

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: January 30, 2009

RE: SUPPLEMENTAL STAFF REPORT FOR FISHER'S LANDING WATER AND SEWER WORKS, L.L.C.'S APPLICATION FOR A RATE INCREASE.
DOCKET NOS. WS-04047A-07-0708 AND WS-04047A-07-0700

Attached is the Supplemental Staff Report for Fisher's Landing Water and Sewer Works, L.L.C.'s application for a wastewater rate increase. Staff recommends approval of its rates and charges as shown in Supplemental Schedule BCA-S4.

EGJ:BCA:kdh

Originator: Brendan C. Aladi

Arizona Corporation Commission
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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2009 JAN 30 P 4:13

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Service List for: Fisher's Landing Water and Sewer Works, LLC.
Docket Nos.: WS-04047A-07-0708 and WS-04047A-07-0700

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**SUPPLEMENTAL STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

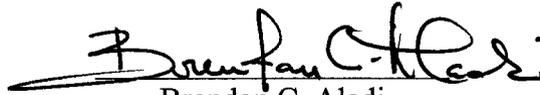
**FISHER'S LANDING WATER AND SEWER WORKS, LLC
DOCKET NOS. WS-04047A-07-0708
AND WS-04047A-07-0700**

**APPLICATION FOR A PERMANENT
INCREASE IN WASTEWATER RATES**

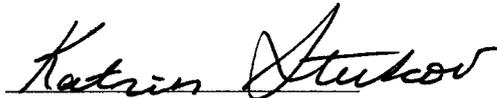
JANUARY 30, 2009

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Fisher's Landing Water and Sewer Works, L.L.C., Docket No. WS-04047A-07-0708, was the responsibility of the Staff members listed below. Brendan C. Aladi is responsible for the review and analysis of the Company's applications, recommended revenue requirement, rate base and rate design. Katrin Stukov is responsible for the engineering and technical analysis. Carmen Madrid is responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.



Brendan C. Aladi
Public Utilities Analyst III



Katrin Stukov
Utilities Engineer



Carmen Madrid
Public Utilities Consumer Analyst I

EXECUTIVE SUMMARY
FISHER'S LANDING WATER AND SEWER WORKS, LLC
DOCKET NOS. WS-04047A-07-0708 AND WS-04047A-07-0700

Staff docketed its initial report ("Staff Report") regarding the Fishers's Landing Water and Sewer Works, L.L.C. ("Fisher's Landing" or "Company") request for a wastewater permanent rate increase on July 25, 2008. Fisher's Landing filed an exception to the Staff Report in a letter dated October 30, 2008. A Procedural Order dated November 7, 2008, directed Staff to file a Supplemental Staff Report by January 30, 2009. This report ("Supplemental Staff Report") presents Staff's current position on the wastewater rate application.

Fisher's Landing serves wastewater customers in an area located along the Colorado River approximately 30 miles northeast of Yuma, in Yuma County, Arizona.

Decision No. 64998, dated June 26, 2002, required Fisher's Landing to file a rate case for both water and sewer services no later than July 31, 2006. Staff found the initial application deficient and asked Fisher's Landing to file rate applications for both water and sewer. On December 19, 2007, Fisher's Landing filed rate applications for both water and sewer with the Arizona Corporation Commission ("Commission").

The Company received its Certificate of Convenience and Necessity ("CC&N") in Decision No. 64998, which also established its current rates.

In its exceptions to Staff's report, Fisher's Landing requests "that the capitalized cost of the lease payments or the value of the 20 acres" be included in the Original Cost Rate Base ("OCRB") and "taken into consideration in setting the new rates." According to the lease the annual payment is \$79,992. In this Supplemental Staff Report the Company's request for recognition of the \$79,992 lease payments is treated as an increase in test year operating expenses. The Company proposes a 50.6 percent, or \$40,320, increase in revenue from \$79,680 to \$120,000. The Company's proposed rates, as filed, produce an operating income of \$11,024, for a 4.06 percent rate of return on an Original Cost Rate Base ("OCRB") of \$271,276. The Company's proposed rates would increase the typical residential bill by \$10.00, or 50.0 percent, from \$20.00 to \$30.00 (Supplemental Schedule BCA-S5).

Staff recommends total operating revenue of \$140,130, a \$60,330 or 75.6 percent increase from the Staff adjusted test year operating revenue of \$79,800. Staff's recommended revenue provides an operating income of \$31,134 for an operating margin of 22.22 percent, and an 11.00 percent rate of return on a rate base of \$273,033 (Supplemental Schedule BCA-S1). Staff recommends monthly flat rates that would increase the typical residential bill by \$15.12, or 75.6 percent, from \$20.00 to \$35.12.

Staff recommends approval of its recommended rates and charges as presented in Supplemental Schedule BCA-S4. 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 A.A.C. R14-2-608.D.5.

Company may collect from its customers a proportionate share of any privilege, sales or use tax per A.A.C. R14-2-608.D.5.

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

Staff recommends that the Company charge customers in accordance with its authorized tariffs.

Staff recommends that the Company install a measuring device in its wastewater system and report its recorded wastewater flow in future annual reports, beginning with the 2008 Annual Report (due in April 2009).

Staff recommends that the Commission authorize the depreciation rates shown in Table C of the Engineering Report.

Staff recommends that the Company specify the total number of its customers in its Annual Reports, beginning with the 2008 Annual Report (due in April 2009).

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Fact sheet

Company Statistics:

CC&N: Decision No. 64998, dated June 26, 2002

Current Rates: Decision No. 64998

Type of Ownership: LLC

Location: The Company is located along the Colorado River approximately 30 miles northeast of Yuma, in Yuma County, Arizona.

WASTEWATER

Permanent Rate Application Filed: Initially filed December 19, 2007; re-filed February 28, 2008.

Sufficiency Date: March 24, 2008

Current Test Year Ended (as filed): December 31, 2006

Prior Test Year Ended: N/A – CC&N authorized in Decision No. 64998, dated June 26, 2002.

	<u>Current Rates Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended</u>
<u>Monthly Service Charges:</u>			
Monthly Flat Charge:			
Residential	\$20.00	\$30.00	\$35.12
Commercial	\$50.00	\$80.00	\$87.80

Customers:

Number of customers in the prior test year (12/31/00): 329

Number of customers at December 31, 2006: 325

Customer notification:

Customer notification mailed December 18, 2006

Complaints:

Number of customer complaints since rate application filed: 0

Percentage of complaints to customer base: 0 %

Summary of Filing

The test year results for Fisher's Landing Water and Sewer Works ("Fisher's Landing" or "Company"), as adjusted by the Arizona Corporation Commission ("Commission") Utilities Division Staff ("Staff"), show total operating revenue of \$79,800 and operating loss of \$29,196. (Supplemental Schedule BCA-S1).

The Company's proposed rates, as filed, produce total operating revenue of \$120,000 and operating income of \$11,024, for a 4.06 percent rate of return on an OCRB of \$271,276. The Company proposes a \$10.00 or 50 percent increase in the flat monthly rate for residential customers from \$20.00 to \$30.00. The Company also proposes a \$30.00 or 60 percent increase in the flat monthly rate for its commercial customers from \$50.00 to \$80.00.

Staff recommends total operating revenue of \$140,130, a \$60,330 or 75.6 percent increase from the Staff adjusted test year operating revenue of \$79,800. Staff's recommended revenue provides an operating income of \$31,134 for an operating margin of 22.22 percent and an 11.00 percent rate of return on a rate base of \$273,033 (Supplemental Schedule BCA-S1). Staff recommends monthly flat rates that would increase the typical residential bill, by \$15.12 or 75.6 percent, from \$20.00 to \$35.12.

Background

Fisher's Landing is a Limited Liability Company ("LLC") engaged in the business of providing potable water service and wastewater service to the residents in the area located along the Colorado River approximately 30 miles northeast of Yuma, in Yuma County, Arizona. Decision No. 64998, dated June 26, 2002, granted the Company its Certificate of Convenience and Necessity ("CC&N") and established its current rates and charges. The Procedural Order dated November 7, 2008, directed Staff to file a Supplemental Staff Report by January 30, 2009.

Fisher's Landing, Inc., the parent company of Fisher's Landing, entered into commercial land lease No. 03-101133 with the Arizona State Land Department ("Land Department") in 1997. The term of the lease ran from June 1997 to May 2007. The Land Department has not granted a lease extension because it intends to lease or sell some or all of the leased property at

auction.¹ Fisher's Landing is currently using the land under the holdover provisions of the lease. The lease provides Fisher's Landing with the right to store and treat water on the premises. Fishers Landing pays the Land Department a royalty on gross receipts² for the lease of the property.

The Company provided a notarized affirmation in its application that customers had been notified of the filing by mail on December 18, 2007.

Staff docketed its initial report ("Staff Report") regarding Fisher Landing requests for a permanent rate increase on July 25, 2008. Fisher's Landing filed its exceptions to the Staff Report in a letter dated October 10, 2008. In its exceptions, Fisher's Landing requests "that the capitalized cost of the lease payments or the value of the 20 acres" be included in the Original Cost Rate Base ("OCRB") and "taken into consideration in setting the new rates." According to the lease agreement, the annual payment is \$79,992. The Company did not include the \$79,992 in operating lease in its original application nor are the lease payments recorded in its utility records. In this Supplemental Staff Report the Company's request for recognition of the \$79,992 lease payments is treated as an increase in test year operating expenses by the Company and Staff.

Consumer Services

A review of the Commission's Consumer Service Section records showed that no formal complaints, no informal complaints, no inquiries or opinions were filed regarding Fisher's Landing within the past three years. Due to a lack of customer opposition to the proposed rate increase, no public comment meetings have been held to date.

A review of the Company's billing format indicates that it is in compliance with the Arizona Administrative Code ("AAC") R14-2-608.B.1 through R14-2-608.B6.

Compliance

Decision No. 64998 required Fisher's Landing to file a rate case for both water and sewer no later than July 31, 2006, based on a 2005 test year. Staff found the application insufficient on August 8, 2007, and asked Fisher's Landing to file rate applications for both water and sewer to comply with the Commission's order. Staff requested administrative closure of the original application for water on December 28, 2007, and the matter was closed by a Procedural Order issued January 28, 2008. On December 19, 2007, Fisher's Landing filed new rate applications for both water and sewer. Staff initially found the new applications insufficient on January 22, 2008 and subsequently issued a sufficiency letter on March 24, 2008.

Staff confirmed that the Company is current on its personal property tax obligations.

¹State Land Department Order No. 193-2006/2007, dated March 5, 2007.

² Gross receipts excludes water sale/distribution but not wastewater.

Staff confirmed that the Company is current on its personal property tax obligations.

Engineering Analysis

Staff inspected the Company's wastewater system on March 4, 2008. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report (Attachment A).

Staff recommends that the Company install a measuring device in its wastewater system and report its recorded wastewater flow in future annual reports, beginning with the 2008 annual report (due in April 2009).

Staff recommends that the Commission authorize the depreciation rates shown in Table C of the Engineering Report.

Staff recommends that the Company specify the total number of its customers in its Annual Reports, beginning with the 2008 Annual Report filed in 2009.

The Arizona Department of Environmental Quality ("ADEQ") reported that the wastewater system is in compliance with ADEQ rules and regulations.

Rate Base

Staff's adjustments increased the Company's proposed rate base by \$11,757, from \$271,276 to \$283,033, as shown on Supplemental Schedule BCA-S2, page 1. Staff made no adjustments to gross plant in service. Details of Staff's adjustments are discussed below.

Accumulated Depreciation – Adjustment A increases accumulated depreciation by \$277, from \$35,850 to \$36,127, as shown on Schedule BCA-S2, page 3. Staff calculated accumulated depreciation using the balances authorized in the prior rate case (Decision No. 64998) as the beginning balances and made adjustments for depreciation expense, additions and retirements through the end of the test year using the authorized component depreciation rates.

Working Capital – Adjustment B provides a cash working capital allowance of \$12,034 based on the formula method. The formula method recognizes one-eighth of the operating expenses, excluding depreciation and taxes, plus one twenty-fourth of purchased power expenses. Fisher's Landing did not claim a cash working capital allowance.

Operating Income Statement

Staff's adjustments decreased test year operating loss by \$100, from \$29,296 to \$29,196, as shown on Supplemental Schedule BCA-S3, page 1. Details of Staff's adjustments to operating revenues and expenses are discussed below.

Operating Revenue

Operating Revenue - Adjustment A increases flat rate revenue by \$120, from \$79,680 to \$79,800, to reflect the revenue generated by Staff's adjusted test year billing determinants. Staff adjusted test year billing determinants to conform with the correction noted in Attachment #3 of the Company's filing to reduce the units at a mobile home park from 126 to 114. Staff's adjustment also imputes revenue for commercial customer that the Company did not bill for sewer service in the test year.

Operating Expenses

Depreciation Expense Adjustment B increases this account by \$20, from \$10,921 to \$10,941, to reflect application of Staff's recommended depreciation rates to Staff's recommended plant, by account. The Company's application only includes one-half of the annual depreciation expense for plant added in the test year. Staff annualized the depreciation expense for the test year plant addition.

Revenue Requirements and Rate Design

Staff recommends total operating revenue of \$140,130, a \$60,300 or 75.6 percent increase from the Staff adjusted test year operating revenue of \$79,800. Staff's recommended revenue provides an operating income of \$31,134 for an operating margin of 22.22 percent and an 11.00 percent rate of return on a rate base of \$283,033 as shown in Supplemental Schedule BCA-S1. Staff's recommended revenue is sufficient to cover operating, maintenance and capital costs.

The Company's present rate structure includes flat monthly rates - \$20.00 for residential customers and \$50.00 for commercial customers.

The Company proposes to retain the flat rate structure increasing the residential monthly rate by \$10.00, or 50.0 percent, from \$20.00 to \$30.00 and the commercial monthly rate by \$30.00 or 60 percent from \$50.00 to \$80.00.

Staff also recommends retaining the flat monthly rate structure. Staff recommends a residential monthly rate of \$35.12, a \$15.12 increase from the current rate of \$20.00, and a commercial rate of \$87.80, a \$37.80 increase from the current flat rate of \$50.00. Staff recommended monthly rates reflect its recommendation for a revenue requirement that is 75.6 percent greater than the test year revenue. Staff's recommended residential monthly flat rate is \$5.12 greater than the Company's proposed rate, and Staff's recommended commercial monthly flat rate is \$7.80 greater than the Company's proposed rate. Supplemental Schedule BCA-S4 presents a complete list of the Company's present, Company's proposed, and Staff's recommended rates and charges.

The Company proposes to increase its 4-inch service lateral installation charge from \$350 to \$500. Staff finds \$500 as a reasonable and normal charge and recommends it. Staff further recommends graduating the installation charges for larger service lateral sizes based on \$500 for the 4-inch service lateral as listed in Table D of the Engineering Report.

The Company proposes to increase the service charge for Establishment Fee from \$30 to \$40. Staff finds \$30 as a reasonable and normal charge and recommends it.

The Company proposes a new service charge for Establishment (after hours) of \$50.00. Staff finds \$45 as a reasonable and normal charge and recommends it.

The Company proposes to increase the service charge for Reconnection (delinquent) from \$35 to \$50. Staff finds \$35 as a reasonable and normal charge and recommends it.

The Company proposes to increase the service charge for Deposit from \$50 to \$70. Staff recommends deposit charge per the A.A.C. R14-2-603.B.

The Company proposes no increase in service charge for Deposit Interest. Staff recommends deposit interest of 1.50 percent per month per A.C.C. R14-2-603.B.

The Company proposes to increase services charge for Re-establishment (Within 12 months) from \$50 to \$70. Staff recommends months off system times the minimum per A.C.C. R14-2-603.D.

The Company proposes to increase the non-sufficient funds ("NSF") charge from \$25 to \$30. Staff finds \$25 as a reasonable and normal charge and recommends it.

The Company proposes a new service charge for Deferred Payment (per month) of 1.5 percent. Staff finds 1.50 percent per month as a reasonable and normal charge and recommends it.

The Company proposes to decrease late payment charge-per month from \$50.00 to \$10.00. Staff finds 1.50 percent per month as a reasonable and normal charge and recommends it.

Staff Recommendations

Staff recommends:

- Approval of its recommended rates and charges as presented in Schedule BCA-S4. 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 A.A.C. R14-2-608.D.5.

- That the Company file with Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
- That the Company charge customers in accordance with its authorized tariffs.
- Authorization of the depreciation rates shown in Table C of the Engineering Report.
- That the Company install a measuring device in its wastewater system and report its recorded wastewater flow in future annual reports, beginning with the 2008 Annual Report (due in April 2009).
- That the Company specify the total number of its customers in its Annual Reports, beginning with the 2008 Annual Report (due in April 2009).
- Staff recommends that Fisher's Landing re-notice it's customers of Staff's recommended additional revenue, rates and the effect on a median 5/8 inch residential bill in its next monthly billing.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Flat Rate Revenue	\$79,680	\$79,800	\$120,000	\$140,130
Measured Revenue	0	0	0	0
Other Waste Water Revenues	0	0	0	0
Total Operating Revenue	\$79,680	\$79,800	\$120,000	\$140,130
Operating Expenses:				
Operation and Maintenance	\$95,612	\$95,612	\$95,612	\$95,612
Depreciation	10,921	10,941	10,921	10,941
Property & Other Taxes	2,443	2,443	2,443	2,443
Income Tax	0	0	0	0
Total Operating Expense	\$108,976	\$108,996	\$108,976	\$108,996
Operating Income/(Loss)	(\$29,296)	(\$29,196)	\$11,024	\$31,134
Rate Base O.C.L.D.	\$271,276	\$283,033	\$271,276	\$283,033
Rate of Return - O.C.L.D.	N/M	N/M	4.06%	11.00%
Times Interest Earned Ratio (Pre-Tax)	N/M	N/M	N/M	N/M
Debt Service Coverage Ratio (Pre-Tax)	N/M	N/M	N/M	N/M
Operating Margin	N/M	N/M	9.19%	22.22%

RATE BASE

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$307,126	\$0		\$307,126
Less:				
Accum. Depreciation	35,850	277 A		36,127
Net Plant	\$271,276	(\$277)		\$270,999
Less:				
Plant Advances	\$0	\$0		\$0
Accumulated Deferred Income Taxes	0	0		0
Total Advances	\$0	\$0		\$0
Contributions Gross	\$0	\$0		\$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	\$0	\$0		\$0
Total Deductions	\$0	\$0		\$0
Plus:				
1/24 Power	\$0	\$47 B		\$47
1/8 Operation & Maint.	0	11,987 B		11,987
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$12,034		\$12,034
Rate Base	\$271,276	\$11,757		\$283,033

Explanation of Adjustment:

- A - Refer to Schedule 2, Page 3.
- B - To provide cash working capital allowance based on the formula method.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
351 Organization	\$20,000	\$0	\$20,000
352 Franchises	0	0	0
353 Land & Land Rights	0	0	0
354 Structures & Improvements	25,196	0	25,196
355 Power Generation Equipment	25,000	0	25,000
360 Collection Sewers - Force	0	0	0
361 Collection Sewers - Gravity	150,000	0	150,000
362 Special Collection Structures	0	0	0
363 Services to Customers	20,000	0	20,000
364 Flow Measuring Devices	0	0	0
365 Flow Measuring Installations	0	0	0
370 Receiving Wells	10,000	0	10,000
371 Pumping Equipment	23,030	0	23,030
380 Treatment and Disposal Equipment	0	0	0
381 Plant Sewers	0	0	0
382 Outfall Sewer Lines	0	0	0
389 Other Plant and Misc. Equipment	0	0	0
390 Office Furniture and Fixture	3,000	0	3,000
391 Transportation Equipment	2,500	0	2,500
393 Tools, Shop and Garage	6,000	0	6,000
394 Laboratory Equipment	1,200	0	1,200
395 Power Operated Equipment	20,000	0	20,000
396 Communications Equipment	1,200	0	1,200
TOTALS	\$307,126	\$0	\$307,126

Explanation of Adjustment:

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$35,850
Accumulated Depreciation - Per Staff	36,127 A
Total Adjustment	<u>\$277</u>

Explanation of Adjustment:

- A - Staff calculated accumulated depreciation using the balances authorized in the prior rate case (Decision No. 64998) as the beginning balances and made adjustments for depreciation expense, additions and retirements through the end of the test year, using the authorized component depreciation rates.

ACCT	Staff	Company	Staff
<u>NO. DESCRIPTION</u>	<u>Calculated</u>	<u>Application</u>	<u>Adjustment</u>
354 Structure and Improvements	3,616	3,616	-
355 Power Generation Equipment	5,625	5,625	-
361 Collection - Gravity	13,500	13,500	-
363 Services to Customers	1,800	1,800	-
370 Receiving Wells	1,499	1,499	-
371 Electric Pumping Equipment	7	(270)	277
390 Office Furniture and Equipment	900	900	-
391 Transportation Equipment	2,250	2,250	-
393 Tools, Shop and Garage Equip.	1,350	1,350	-
394 Laboratory Equipment	540	540	-
395 Power Operated Equipment	4,500	4,500	-
396 Communications Equipment	540	540	-
398 Other Tangible Plant	-	-	-
Total Adjustment	<u>\$ 36,127</u>	<u>\$ 35,850</u>	<u>\$ 277</u>

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
521 Flat Rate Revenue	\$79,680	\$120 A	\$79,800
522 Measured Revenue	0	0	0
536 Other Waste Water Revenue	0	0	0
Total Operating Revenue	\$79,680	\$120	\$79,800
Operating Expenses:			
701 Salaries and Wages	\$8,690	\$0	\$8,690
710 Purchased Wastewater Treatment	0	0	0
710 Sludge Removal Expense	0	0	0
715 Purchased Power	1,131	0	1,131
716 Fuel For Power Production	0	0	0
718 Chemicals	0	0	0
720 Materials and Supplies	0	0	0
731 Contractual Services - Professional	4,669	0	4,669
735 Contractual Services - Testing	285	0	285
740 Rents	79,992	0	79,992
750 Transportation Expense	0	0	0
755 Insurance Expense	0	0	0
765 Regulatory Commission Expense	0	0	0
775 Miscellaneous Expense (Repairs & Maint.)	845	0	845
403 Depreciation Expense	10,921	20 B	10,941
408 Taxes other than Income	1,394	0	1,394
408.11 Property Taxes	1,049	0	1,049
409 Income Taxes	0	0	0
Total Operating Expenses	\$108,976	\$20	\$108,996

OPERATING INCOME/(LOSS)	(\$29,296)	\$100	(\$29,196)
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Other Income/(Expense):

419 Interest and Dividend Income	\$0	\$0	\$0
421 Non-Utility Income	0	0	0
426 Non-Utility - Depreciation	0	0	0
426 Non-Utility - Amortization	0	0	0
427 Interest Expense	0	0	0

Total Other Income/(Expense)	\$0	\$0	\$0
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NET INCOME/(LOSS)	(\$29,296)	\$100	(\$29,196)
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STAFF ADJUSTMENTS

A -	FLAT RATE REVENUE - Per Company	\$79,680	
	Per Staff	79,800	\$120

To reflect the revenue generated by the test year billing determinants.

B -	DEPRECIATION - Per Company	\$10,921	
	Per Staff	10,941	\$20

To reflect application of Staff's recommended depreciation rates to Staff's recommended plant, by account. Company's application only include one-half of the annual depreciation expense for plant added in the test year. Staff annualized the depreciation expense for the test year plant additions.

Pro Forma Annual Depreciation Expense:

Plant in Service	\$307,126		
Less: Non Depreciable Plant	20,000		
Fully Depreciated Plant	0		
Depreciable Plant	\$287,126		
Times: Staff Recommended Depreciation Rate			
Derived from component rates	3.81%		
Credit to Accumulated Depreciation	\$0		
Less: Amort. of CIAC* @ 0.00%	0		
Pro Forma Annual Depreciation Expense	\$10,940		

*** Amortization of CIAC:**

Contribution(s) in Aid of Construction (Gross)	\$0		
Less: Non Amortizable Contribution(s)	0		
Fully Amortized Contribution(s)	0		
Amortizable Contribution(s)	\$0		
Times: Staff Recommended Amortization Rate	3.81%		
Amortization of CIAC	\$0		

Fisher's Landing Water and Sewer Works (Wastewater Division)
 Docket No. WS-04047A-07-0708
 Test Year Ended December 31, 2006

Supplemental
 Schedule BCA-S4

RATE DESIGN

	Present	-Proposed Rates-	
	Rates	Company	Staff
<u>Monthly Usage Charge</u>			
Residential (All Sizes, Flat Rate)	\$ 20.00	\$ 30.00	\$ 35.12
Commercial (All Sizes, Flat Rate)	50.00	80.00	87.80
<u>Service Lateral Installation Charge</u>			
4-inch Lateral	\$ 350.00	\$ 500.00	\$ 500.00
6-inch Lateral	0.00	0.00	1,125.00
8-inch Lateral	0.00	0.00	2,000.00
<u>Service Charges</u>			
Establishment	\$30.00	\$40.00	\$30.00
Establishment (After Hours)	0.00	50.00	45.00
Reconnection (Delinquent)	35.00	50.00	35.00
Deposit	50.00	70.00	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	50.00	70.00	**
NSF Check	25.00	30.00	25.00
Deferred Payment	0.00%	1.50%	1.50%
Late Payment Charge - Per Month	50.00	10.00	1.50%

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

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

Fisher's Landing Water and Sewer Works (Wastewater Division)
 Docket No. WS-04047A-07-0708
 Test Year Ended December 31, 2006

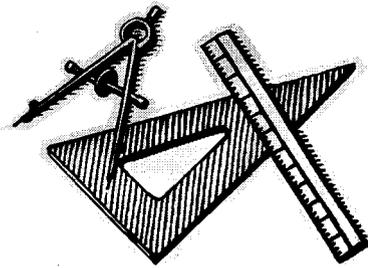
Supplemental
 Schedule BCA-S5

TYPICAL BILL ANALYSIS

General Service 4-inch Lateral

Average Number of Customers: 78

<u>Company Proposed</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
Residential	\$ 20.00	\$ 30.00	\$ 10.00	50.0%
Commercial	\$ 50.00	\$ 80.00	\$ 30.00	60.0%
<u>Staff Recommended</u>				
Residential	\$ 20.00	\$ 35.12	\$ 15.12	75.6%
Commercial	\$ 50.00	\$ 87.80	\$ 37.80	75.6%



**ENGINEERING REPORT FOR FISHER'S LANDING
WATER & SEWER WORKS, LLC
SEWER RATE APPLICATION**

DOCKET NO. WS-04047A-07-0708

March 14, 2008

CONCLUSIONS

1. The Arizona Department of Environmental Quality ("ADEQ") has reported that the Company's wastewater system is currently in compliance with its rules and regulations.
2. The wastewater system is adequate to serve the present customer base and reasonable growth.
3. The Company has no outstanding Arizona Corporation Commission ("ACC") compliance issues.

RECOMMENDATIONS

1. Staff recommends that Fisher's Landing Water and Sewer Works ("Company") install a measuring device in its wastewater system and report its recorded wastewater flows and number of services in future Annual Reports, beginning with the 2008 Annual Report (due April, 2009).
2. Staff recommends that the Company report its wastewater plant facilities in future Annual Reports, beginning with the 2008 Annual Report (due April, 2009).
3. Staff recommends that the Company use Staff's depreciation rates ordered in Decision No. 64998 and as presented in Table C.
4. Staff recommends approval of its Service Lateral Installation Charges as presented in Table D.

A. INTRODUCTION AND LOCATION OF COMPANY

On December 19, 2007, Fisher’s Landing Water & Sewer Works, LLC (“Company”) filed a rate application with the Arizona Corporation Commission (“ACC” or “Commission”). The Company serves its customers in an area which is located approximately 30 miles northeast of Yuma along the Colorado River in Yuma County, Arizona.

Figure 1 shows the location of the Company within Yuma County and Figure 2 delineates the approximate 2 1/4 square miles or 1,440 acres of certificated area.

Figure 1

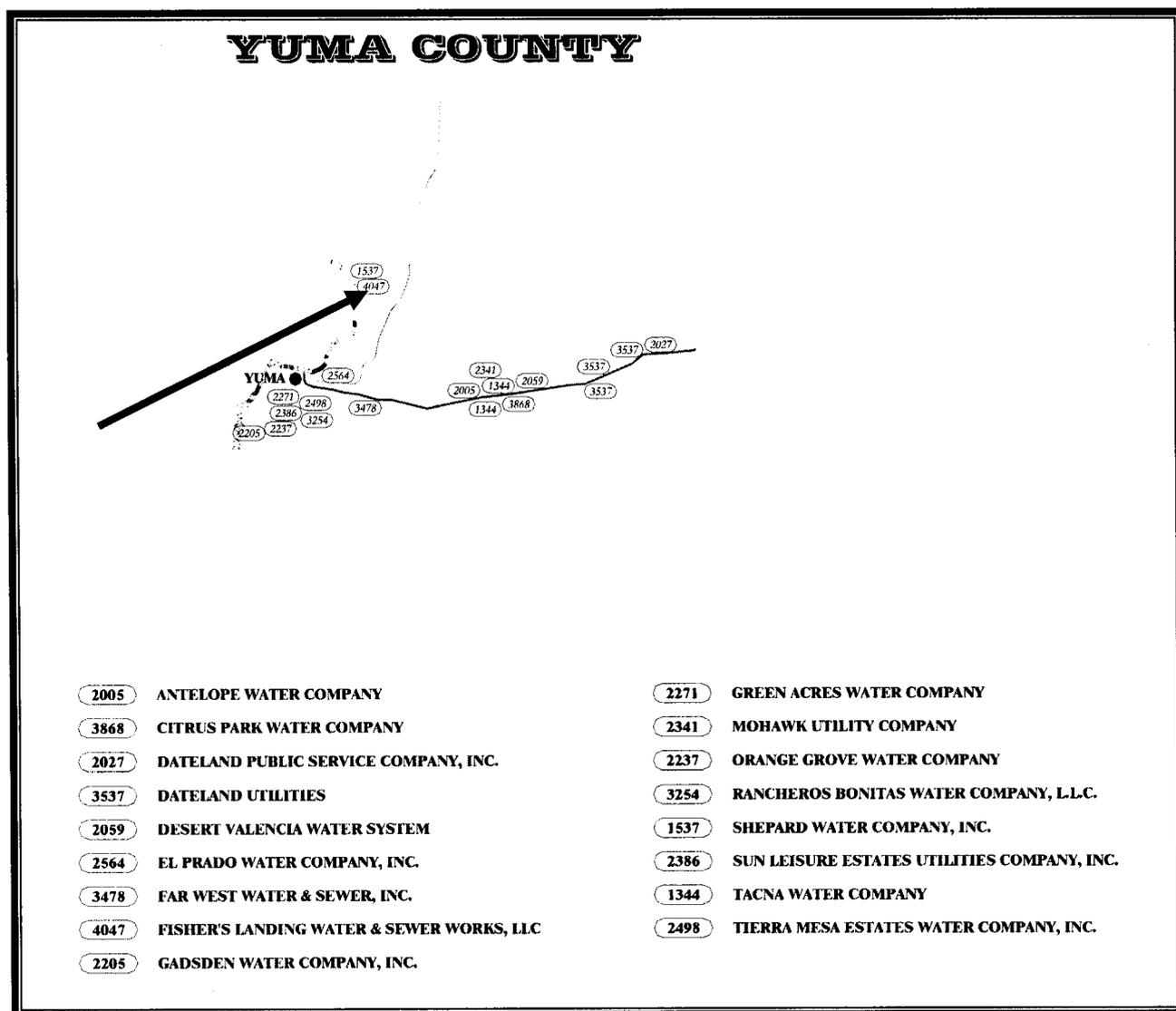
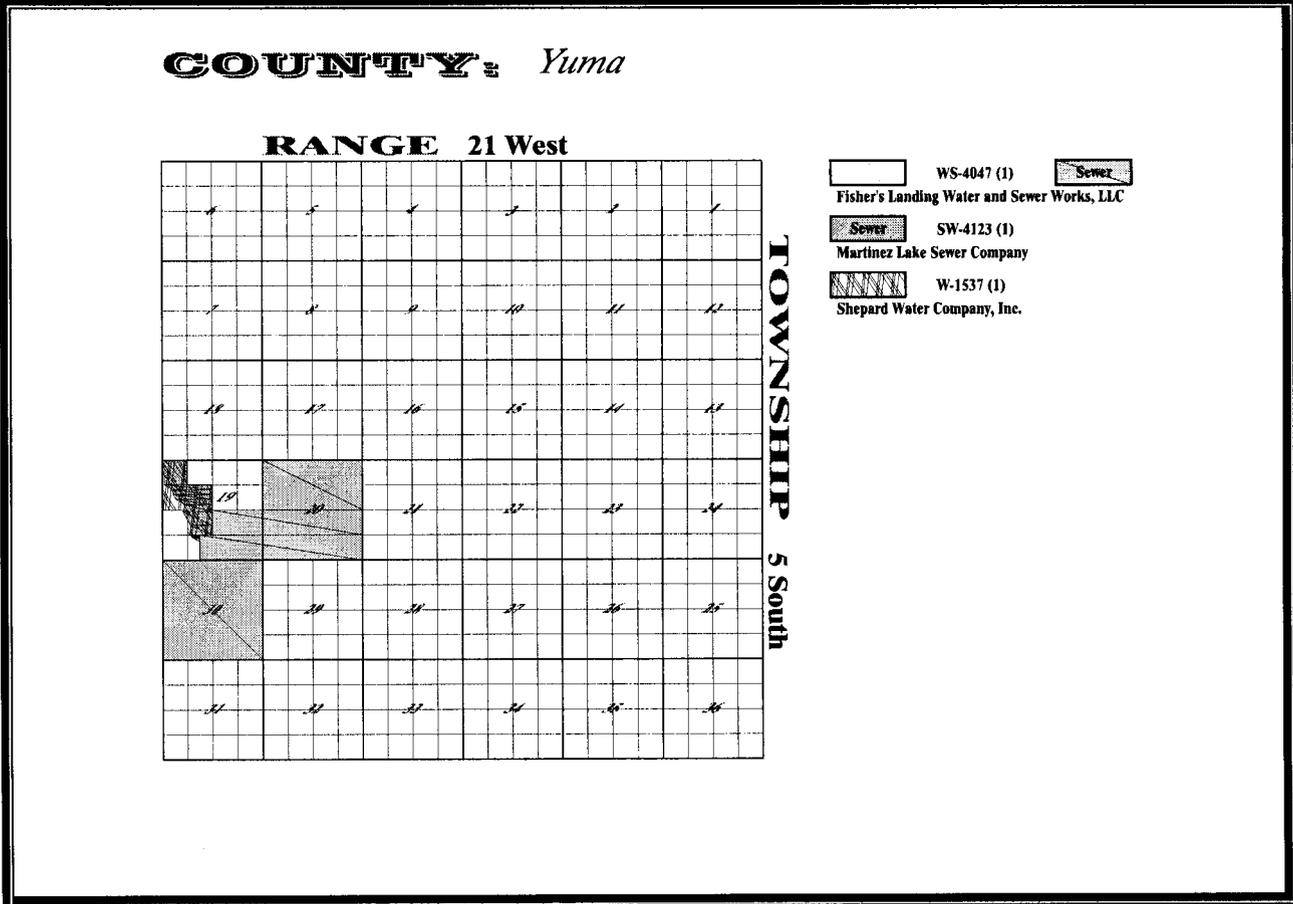


Figure2



B. DESCRIPTION OF THE WASTEWATER SYSTEM

The plant facilities were visited on March 4, 2008, by Katrin Stukov in the accompaniment of Rick Miller, the utility operator, and Don Fisher, the applicant. The operation of the Company's wastewater system consists of two evaporation ponds, two lift stations and a sewer collection system.

The Company did not include its wastewater plant facilities description in its Annual Reports. Staff recommends that the Company report its wastewater plant facilities in future Annual Reports.

Table A provides customers summary, Table B shows the plant facilities summary and Figure 3 provides a process schematic for the water system.

Table A. Customers Summary

List of Customers	Sewer Customers
Private residences (70)	1*
Fisher's Landing office	1
Convenience store; Restaurant / Bar	1
Rural Metro fire station	1
Public restroom / laundry facility (Campground)	1
Campground (66 spaces)	46**
Pruitt City Mobil Home Park ("MHP") (157 spaces, 1 laundry, 1 restroom)	159
Fisher's Landing MHP (114 spaces)	114
Mobil Homes near store (7 spaces)	7
Total	331

*Note # 1: The remaining 69 private residences are on individual septic systems.

**Note # 2: The remaining 20 campground spaces do not have sewer connections.

Table B. Plant Facilities Summary

Wastewater Treatment Facility

Type of Treatment	Two Evaporation Ponds	Structures
Design Capacity (gallons per day-"GPD")	75,000 GPD	Fence

Lift Stations

#	Location	Pumps			Wet Well Capacity (gallons)	Structures
		Quantity	Horsepower (hp)	Capacity (GPM)		
1	Next to Rural Metro fire station	2	25	130	2,615	Fence
2	Pruitt City MHP	2	5	60	1,615	Fence

Force Mains

Size	Material	Length
4-inch	PVC	5,080 feet

Collection Mains

Size	Material	Length
8-inch	PVC	17,397 feet

Services

Size	Material	Quantity
4-inch	PVC	331

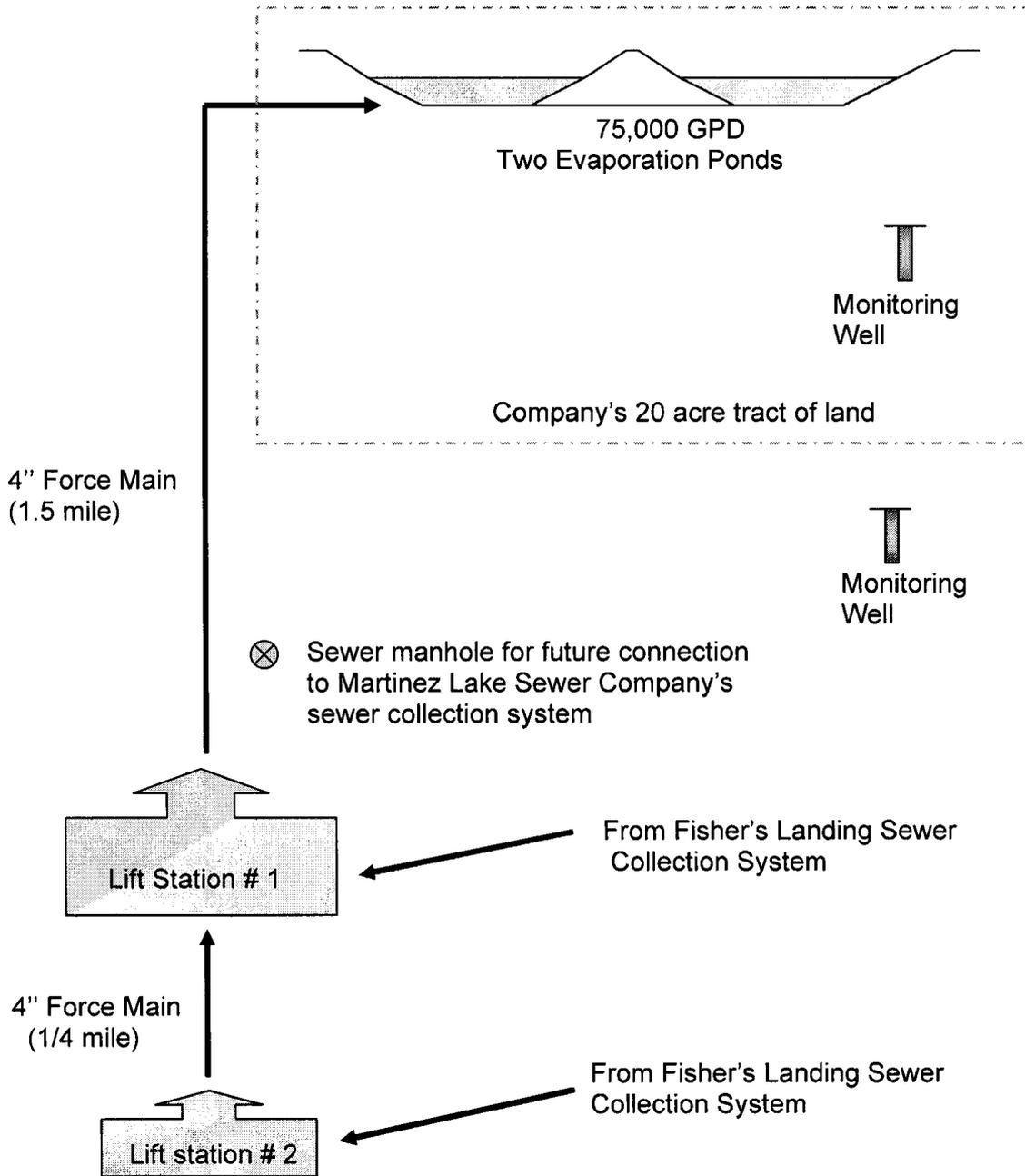
Manholes

Type	Quantity
Standard	16
Drop	5

Components

Structures	2 buildings housing lift station equipment
Power Generators	2

Figure 3 System Schematic



C. WASTEWATER SYSTEM ANALYSIS

Monthly wastewater flows were not recorded during the test year. Therefore, in its analysis, Staff used an estimated 150 GPD per connection and determined that the Company's 75,000 GPD plant could serve up to 500 connections. The wastewater system served approximately 331 customers during the test year of 2006. Staff concludes that the wastewater system is adequate to serve the present customer base and reasonable growth. Staff recommends that the Company install a measuring device in its wastewater system and report recorded wastewater flows in future Annual Reports.

D. GROWTH

The Company did not report number of services in its Annual Reports. Therefore, Staff cannot report or project growth for the Company using historical annual growth rates. The Company is planning to connect approximately 110 customers from the Martinez Lake Sewer Company to its wastewater treatment facilities in a near future (see Decision No. 68234 dated October 25, 2005 for further discussion). Based on this information, Staff estimated that the system could have over 440 customers in its service area by 2012. Staff recommends that the Company report number of services in future Annual Reports, beginning with the 2008 Annual Report filed in 2009.

E. ADEQ COMPLIANCE

ADEQ regulates the wastewater system under ADEQ Wastewater Inventory Number 100605. Based on a Compliance Status Report, dated March 17, 2008, ADEQ has determined that this system is currently in compliance with its rules and regulations.

F. ACC COMPLIANCE

A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company¹.

G. DEPRECIATION RATES

In Decision No. 64998, dated June 26, 2002, depreciation rates for the Company were adopted. However, in the instant application, the Company submitted depreciation rates for certain plant accounts which are different from Decision No. 64998. The Company did not provide specific reasons for this deviation. Staff recommends that the Company use depreciation rates ordered in Decision No. 64998 as presented in Table C.

¹ Per ACC Compliance status check dated February 21, 2008

TABLE C
WASTEWATER DEPRECIATION RATES

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.0
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0
398	Other Tangible Plant	----	----

NOTE: Acct. 398, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

H. SERVICE LATERAL INSTALLATION CHARGES

The Company has requested a change to its 4-inch service lateral installation charge from \$350 to \$500. Staff has reviewed the proposed charge and found it to be reasonable. Staff further recommends graduating the installation charges for larger service lateral sizes based on \$500 for the 4-inch service lateral. Therefore, Staff recommends approval of its charges as delineated in Table D.

Table D. Service Lateral Installation Charges

Service Lateral Size	Company's Current Charges	Recommended Charges
4-inch	\$350	\$500
6-inch	\$0	\$1,125
8-inch	\$0	\$2,000

MEMORANDUM

TO: **Brendan Aladi**
Public Utilities Analyst III
Utilities Division

FROM: Carmen Madrid
Public Utilities Consumer Analyst I
Utilities Division

THRU: Connie Walczak *ew*
Public Utility Consumer Supervisor
Utilities Division

DATE: April 30, 2008

RE: **Fisher's Landing Water and Sewer Works, L.L.C.**
Docket No. WS-04042A-07-0708 (sewer)

COMPANY HISTORY

Fisher's Landing Water and Sewer Works, L.L.C. ("Fisher's Landing") is an existing corporation under the laws of the State of Arizona and is a public utilities corporation subject to the jurisdiction of the Arizona Corporation Commission ("Commission"). Fisher's Landing was granted a Certificate of Convenience and Necessity ("CC&N") pursuant to Commission Decision No. 64998 on June 26, 2002.

Per Fisher's Landing 2006 Annual Report the company provides sewer service 332 customers in Yuma County. The current sewer rates and charges were authorized by the Commission on June 26, 2002 per Decision No. 64998.

COMPLAINT HISTORY

A search of Consumer Services complaint files reveals Fisher's Landing has had zero complaints, inquiries and opinions filed against them for the period from January 1, 2005 to current.

SUFFICIENCY STATUS

Fisher's Landing met sufficiency status on March 24, 2008.

AFFIDAVIT OF MAILING

A notarized cover letter and affidavit of mailing "Customer notification" was filed on December 18, 2007 by Fisher's Landing.

ANNUAL REPORT FOR UTILITIES DIVISION

Records indicate that Fisher's Landing filed its Utilities Annual Report for 2006 on April 16, 2007.

BILL FORMAT COMPLIANCE

A review of Fisher's Landing's bill format indicates compliance with R14-2-608.B.1 thru R14-2-608.B.6.

CORPORATIONS DIVISION STATUS

The Corporations Division of the Commission reflects that Fisher's Landing is in good standing and was incorporated on August 16, 2001.

HEARING DATE

There is no hearing date scheduled for this matter.

INTERVENERS

As of April 29, 2008 there are no interveners in this matter.

Cc: Engineering
File