wastewater Revenues	44,804	44,804	-	0.00%
35	Reconciliation amount fo C-1	(1,480)	448	1,928	-130.26%
36					
37	<b>Total of Water Revenues (a)</b>	<b>\$ 2,496,380</b>	<b>\$ 3,717,973</b>	<b>\$ 1,221,593</b>	<b>48.93%</b>
38					
39					
40					
41					
42					
43					

SUPPORTING SCHEDULES:

44 B-1  
 45 C-1  
 46 C-3  
 47 H-1  
 48  
 49  
 50

DECISION NO. 70662

**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Summary of Rate Base

Exhibit  
 Schedule B-1  
 Page 1  
 Witness: Bourassa

Line No.		<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1			
2	Gross Utility Plant in Service	\$ 20,033,564	\$ 20,033,564
3	Less: Accumulated Depreciation	<u>1,244,431</u>	<u>1,244,431</u>
4			
5	Net Utility Plant in Service	\$ 18,789,133	\$ 18,789,133
6			
7	<u>Less:</u>		
8	Advances in Aid of		
9	Construction	2,064,125	2,064,125
10	Contributions in Aid of		
11	Construction	1,800,007	1,800,007
12	Accumulated Amortization of CIAC	(138,100)	(138,100)
13			
14	Customer Meter Deposits	30,769	30,769
15	Deferred Income Taxes & Credits	(338,928)	(338,928)
16	Deferred Assets	-	-
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepays	-	-
23	Deferred Assets	-	-
24	Allowance for Working Capital	-	-
25			
26			
27	Total Rate Base	<u>\$ 15,371,260</u>	<u>\$ 15,371,260</u>

31 SUPPORTING SCHEDULES:

32 B-2

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Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Schedule B-2  
 Page 1  
 Witness: Bourassa

Line No.		Adjusted at End of Test Year	Adjustments	Rejoinder Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 21,033,564	(1,000,000) \$	20,033,564
3				
4	<b>Less:</b>			
5	Accumulated			
6	Depreciation	1,269,431	(25,000)	1,244,431
7				
8				
9	Net Utility Plant			
10	in Service	\$ 19,764,133	\$ (975,000) \$	18,789,133
11				
12	<b>Less:</b>			
13	Advances in Aid of			
14	Construction	2,064,125	-	2,064,125
15				
16	Contributions in Aid of			
17	Construction (CIAC)	1,827,557	(27,550)	1,800,007
18				
19				
20	Accum. Amortization of CIAC	(138,788)	689	(138,100)
21				
22				
23	Customer Meter Deposits	30,769	-	30,769
24	Deferred Income Taxes	254,681	(593,609)	(338,928)
25	Investment Tax Credits	-	-	-
26				
27				
28	<b>Plus:</b>			
29	Unamortized Finance			
30	Charges	-	-	-
31	Prepays	-	-	-
32	Allowance for Working Capital	-	-	-
33				
34				
35	Total	\$ 15,725,789	\$ (354,530) \$	15,371,260

**SUPPORTING SCHEDULES:**

B-2, pages 2-4



**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Schedule B-2  
 Page 2  
 Witness: Bourassa

Line No.		ADJUSTMENT		2 DIT	ROO Adjusted End of Test Year
		Decision 69664 Adjusted End of Test Year	1 Capacity Adj.		
1	Gross Utility				
2	Plant in Service	\$ 21,033,564	(1,000,000)		\$ 20,033,564
3					
4	<b>Less:</b>				
5	Accumulated				
6	Depreciation	1,269,431	(25,000)		1,244,431
7					
8					
9	Net Utility Plant				
10	in Service	\$ 19,764,133	\$ (975,000)	\$ -	\$ 18,789,133
11					
12	<b>Less:</b>				
13	Advances in Aid of				
14	Construction	2,064,125			2,064,125
15					
16	Contributions in Aid of				
17	Construction (CIAC)	1,827,557	(27,550)		1,800,007
18					
19					
20	Accum. Amortization of CIAC	(138,788)	689		(138,100)
21					
22					
23	Customer Meter Deposits	30,769			30,769
24	Deferred Income Taxes	254,681		(593,609)	(338,928)
25	Investment Tax Credits	-			-
26					
27					
28	<b>Plus:</b>				
29	Unamortized Finance				
30	Charges	-			-
31	Rounding	-			-
32	Allowance for Working Capital	-			-
33					
34					
35	<b>Total</b>	<b>\$ 15,725,789</b>	<b>\$ (948,139)</b>	<b>\$ 593,609</b>	<b>\$ 15,371,260</b>

41 SUPPORTING SCHEDULES:

42 B-2

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Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 1

Exhibit  
 Schedule B-2  
 Page 3.1  
 Witness: Bourassa

Line  
No.

<u>Acct.</u>	<u>Description</u>	<u>RUCO's Proposed Adjustment</u>	<u>Factor</u>	<u>Adjustment per Rehearing Decision</u>
1	<u>Plant-in-Service</u>			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26		<u>\$ (2,901,605)</u>	<u>1.00</u>	<u>\$ (1,000,000)</u>
27				
28				

Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 1

Exhibit  
 Schedule B-2  
 Page 3.2  
 Witness: Bourassa

Line No.	Accumulated Depreciation		Adjustment per Rehearing Decision	Dper. Rate (1/2 yr Conv.)	Adjustment per Rehearing Decision
1					
2					
3					
1					
2	<u>Acct.</u>	<u>Description</u>			
3	351	Organization	-	0.00%	-
4	352	Franchises	-	0.00%	-
5	353	Land and Land Rights	-	0.00%	-
6	354	Structures and Improvements	(294,482)	2.50%	(7,362)
7	355	Power Generation Equipment	-	2.50%	-
8	360	Collection Sewers - Force	(649)	2.50%	(16)
9	361	Collection Sewers - Gravity	(1,943)	2.50%	(49)
10	362	Special Collecting Structures	-	2.50%	-
11	363	Services to Customers	-	2.50%	-
12	364	Flow Measuring Devices	-	2.50%	-
13	365	Flow Measuring Installations	-	2.50%	-
14	370	Receiving Wells	-	2.50%	-
15	371	Effluent Pumping Equipment	-	2.50%	-
16	380	Treatment and Disposal Equipment	(701,937)	2.50%	(17,548)
17	381	Plant Sewers	-	2.50%	-
18	382	Outfall Sewer Lines	-	2.50%	-
19	389	Other Plant and Misc. Equipment	-	2.50%	-
20	390	Office Furniture and Equipment	(990)	2.50%	(25)
21	391	Transportation Equipment	-	2.50%	-
22	393	Tools, Shop and Garage Equipment	-	2.50%	-
23	394	Laboratory Equipment	-	2.50%	-
24	395	Power Operated Equipment	-	2.50%	-
25	398	Other Tangible Plant	-	2.50%	-
26			<u>\$ (1,000,000)</u>		<u>\$ (25,000)</u>
27					
28					

Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 1

Exhibit  
 Schedule B-2  
 Page 3.3  
 Witness: Bourassa

Line			
<u>No.</u>			
1	<u>Contributions-in-aid of Construction</u>		
2			
3	CIAC attributed to expansion		
1			
2	Expansion Cost	\$ 10,344,404	
3	Excess Capacity	1,000,000	
4	% of Total Expansion	10.0%	
5			
6	Total CIAC attributed to expansion (per RUCO)	\$ 275,500	
7			
8	CIAC attributed to excess capacity	<u>\$ 27,550</u>	
9			
10			
11	Adjustment to CIAC	<u>(27,550)</u>	
12			
13			
14	Amortization rate (1/2 year Conv.)	2.50%	
15			
16	Amortization to be Removed	<u>\$ (689)</u>	
17			
18			
19	Adjustment to Accum. Amortization	<u>689</u>	
20			
21			
22			
23			
24			
25			
26			
27			
28			

Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 2

Exhibit  
 Schedule B-2  
 Page 4  
 Witness: Bourassa

**CALCULATE ACCUMULATED DEFERRED INCOME TAX CREDIT ASSOCIATED WITH EXCESS CAPACITY**

LINE NO.	DESCRIPTION	(A) COMPANY AS PER TAX BASIS	(B) COMPANY AS PER ACCOUNTING	(C) ADJMT	(D) POST HEARING
1	Gross Utility Plant In Service	\$ 17,205,559	\$ 20,033,564	\$ (1,000,000)	\$ 19,033,564
2	Accumulated Depreciation	(2,239,381)	(1,244,431)	25,000	(1,219,431)
3	Net Utility Plant In Service (L1 + L2)	\$ 14,966,178	\$ 18,789,133	\$ (975,000)	\$ 17,814,133
4	Contribution In Aid Of Const. (from B-2)	\$ -	\$ (1,827,557)	\$ 27,550	\$ (1,800,007)
5	Accumulated Amortization Of CIAC (from B-2)	-	138,788	(689)	138,100
6	NET CIAC (L4 + L5)	\$ -	\$ (1,688,769)	\$ 26,861	\$ (1,661,907)
7	NET PLANT VALUES (Sum L's 3 & 6)	\$ 14,966,178	\$ 17,100,364	\$ (948,139)	\$ 16,152,226

CALCULATION OF ACCUMULATED DEFERRED INCOME TAX

<b>FIXED ASSETS</b>					
8	Accounting Basis			Column (D), Line 7	\$ 16,152,226
9	Tax Basis			Column (A), Line 7	\$ 14,966,178
10	Timing Difference			Line 8 - Line 9	\$ 1,186,048
11	Tax Rate			From C-3	38.60%
12	DEFERRED TAX LIABILITY - FIXED ASSETS			Line 10 X Line 11	\$ 457,801
<b>AIAC</b>					
13	Accounting Basis			From B-2	\$ (2,064,125)
14	Tax Basis		AIAC Does Not Exist For Tax Purposes (See CSB 2.42 (a))		\$ -
15	Timing Difference			Line 13 - Line 14	\$ (2,064,125)
16	Tax Rate			From C-3	38.60%
17	DEFERRED TAX ASSET - AIAC			Line 15 X Line 16	\$ (796,729)
18	NET FUTURE TAX LIABILITY (ASSET)			Line 17 - Line 12	\$ (338,928)
19	Accumulated Deferred Income Tax per Decision 69664			Schedule B-2, Page 2	\$ 254,681
20	Adjustment To Accumulated Deferred Income Tax			Line 19 - Line 18	\$ (593,609)
19	Adjustment			Line 18	\$ (593,609)

**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Income Statement

Exhibit  
 Schedule C-1  
 Page 1  
 Witness: Bourassa

Line No.		Adjusted Book Results	Adjustments	Rejoinder Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>					
2	Flat Rate Revenues	\$ 2,451,576	\$ -	\$ 2,451,576	\$ 1,221,593	\$ 3,673,169
3	Measured Revenues	-	-	-		-
4	Other Wastewater Revenues	44,804	-	44,804		44,804
5		<u>\$ 2,496,380</u>	<u>\$ -</u>	<u>\$ 2,496,380</u>	<u>\$ 1,221,593</u>	<u>\$ 3,717,973</u>
6	<b>Operating Expenses</b>					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Wastewater Treatment	6,159	-	6,159		6,159
9	Sludge Removal Expense	44,737	-	44,737		44,737
10	Purchased Power	107,040	-	107,040		107,040
11	Fuel for Power Production	-	-	-		-
12	Chemicals	63,590	-	63,590		63,590
13	Materials and Supplies	11,394	-	11,394		11,394
14	Contractual Services - Professional	22,068	-	22,068		22,068
15	Contractual Services - Testing	11,655	-	11,655		11,655
16	Contractual Services - Other	441,702	-	441,702		441,702
17	Rents	-	-	-		-
18	Transportation Expenses	35,925	-	35,925		35,925
19	Insurance - General Liability	6,293	-	6,293		6,293
20	Regulatory Commission Expense	18,680	-	18,680		18,680
21	Miscellaneous Expense	17,500	-	17,500		17,500
22	Scottsdale Capacity- Lease	35,325	-	35,325		35,325
23	Depreciation	901,223	(43,693)	857,530		857,530
24	Taxes Other Than Income	-	-	-		-
25	Property Taxes	248,055	(20,991)	227,064		227,064
26	Income Tax	182,867	(155,782)	27,085	471,521	498,606
27						
28	<b>Total Operating Expenses</b>	<u>\$ 2,154,213</u>	<u>\$ (220,466)</u>	<u>\$ 1,933,746</u>	<u>\$ 471,521</u>	<u>\$ 2,405,268</u>
29	<b>Operating Income</b>	<u>\$ 342,167</u>	<u>\$ 220,466</u>	<u>\$ 562,633</u>	<u>\$ 750,072</u>	<u>\$ 1,312,706</u>
30	<b>Other Income (Expense)</b>					
31	Interest Income	-	-	-		-
32	Other income	-	-	-		-
33	Interest Expense	-	(519,549)	(519,549)		(519,549)
34	Other Expense	-	-	-		-
35						
36	<b>Total Other Income (Expense)</b>	<u>\$ -</u>	<u>\$ (519,549)</u>	<u>\$ (519,549)</u>	<u>\$ -</u>	<u>\$ (519,549)</u>
37	<b>Net Profit (Loss)</b>	<u>\$ 342,167</u>	<u>\$ (299,082)</u>	<u>\$ 43,085</u>	<u>\$ 750,072</u>	<u>\$ 793,157</u>

SUPPORTING SCHEDULES:

C-1, Page 2

C-2

RECAP SCHEDULES:

A-1

Exhibit  
Schedule C-1  
Page 2  
Witness: Bourassa

**Gold Canyon Sewer Company Rehearing Decision**  
Test Year Ended October 31, 2005  
Income Statement

Line No.	ADJUSTMENT LABEL-->	1	2	3	3	Rehearing Decision Adjusted Results	Proposed Rate Increase	Rehearing Decision with Rate Increase
1	Revenues							
2	Flat Rate Revenues	\$ 2,451,576				\$ 2,451,576	\$ 1,221,593	\$ 3,673,169
3	Measured Revenues	-				-		-
4	Other Wastewater Revenues	44,804				44,804		44,804
5		\$ 2,496,380	\$ -	\$ -	\$ -	\$ 2,496,380	\$ 1,221,593	\$ 3,717,973
6	Operating Expenses							
7	Salaries and Wages	-				-		-
8	Purchased Wastewater Treatment	6,159				6,159		6,159
9	Sludge Removal Expense	44,737				44,737		44,737
10	Purchased Power	107,040				107,040		107,040
11	Fuel for Power Production	-				-		-
12	Chemicals	63,590				63,590		63,590
13	Materials and Supplies	11,394				11,394		11,394
14	Contractual Services - Professional	22,068				22,068		22,068
15	Contractual Services - Testing	11,655				11,655		11,655
16	Contractual Services - Other	441,702				441,702		441,702
17	Repairs and Maintenance	-				-		-
18	Rents	35,925				35,925		35,925
19	Transportation Expenses	6,293				6,293		6,293
20	Insurance	18,680				18,680		18,680
21	Regulatory Commission Expense - Rate Case	17,500				17,500		17,500
22	Miscellaneous Expense	35,325				35,325		35,325
23	Depreciation Expense	901,223	(43,693)			857,530		857,530
24	Taxes Other Than Income	-				-		-
25	Property Taxes	248,055	(20,991)			227,064		227,064
26	Income Tax	182,867			(155,782)	27,085	471,521	498,606
27	Unidentified	-				-		-
28	Total Operating Expenses	\$ 2,154,213	\$ (20,991)	\$ (43,693)	\$ -	\$ 1,933,746	\$ 471,521	\$ 2,405,268
29	Operating Income	\$ 342,167	\$ 20,991	\$ 43,693	\$ -	\$ 562,633	\$ 750,072	\$ 1,312,706
30	Other Income (Expense)							
31	Interest Income	-				-		-
32	Other Income	-				-		-
33	Interest Expense	-			(519,549)	(519,549)		(519,549)
34	Other Expense	-				-		-
35		-				-		-
36	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ (519,549)	\$ (519,549)	\$ -	\$ (519,549)
37	Net Profit (Loss)	\$ 342,167	\$ 20,991	\$ 43,693	\$ 155,782	\$ 43,085	\$ 750,072	\$ 793,157

SUPPORTING SCHEDULES:  
A-1

**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Adjustment to Revenues and Expenses  
 Adjustment Number 1

Exhibit  
 Schedule C-2  
 Page 1  
 Witness: Bourassa

Line  
 No.

1	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
2		
3	Adjusted Revenues in year ended 10/31/05	\$ 2,496,380
4	Adjusted Revenues in year ended 10/31/05	2,496,380
5	Proposed Revenues	<u>3,717,973</u>
6	Average of three year's of revenue	\$ 2,903,578
7	Average of three year's of revenue, times 2	\$ 5,807,156
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>-</u>
12		
13	Full Cash Value	\$ 5,807,156
14	Assessment Ratio	<u>24%</u>
15	Assessed Value	1,393,717
16	Property Tax Rate	16.2920%
17		
18	Property Tax	227,064
19	Tax on Parcels	-
20		
21	Total Property Tax at Proposed Rates	\$ 227,064
22	Property Taxes per Decision 69664	<u>248,055</u>
23	Change in Property Taxes	<u>\$ (20,991)</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ (20,991)</u>
27		
28		



Exhibit  
Schedule C-2  
Page 2  
Witness: Bourassa

Gold Canyon Sewer Company Rehearing Decision  
Test Year Ended October 31, 2005  
Adjustments to Revenues and Expenses  
Adjustment 2

Line No.	Account	Description	Decision 69664 Adjusted Original Cost	Rehearing Plant Adjustment	Rehearing Adjusted Original Cost	Depr. Rates	Rehearing Depreciation Expense
1		Depreciation Expense					
2							
3							
4							
5	351	Organization	25,000	-	25,000	0.00%	-
6	352	Franchises	25,000	-	25,000	0.00%	-
7	353	Land and Land Rights	-	-	-	0.00%	-
8	354	Structures and Improvements	4,942,333	(294,482)	4,647,851	3.33%	154,773
9	355	Power Generation Equipment	(92)	-	(92)	5.00%	(5)
10	360	Collection Sewers - Force	78,718	(649)	78,069	2.00%	1,561
11	361	Collection Sewers - Gravity	1,570,222	(1,943)	1,568,279	2.00%	31,366
12	362	Special Collecting Structures	18,595	-	18,595	2.00%	372
13	363	Services to Customers	21,498	-	21,498	2.00%	430
14	364	Flow Measuring Devices	3,231	-	3,231	10.00%	323
15	365	Flow Measuring Installations	159,362	-	159,362	10.00%	15,936
16	370	Receiving Wells	-	-	-	3.33%	-
17	371	Effluent Pumping Equipment	66,132	-	66,132	12.50%	8,267
18	380	Treatment and Disposal Equipment	10,675,637	(701,937)	9,973,700	5.00%	498,685
19	381	Plant Sewers	883	-	883	5.00%	44
20	382	Outfall Sewer Lines	-	-	-	3.33%	-
21	389	Other Plant and Misc. Equipment	3,393,045	-	3,393,045	6.67%	226,316
22	390	Office Furniture and Equipment	36,587	(990)	35,597	6.67%	2,374
23	391	Transportation Equipment	-	-	-	20.00%	-
24	393	Tools, Shop and Garage Equipment	-	-	-	5.00%	-
25	394	Laboratory Equipment	17,413	-	17,413	10.00%	1,741
26	395	Power Operated Equipment	-	-	-	5.00%	-
27	398	Other Tangible Plant	-	-	-	10.00%	-
28							
29							
30		TOTALS	\$ 21,033,564	\$ (1,000,000)	\$ 20,033,564		\$ 942,184
31							
32							
33		Less: Amortization of Contributions - Balance End of TY (	\$ 1,827,557	\$ (27,550)	\$ 1,800,007	4.703%	\$ (84,655)
34							
35							
36		Total Depreciation Expense					\$ 857,530
37							
38		Adjusted Test Year Depreciation Expense per Decision 69664					901,223
39							
40		Increase (decrease) in Depreciation Expense					(43,693)
41							
42		Adjustment to Revenues and/or Expenses					(43,693)
43							

**Gold Canyon Sewer Company Rehearing Decision**  
Test Year Ended October 31, 2005  
Adjustment to Revenues and Expenses  
Adjustment Number 3

Exhibit  
Schedule C-2  
Page 1  
Witness: Bourassa

Line

No.

1	<u>Interest Synchronization</u>	
2		
3	Fair Value Rate Base (from B-1)	\$ 15,371,260
4	Weighted Cost of Debt (from D-1)	3.38%
5	Computed Interest Expense	\$ 519,549
6		
7	Interest Expense Per Decision 69664	<u>\$ -</u>
8		
9	Increase in Interest Expense	<u>\$ 519,549</u>
10		
11	Adjustment to Interest Expense	<u>\$ (519,549)</u>
12		
13		
14		
15		
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30		

**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Adjustment to Revenues and Expenses  
 Income Tax Calculation  
 Adjustment 4

Exhibit  
 Schedule C-2  
 Page 4  
 Witness: Bourassa

Line No.	Test Year Book Results	Test Year Adjusted Results	Adjusted with Rate Increase
1			
2			
3			
4			
5	Net Income	\$ -	\$ 43,085
6	Plus:		\$ 793,157
7	Income Taxes	\$ 182,867	\$ 27,085
8	Interest Synchronization		\$ 498,606
9			
10	Taxable Income	<u>182,867</u>	<u>70,170</u>
11			<u>1,291,763</u>
12			
13			
14	Income Before Taxes	<u>182,867</u>	<u>70,170</u>
15	Arizona Income Before Taxes	<u>182,867</u>	<u>70,170</u>
16			<u>1,291,763</u>
17	Less Arizona Income Tax	12,742	4,889
18	Rate 6.97%		90,010
19			
20	Arizona Taxable Income	<u>170,125</u>	<u>65,280</u>
21	Arizona Income Taxes	<u>12,742</u>	<u>4,889</u>
22			<u>1,201,753</u>
23	Federal Income Before Taxes	182,867	70,170
24			1,291,763
25	Less Arizona Income Taxes	<u>12,742</u>	<u>4,889</u>
26			<u>90,010</u>
27	Federal Taxable Income	<u>170,125</u>	<u>65,280</u>
28			<u>1,201,753</u>
29			
30			
31	FEDERAL INCOME TAXES:		
32	15% BRACKET	7,500	7,500
33	25% BRACKET	6,250	3,820
34	34% BRACKET	8,500	-
35	39% BRACKET	27,349	-
36	34% BRACKET	-	-
37		Rate	Rate
38	Federal Income Taxes	<u>49,599</u> 27.12%	<u>11,320</u> 16.13%
39			<u>408,596</u> 31.63%
40			
41	Total Income Tax	<u>62,341</u>	<u>16,209</u>
42			<u>498,606</u>
43	Overall Tax Rate	<u>34.09%</u>	<u>23.10%</u>
44			<u>38.60%</u>
45	Income Tax at Proposed Rates Effective Rate		<u>\$ 27,085</u>

Gold Canyon Sewer Company Rehearing Decision  
 Test Year Ended October 31, 2005  
 Computation of Gross Revenue Conversion Factor

Exhibit  
 Schedule C-3  
 Page 1  
 Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	<u>0.00%</u>
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.6286
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		Rejoinder A-1
20		

**Gold Canyon Sewer Company Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Summary of Cost of Capital

Exhibit  
 Schedule D-1  
 Page 1  
 Witness: Bourassa

Line No.	Item of Capital	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	40.00%	8.45%	3.38%
2				
3	Stockholder's Equity	60.00%	8.60%	5.16%
4				
5	Totals	100.00%		8.54%
6				
7				
8				
9				
10				
11				
12	<u>SUPPORTING SCHEDULES:</u>			
13				
14				
15				
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24				
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29				
30				

**Gold Canyon Sewer Company - Rehearing Decision**  
 Revenue Summary

Exhibit  
 Schedule H1  
 Witness: Bourassa

With Annualized Revenues to Year End Number of Customers  
 And Estimated Customer Growth  
 Test Year Ended October 31, 2005

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential	\$ 2,055,375	\$ 3,077,307	\$ 1,021,932	49.72%	83.79%	83.79%
2	Residential (<700 SF) per dwelling	86,535	129,560	43,025	49.72%	3.53%	3.53%
3	Residential (Homeowner's Association)	75,732	113,385	37,654	49.72%	3.09%	3.09%
4	Commercial	178,185	266,778	88,593	49.72%	7.26%	7.26%
5	Effluent Sales	31,699	47,460	15,761	49.72%	1.29%	1.29%
6	Subtotal	\$ 2,427,526	\$ 3,634,491	\$ 1,206,966	49.72%	98.96%	98.96%
7							
8	<i>Residential customer revenue</i>						
9	<i>annualized to end of year, based on</i>						
10	<i>year end number of customers</i>						
11	Residential	51,345	76,874	25,529	49.72%	2.09%	2.09%
12	Residential (<700 SF) per dwelling	(27,203)	(40,729)	(13,525)	49.72%	-1.11%	-1.11%
13	Residential (Homeowner's Association)	1,400	2,096	696	49.72%	0.06%	0.06%
14	Commercial	(11)	(11)	-	0.00%	0.00%	0.00%
15	Subtotal	\$ 25,531	\$ 38,230	\$ 12,699	49.74%	1.04%	1.04%
16							
17	Subtotal Revenues from Bill Count	2,453,056	3,672,722	1,219,665	49.72%	200.00%	200.00%
18	Misc Revenues	44,804	44,804	0	0.00%	0.00%	0.00%
19	Reconciliation amount to C-1	(1,480)	448	1,928	-130.26%	0.00%	0.00%
20	Totals	\$ 2,496,380	\$ 3,717,973	\$ 1,221,593	48.93%	200.00%	200.00%

**Gold Canyon Sewer Company - Rehearing Decision**  
 Test Year Ended October 31, 2005  
 Analysis of Revenue by Detailed Class

Schedule H-2  
 Page 1  
 Witness: Bourassa

Line No.	Customer Classification	Average Number of Customers at 10/31/2005	Average Bill		Proposed Increase		
			Average Effluent	Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	Residential	5,016	N/A	\$ 35.00	\$ 52.40	\$ 17.40	49.72%
2	Residential (<700 S.F.)	259	N/A	19.09	28.58	9.49	49.72%
3	Residential (Homeowners Association)*	1	N/A	31.82	47.64	15.82	49.72%
4	Commercial	20	N/A	0.18	0.26	0.09	49.72%
5	Effluent	3	2,382,750	0.39	0.59	0.19	49.72%
6							
7	Total						
8							
9							
10							
11							

\* Shown on H5 schedule as number of occupied units billed, but only one customer is billed.

**Gold Canyon Sewer Company - Rehearing Decision**  
 Present and Proposed Rates  
 Test Year Ended October 31, 2005

Exhibit  
 Schedule H3  
 Page 1  
 Witness: Bourassa

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4				
5	Monthly Charge for:			
6	Residential	\$ 35.00	\$ 52.40	49.7200%
7	Commercial, per gallon per day	0.175	0.262	49.7200%
8	Effluent Sales (per 1,000 gallons)	0.391	0.586	49.7200%
9	Residential charge for dwelling less than 700 SF	19.09	28.58	49.7200%
10	Homeowner's Associations, per dwelling	31.82	47.64	49.7200%
11	Recalimed non-potable water per A.F. (See Effluent Sales per 1,000 gallons)	127.50	190.89	49.7200%