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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman
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2009 SEP 23 A 10:46

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

6 IN THE MATTER OF THE APPLICATION OF
7 VIRGIN MOUNTAIN UTILITIES COMPANY
8 FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-03551A-09-0205

NOTICE OF FILING

9 Please accept staff's late filed staff report. Staff incorrectly calculated the staff report due
10 date in this matter to be Friday, September 25, 2009, rather than the correct due date of Monday,
11 September 21, 2009.

12 RESPECTFULLY SUBMITTED this 23rd day of September, 2009.

Ayesha Vohra

15 Ayesha Vohra
16 Attorney, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007
(602) 542-3402

20 Original and thirteen (13) copies
21 of the foregoing were filed this
22 23rd day of September, 2009 with:

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26 Copies of the foregoing were mailed
27 this 23rd day of September, 2009 to:

26 Patrick J. Black, Esq.
27 Fennemore Craig, P.C.
28 3003 N. Central Avenue, #2600
Phoenix, Arizona 85012
Attorneys for Virgin Mountain Utilities Company

Arizona Corporation Commission
DOCKETED

SEP 23 2009

DOCKETED BY *MM*

1 Tom Stoddard, Manager
2 Virgin Mountain Utilities Company
3 P.O. Box 668
4 Littlefield, Arizona 86432

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Robert Dodge

MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea *no for*
Director
Utilities Division

DATE September 23, 2009

RE: STAFF REPORT FOR VIRGIN MOUNTAIN UTILITIES COMPANY'S APPLICATION
FOR A PERMANENT RATE INCREASE (DOCKET NO. W-03551A-09-0205)

Attached is the Staff Report for Virgin Mountain Utilities Company's application for a permanent rate increase. 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 October 5, 2009.

SMO:BCA:kdh

Originator: Brendan Aladi

Service List for: Virgin Mountain Utilities Company
Docket No. W-03551A-09-0205

Mr. Thomas Stoddard
Virgin Mountain Utilities Company
Post Office Box 668
Beaver Dam, Arizona 86432

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Arizona Corporation Commission
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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**VIRGIN MOUNTAIN UTILITIES COMPANY
DOCKET NO. W-03551A-09-0205**

**APPLICATION
FOR A
PERMANENT RATE INCREASE**

SEPTEMBER 23, 2009

STAFF ACKNOWLEDGMENT

The Staff Report for Virgin Mountain Utilities Company (Docket No. W-03551A-09-0205) was the responsibility of the Staff members listed below. Brendan Aladi is responsible for the review and analysis of the Company's application for a permanent rate increase, Staff's revenue requirement, rate base, and rate design. Dorothy Hains is responsible for the engineering and technical analysis. Brad Morton is responsible for reviewing the Arizona Corporation Commission's records on the Company and reviewing customer complaints filed with the Commission.

Nancy Scott for

Brendan Aladi
Public Utilities Analyst III

Dorothy Hains

Dorothy Hains
Utilities Engineer

Brad Morton

Brad Morton
Public Utilities Consumer Analyst II

**EXECUTIVE SUMMARY OF
VIRGIN MOUNTAIN UTILITIES COMPANY
DOCKET NO. W-03551A-09-0205**

Virgin Mountain Utilities Company ("Virgin Mountain" or "Company") is a Sub-Chapter "S" Corporation and a class "D" Arizona public service corporation that provides potable water service to 67 metered residential customers. The Company is located near the Community of Beaver Dam in Mohave County, Arizona.

Virgin Mountain proposes total operating revenue of \$91,304, an increase of \$44,602, or 95.50 percent above the Staff-adjusted test year revenue of \$46,702. Staff recommends total operating revenue of \$83,300, an increase of \$36,598, or 78.36 percent above the Staff adjusted test year revenue of \$46,702, as shown on Schedule BCA-1.

The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 5,378 gallons, from \$36.13 to \$66.73 for an increase of \$30.60 or 84.7 percent, as shown on Schedule BCA-5. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 5,378 gallons, from \$36.13 to \$48.89 for an increase of \$12.76 or 35.32 percent as shown on Schedule BCA-5.

STAFF RECOMMENDATIONS

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule BCA-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).
- Approval of Staff's Service Line and Meter Installation Charges as shown in Table 4 of the Engineering Report (Attachment A)
- Authorization of the depreciation rates shown in Figure 6 of the Engineering Report.
- That the Commission order Virgin Mountain to maintain its records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").
- 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 file by May 31, 2010, with Docket Control, as a compliance item in this docket, documentation showing either that the Company now owns Well 55-55309 or that the Trust and the Company have entered into a long term (at least 99 years) lease which ensures the Company's continued use of well 55-55309.

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SCHEDULES

Summary of Filing.....	Schedule BCA-1
Rate Base.....	Schedule BCA-2
Statement of Operating Income.....	Schedule BCA-3
Rate Design.....	Schedule BCA-4
Typical Bill Analysis.....	Schedule BCA-5

ATTACHMENT

Engineering Report.....	Attachment A
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Fact Sheet

Company:

Type of Ownership: Arizona Sub-Chapter "S" Corporation

Location: The Company is located near the Community of Beaver Dam in Mohave County, Arizona. The Company is not located in an Active Management Area.

Rates:

Current Rates: Decision No. 61525, dated February 19, 1999
Permanent rate increase application filed: April 30, 2009
Current test year ended: December 31, 2008
Certificate and Convenience and Necessity ("CC&N") Filed Date: April 23, 1998

Monthly Charges:

	<u>Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charges:			
5/8 x 3/4-inch meter	\$20.00	\$39.34	\$30.00
3/4-inch meter	\$30.00	\$59.01	\$45.00
1-inch meter	\$50.00	\$98.35	\$75.00
1 1/2 -inch meter	\$100.00	\$196.70	\$150.00
2-inch meter	\$120.00	\$314.72	\$240.00
3-inch meter	\$300.00	\$590.10	\$480.00
4-inch meter	\$500.00	\$983.50	\$750.00
6-inch meter	\$1,000.00	\$1,967.00	\$1,500.00

Commodity Charges:

Per 1,000 for all usage	\$3.00	N/A	N/A
0 to 4,000 gallons	N/A	\$4.90	N/A
4,001 to 10,000 gallons	N/A	\$5.65	N/A
Over 10,000 gallons	N/A	\$6.40	N/A
0 to 4,000 gallons	N/A	N/A	\$3.00
4,001 to 11,000 gallons	N/A	N/A	\$5.00
Over 11,000 gallons	N/A	N/A	\$7.50
Standpipe (Per 1,000 Gallons)	\$3.00	5.65	\$7.50

N/A = Not Applicable

Customers:

Number of customers in the current test year (12/31/08): 67
Full time customers: 67 (100 percent)
Seasonal customers: Virgin Mountain has no seasonal customers

Customer notification for rate application filed: September 10, 2009.

Number of customer complaints and/or opinions concerning rate applications filed:

No. of complaints: 0
No. of inquiries: 0
No. of opinions: 0
Period: January 1, 2006 – August 31, 2009

Summary of Filing

The test year results as adjusted by the Arizona Corporation Commission (“Commission”) Utilities Division (“Staff”), for Virgin Mountain Utilities Company (“Virgin Mountain” or “Company”) show total operating revenue of \$46,702, an operating income of \$2,284, on an Original Cost Rate Base (“OCRB”) of \$426,8241 and a 0.54 percent rate of return, as shown on Schedule BCA-1.

The Company’s proposed rates, as filed, would produce total operating revenue of \$91,304 and an operating income of \$41,056, or a 9.12 percent rate of return as shown on Schedule BCA-1. The Company proposed OCRB is \$450,014. The Company’s proposed rates, as filed, would increase the typical residential 5/8 x 3/4-inch meter bill, with a median usage of 5,378 gallons by \$30.60 or 84.7 percent from \$36.13 to \$66.73, as shown on Schedule BCA-5.

Staff recommends rates that would produce total operating revenue of \$83,300 and operating income of \$44,418, or a 9.00 percent rate of return as shown on Schedule BCA-1. The Staff recommended OCRB is \$431,824. Staff’s recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill, with a median usage of 5,378 gallons by \$12.76 or 35.32 percent from \$36.13 to \$48.89, as shown on Schedule BCA-5.

Background

On April 30, 2009, Virgin Mountain filed an application with the Commission for a permanent rate increase. On May 29, 2009, Staff deemed the application insufficient. On June 15, 2009, Virgin Mountain submitted revisions to its application. On July 6, 2009, Staff deemed the application sufficient.

Virgin Mountain has only 5/8 x 3/4-inch meter customers.

¹ The Company is not proposing a Fair Value Rate Base that differs from the OCRB.

Consumer Services

Staff reviewed the Commission's records for the period January 1, 2006 to August 31, 2009, and found no complaints and no opinions.

The Company has not provided any evidence showing it has noticed its customers.

Compliance

Virgin Mountain is current on its sales and property taxes.

Engineering Analysis and Recommendations

Staff Engineer, Dorothy Hains, inspected the Company's plant facilities on July 14, 2009. 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.

Rate Base

Staff's adjustments decreased the Company's proposed rate base by \$18,190, from \$450,014 to \$431,824, as shown on Schedule BCA-2, page 1. Details of Staff's adjustments are discussed below.

Plant in Service

Adjustment A decreases plant in service by \$23,137, from \$525,939 to \$502,802 as shown on Schedule BCA-2, pages 1 and 2. Staff reclassified plant in service and made adjustments to remove unsupported plant additions, plant not used and useful and unallowed costs from the CC&N date through the end of the current test year.

Land and Land Rights - Adjustment "a" decreases this account by \$19,711, from \$22,450 to \$2,739 as shown on Schedule BCA-2, page 2. On September 22, 2000, Joe Bowler and Dixie Bowler family trust transferred 6 acres of land from the family trust to Virgin Mountain Utilities Company. The land was valued at \$16,435 on the date it was committed to public services. During its inspection, staff observed that approximately one-half acre of the land is used for the well and other company plant. The Company claims that it needs to maintain a minimum of one full net acre for the Company site to maintain compliance with the Mohave County Zoning requirements. Staff removes \$19,711 ($\$16,435/6 \times 5$) from land and land rights account to reflect the remaining five acres that is not used and useful in providing service to existing customers.

Wells and Springs - Adjustment "b" increases this account by \$23,692, from \$17,747 to \$41,439, as shown on Schedule BCA-2 page 2. This adjustment reclassifies \$23,692 from other tangible plant to wells and springs.

Storage Tank - Adjustment "c" increases this account by \$3,448, from \$12,481 to \$15,929, as shown on Schedule BCA-2 page 2. This adjustment reclassifies \$3,448 from other tangible plant to wells and springs.

Transmission and Distribution Main - Adjustment "d" decreases this account by \$2,401, from \$405,023 to \$402,622, as shown on Schedule BCA-2 page 2. Staff reflected plant additions and retirements reported by the Company, from the CC&N date through the end of the current test year, removed unsupported plant additions and reclassified plant from other tangible plant.

Other Tangible Plant - Adjustment "e" decreases this account by \$28,165, from \$28,165 to \$0, as shown on Schedule BCA-2 page 2. Staff reclassified \$28,165 from other tangible plant to wells and springs (\$23,692), storage tanks (\$3,448), and transmission and distribution main (\$1,025).

Accumulated Depreciation

Adjustment B decreases accumulated depreciation by \$1,838 from \$42,980 to \$41,142, as shown on Schedule BCA-2, pages 1 and 4. This adjustment reflects application of Commission-approved depreciation rates as shown in Figure 6 of the Engineering Report applied to Staff's recommended depreciable plant balances and the adjustments Staff made to plant in service.

Working Capital

The Company did not claim any working capital allowance. Staff's adjustment C resulted in a net increase of \$3,110 from \$0 to \$3,110 to working capital as shown on Schedule BCA-2, page 1.

Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

Operating Income Statement

Operating Revenue

There is no adjustment to operating revenue.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of \$5,830, from \$50,248 to \$44,418, as shown on Schedule BCA-3, page 1. Details of Staff's adjustments are presented below.

Purchased Power – Adjustment A decreases this account by \$244 from \$3,041 to \$2,797, to reflect the aggregate of the test year purchased power invoices as shown on Schedule 3 pages 1 and 2.

Repair and Maintenance Expense – Adjustment B decreases this account by \$2,778 from \$3,173 to \$395, to recognize the total of the test year supported expenses as shown on Schedule BCA-3 pages 1 and 2.

Office Supplies and Expense – Adjustment C decreases this account by \$308 from \$645 to \$337 to recognize the total of the test year supported expenses as shown on Schedule 3 pages 1 and 2.

Outside Services Expense – Adjustment D decreases this account by \$4,607 from \$6,640 to \$2,033 to recognize the total of the test year supported expenses as shown on Schedule BCA-3 pages 1 and 2.

Water Testing – Adjustment E decreases water testing expense by \$1,210 from \$2,105 to \$895, as shown on Schedule BCA-3 pages 1 and 2. This adjustment reflects the Staff water testing expense recommendation. (See Engineering Report).

Miscellaneous Expense – Adjustment F decreases this account by \$805 from \$2,092 to \$1,287 to recognize the total of the test year supported expenses as shown on Schedule 3 pages 1 and 2.

Depreciation Expense – Adjustment G increases depreciation expense by \$3,647 from \$8,969 to \$12,616, as shown on Schedule BCA-3 pages 1 and 3. Staff's depreciation expense reflects application of Staff's recommended depreciation rates to Staff's recommended plant balances.

Taxes other Than Income – Adjustment H increases this account by \$593 from \$1,874 to \$2,467, as shown on Schedule BCA-3 pages 1 and 2. Staff's adjustment reflects Staff's calculation of taxes other than income.

Property Taxes – Adjustment I decreases this account by \$118 from \$2,714 to \$2,596, as shown on Schedule BCA-3 pages 1 and 2. The Company calculated test year property taxes based on its proposed revenues instead of the test year amount. The Company's proposed property taxes are calculated on the modified Arizona Department of Revenue ("ADOR") methodology typically adopted by the Commission for water and wastewater utilities. Staff's adjustment reflects calculation of property taxes by using two years of adjusted test year revenues and one year of Staff's recommended revenues.

Revenue Requirement

Staff's recommended 9.0 percent rate of return on rate base would provide an operating income of \$44,418.

Rate Design

Schedule BCA-4 presents a complete list of the Company's present and proposed, and Staff's recommended rates and charges.

Under the Company's present rates, the monthly minimum charges vary by meter size and include no gallons. The commodity rate is \$3.00 per thousand gallons for all usage. The Company's proposed rates would increase the median usage (5,378 gallons) 5/8 x 3/4-inch meter residential customer's bill from \$36.13 to \$66.73 for an increase of \$30.60, or 84.7 percent, as shown on Schedule BCA-5.

Staff recommends a three-tier inverted rate structure for all meter sizes. Currently, all customers are served by 5/8 x 3/4-inch meters. Staff further recommends breakover points at 4,000 and 11,000 gallons. Staff's recommended rates would increase the median usage (5,378 gallons) 5/8 x 3/4-inch residential customer's bill from \$36.13 to \$48.89, an increase of \$12.76 or 35.32 percent as shown on Schedule BCA-5.

The Company proposes new service line and meter installation charges as shown on Schedule BCA-4. Staff recommends approval of the "total" charges as shown in Table 4 of the Engineering Report, with separate installation charges for the service line and meter installations.

The Company does not propose any change to its current miscellaneous service charges. Staff does not recommend any change to the Company's miscellaneous service charges as shown on Schedule BCA-4.

Staff Recommendations - Rates

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule BCA-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).
- Approval of Staff's Service Line and Meter Installation Charges as shown in Table 4 of the Engineering Report (Attachment A)
- Authorization of the depreciation rates shown in Figure 6 of the Engineering Report.

- That the Commission order Virgin Mountain to maintain its records in accordance with the National Association of Regulatory Utility Commissioners (“NARUC”) Uniform System of Accounts (“USOA”).
- 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 file by May 31, 2010, with Docket Control, as a compliance item in this docket, documentation showing either that the Company now owns Well 55-55309 or that the Trust and the Company have entered into a long term (at least 99 years) lease which ensures the Company’s continued use of well 55-55309.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$46,452	\$46,452	\$91,054	\$83,050
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	250	250	250	250
Total Operating Revenue	\$46,702	\$46,702	\$91,304	\$83,300
Operating Expenses:				
Operation and Maintenance	\$36,691	\$26,739	\$36,691	\$26,739
Depreciation	8,969	12,616	8,969	12,616
Property & Other Taxes	4,588	5,063	4,588	5,063
Income Tax	0	0	0	0
Total Operating Expense	\$50,248	\$44,418	\$50,248	\$44,418
Operating Income/(Loss)	(\$3,546)	\$2,284	\$41,056	\$38,882
Rate Base O.C.L.D.	\$450,014	\$431,824	\$450,014	\$431,824
Rate of Return - O.C.L.D.	N/M	0.53%	9.12%	9.00%
Percent Increase	N/M	N/M	96%	78%

N/M = Not meaningful

RATE BASE

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$525,939	(\$23,137)	A	\$502,802
Less:				
Accum. Depreciation	42,980	(1,838)	B	41,142
Net Plant	\$482,959	(\$21,299)		\$461,660
Less:				
Plant Advances	\$32,945	\$0		\$32,945
Accumulated Deferred Income Taxes	0	0		0
Total Advances	\$32,945	\$0		\$32,945
Contributions Gross	\$0	\$0		\$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	\$0	\$0		\$0
Total Deductions	\$32,945	\$0		\$32,945
Plus:				
1/24 Power	\$0	\$117	C	\$117
1/8 Operation & Maint.	0	2,993	C	2,993
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$3,109		\$3,109
Rate Base	\$450,014	(\$18,190)		\$431,824

Explanation of Adjustment:

- A - Refer to Schedule 2, Page 3.
- B - Refer to Schedule 2, Page 4.
- C - To provide cash working capital allowance based on the formula method.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment		Staff Adjusted
301 Organization	\$8,590	\$0		\$8,590
302 Franchises	0	0		0
303 Land & Land Rights	22,450	(19,711) a		2,739
304 Structures & Improvements	0	0		0
307 Wells & Springs	17,747	23,692 b		41,439
311 Pumping Equipment	16,744	0		16,744
320 Water Treatment Equipment	0	0		0
330.1 Distrib. Res.& Standpipes(Storage)	12,481	3,448 c		15,929
330.2 Distrib. Res.& Standpipes(Pressure)	14,739	0		14,739
331 Transmission & Distribution Mains	405,023	(2,401) d		402,622
333 Services	0	0		0
334 Meters & Meter Installations	0	0		0
309 Flowhead Meters	0	0		0
336 Backflow Prevention Devices	0	0		0
339 Other Plant and Misc. Equipment	0	0		0
340 Office Furniture & Equipment	0	0		0
341 Transportation Equipment	0	0		0
343 Tools Shop & Garage Equipment	0	0		0
344 Laboratory Equipment	0	0		0
345 Power Operated Equipment	0	0		0
346 Communication Equipment	0	0		0
347 Miscellaneous Equipment	0	0		0
348 Other Tangible Plant	28,165	(28,165) e		0
105 C.W.I.P.	0	0		0
TOTALS	\$525,939	(\$23,137) A		\$502,802

Explanation of Adjustment:

A - Refer to Schedule 2, Page 3.

PLANT ADJUSTMENT

Explanation of Adjustment:

A - To reclassify plant in service, remove unsupported addition and unallowed cost through the end of the test year.

a -	LAND AND LAND RIGHTS - Per Company	\$ 22,450	
	Per Staff	\$ 2,739	(19,711)

To remove a portion of land that is not used and useful.

b -	WELLS AND SPRINGS - Per Company	\$ 17,747	
	Per Staff	\$ 41,439	23,692

To add \$23,692 for reclassification of other tangible plant.

c -	STORAGE TANK - Per Company	\$ 12,481	
	Per Staff	\$ 15,929	3,448

To add \$3,448 for reclassification of other tangible plant.

d -	TRANSMISSION & DIST. MAIN - Per Company	\$ 405,023	
	Per Staff	\$ 402,622	(2,401)

To remove unsupported plant in the amount of \$3,426 and to add \$1,025 for reclassification from other tangible plant.

e -	OTHER TANGIBLE PLANT - Per Company	\$ 28,165	
	Per Staff	\$ -	(28,165)

To reclassify other tangible plant to wells and springs (\$23,692), storage tank (\$3,448) and transmission and distribution main (\$1,025).

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$42,980
Accumulated Depreciation - Per Staff	41,142
Total Adjustment	<u>(\$1,838) B</u>

Explanation of Adjustment:

- B - To reflect Staff's calculation of accumulated depreciation expense based on Staff's adjustments to plant.

ACCT NO. DESCRIPTION	Staff Calculated	Company Application	Staff Adjustment
354 Structures and Improvements	\$ -	\$ -	\$ -
307 Wells and Srings	6,406	4,620	\$ 1,786
311 Electric Pumping Equipment	14,123	14,268	\$ (145)
320 Water Treatment Equipment	-	-	\$ -
330 Distribution Reservoirs & Standpipes	-	-	\$ -
330.1 Storage Tanks	2,892	2,401	\$ 491
330.2 Pressure Tanks	6,264	6,387	\$ (123)
331 Transmission and Distribution Mains	11,458	7,735	\$ 3,723
333 Services	-	-	\$ -
334 Meters and Meter Installation	-	-	\$ -
309 Flowhead Meters	-	-	\$ -
348 Other Tangible Plant	-	7,569	\$ (7,569)
Total Adjustment	<u>\$ 41,142</u>	<u>\$ 42,980</u>	<u>\$ (1,838)</u>

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$46,452	\$0	\$46,452
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	250	0	250
Total Operating Revenue	\$46,702	\$0	\$46,702
Operating Expenses:			
601 Salaries and Wages	\$13,572	\$0	\$13,572
610 Purchased Water	0	0	0
615 Purchased Power	3,041	(244) A	2,797
618 Chemicals	0	0	0
620 Repairs and Maintenance	3,173	(2,778) B	395
621 Office Supplies & Expense	645	(308) C	337
630 Outside Services	6,640	(4,607) D	2,033
635 Water Testing	2,105	(1,210) E	895
641 Rents	0	0	0
650 Transportation Expenses	1,800	0	1,800
657 Insurance - General Liability	1,748	0	1,748
659 Insurance - Health and Life	0	0	0
666 Regulatory Commission Expense - Rate Case	1,875	0	1,875
675 Miscellaneous Expense	2,092	(805) F	1,287
403 Depreciation Expense	8,969	3,647 G	12,616
408 Taxes Other Than Income	1,874	593 H	2,467
408.11 Property Taxes	2,714	(118) I	2,596
409 Income Tax	0	0	0
Total Operating Expenses	\$50,248	(\$5,830)	\$44,418
OPERATING INCOME/(LOSS)	(\$3,546)	\$5,830	\$2,284

STAFF ADJUSTMENTS

A - PURCHASED POWER - Per Company	\$3,041	
Per Staff	2,797	<u>(244)</u>

To reflect the aggregate of the test year purchased power invoices.

B - REPAIRS AND MAINTENANCE - Per Company	\$3,173	
Per Staff	395	<u>(\$2,778)</u>

To recognize the total of the test year supported expenses.

C - OFFICE SUPPLIES EXPENSE - Per Company	\$645	
Per Staff	337	<u>(\$308)</u>

To recognize the total of the test year supported expenses.

D - OUTSIDE SERVICES - Per Company	\$6,640	
Per Staff	2,033	<u>(\$4,607)</u>

To recognize the total of the test year supported expenses.

E - WATER TESTING - Per Company	\$2,105	
Per Staff	895	<u>(\$1,210)</u>

To recognize Staff Engineer's water testing expense recommendation.

F - MISCELLANEOUS EXPENSE - Per Company	\$2,092	
Per Staff	1,287	<u>(\$805)</u>

To recognize the total of the test year supported expenses.

STAFF ADJUSTMENTS (Cont.)

G - DEPRECIATION - Per Company
Per Staff

\$8,969
12,616 \$3,647

To reflect application of Staff's recommended depreciation rates to Staff's recommended plant, by account.

Pro Forma Annual Depreciation Expense:

Operating Income Adjustment G - Test Year Depreciation Expense

1	<u>Depreciation Expense</u>			
2				
3	Account	Plant in Service Staff	Proposed Rate	Depreciation Expense
4	No. Description			
5	301 Organization Cost	3,590	0.00%	-
6	302 Franchise Cost	-	0.00%	-
7	303 Land and Land Rights	22,450	0.00%	-
8	304 Structures and Improvements	-	3.33%	-
9	305 Collecting and Impounding Res.	-	2.50%	-
10	307 Wells and Springs	41,439	3.33%	1,380
11	310 Power Generation Equipment	-	5.00%	-
12	311 Electric Pumping Equipment	16,744	12.50%	2,093
13	320.1 Water Treatment Equipment - Plants	-	3.33%	-
14	330 Distribution Reservoirs & Standpipe	-	0.00%	-
15	330.1 Storage Tanks	15,929	2.22%	354
16	330.2 Pressure Tanks	14,739	5.00%	737
17	331 Transmission and Distribution Mains	402,622	2.00%	8,052
18	333 Services	-	3.33%	-
19	334 Meters	-	8.33%	-
20	335 Hydrants	-	2.00%	-
21	339 Other Plant and Miscellaneous Equipment	-	6.67%	-
22	340 Office Furniture and Fixtures	-	6.67%	-
23	341 Transportation Equipment	-	20.00%	-
24	343 Tools and Work Equipment	-	5.00%	-
25	345 Power Operated Equipment	-	5.00%	-
26	347 Miscellaneous Equipment	-	10.00%	-
27	348 Other Tangible Plant	-	0.00%	-
28	Total Plant	<u>\$517,513</u>		<u>\$ 12,616</u>
29	Less: Non Depreciable Plant	<u>26,040</u>		
30	Total Depreciable Plant	<u>491,473</u>		
31				
32	Less: Amort. of Contributions - Adjusted Balance End c	\$ -	2.57%	\$ -
33	Total Depreciation Expense			<u>\$ 12,616</u>
34	Test Year Depreciation Expense			<u>8,969</u>
35	Increase (decrease) in Depreciation Expense			<u><u>3,647</u></u>
36				
37	Adjustment to Revenues and/or Expenses			<u><u>\$ 3,647</u></u>

STAFF ADJUSTMENTS (Cont.)

H - TAXES OTHER THAN INCOME

To reflect Staff's calculation of taxes other than income.

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Taxes Other Than Income	\$ 1,874	\$ 593	\$ 2,467
	Salaries and Wages	\$ 13,572		
	FICA & Medicare	7.65%	\$ 1,038	
	No. of Employees	6		
	Salary Subject to Unemployment Tax	\$ 7,000		
	Total Taxable Unemployment Salaries	\$ 13,572		
	Combined SUTA & FUTA Rate	8.20%	\$ 1,113	
	SUTA Rate	0.02		
	FUTA Rate	0.062		
	Combined SUTA & FUTA Rate	0.082		
	Franchise Tax		\$ 316	
	Other Taxes and Fees		\$ -	
	Total Taxes Other Than Income			\$ 2,467

References:

Col [A]: Company Application
Col [B]: Col [C] - Col [A]
Col [C]: BCA Staff Report

STAFF ADJUSTMENTS (Cont.)

I - PROPERTY TAX

To reflect Staff's calculation of property tax using the Arizona Department of Revenue Method, utilizing two years of adjusted test year revenues and one year of Staff's recommended revenues.

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2008	\$ 46,702	\$ 46,702
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 93,404	\$ 93,404
4	Staff Recommended Revenue	46,702	\$ 83,300
5	Subtotal (Line 4 + Line 5)	\$ 140,106	\$ 176,704
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 46,702	\$ 58,901
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 93,404	\$ 117,803
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 93,404	\$ 117,803
13	Assessment Ratio	21.00%	21.00%
14	Assessment Value (Line 12 * Line 13)	\$ 19,615	\$ 24,739
15	Composite Property Tax Rate - Obtained from ADOR	10.4971%	10.4971%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 2,059	
17	Company Proposed Property Tax	2,714	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (655)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 2,597
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 2,059
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		\$ 538
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 538
23	Increase (Decrease) in Revenue Requirement		\$ 36,598
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.46959%

REFERENCES:

- Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
- Line 17: Company's Application
- Line 21: Line 19 - Line 20
- Line 23: Line E17 - Line C17

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	\$20.00	\$39.34	\$ 30.00
3/4" Meter	30.00	59.01	45.00
1" Meter	50.00	98.35	75.00
1 1/2" Meter	100.00	196.70	150.00
2" Meter	160.00	314.72	240.00
3" Meter	300.00	590.10	480.00
4" Meter	500.00	983.50	750.00
6" Meter	1,000.00	1,967.00	1,500.00
Present rates 5/8 X 3/4-inch Meter			
All Meter Sizes (Per 1,000 Gallons)	3.00		
Company Proposed - All Sizes			
First Tier - 0 -4,000 gallons		4.90	
Second Tier - 4,001 - 10,000 gallons		5.65	
Third Tier - Over 10,000		6.40	
Staff Recommended - All Sizes			
Tier One Rate - 0 - 4,000 gallons			3.00
Tier Two Rate - 4,001 - 11,000 gallons			5.00
Tier Three Rate - Over 11,000 gallons			7.50
Standpipe (Per 1000 Gallons)	3.00	5.65	7.50

Service Line and Meter Installation Charges	Present Rates	-Company Proposed-		-Staff Recommended-		Total
		Service Line Charge	Meter Installation	Service Line Charge	Meter Installation	
5/8" x 3/4" Meter	\$400.00	\$415.00	\$105.00	\$105.00	\$520.00	\$625.00
3/4" Meter	440.00	415.00	205.00	205.00	620.00	825.00
1" Meter	500.00	465.00	265.00	265.00	730.00	995.00
1 1/2" Meter	715.00	520.00	475.00	475.00	995.00	1,470.00
2" Meter Turbo	Actual Cost	800.00	995.00	995.00	1,795.00	2,790.00
2" Meter Compound	1,170.00	800.00	1,840.00	1,840.00	2,640.00	4,480.00
3" Meter Turbo	Actual Cost	1,015.00	1,620.00	1,620.00	2,635.00	4,255.00
3" Meter Compound	1,585.00	1,135.00	2,495.00	2,495.00	3,630.00	6,125.00
4" Meter Turbo	Actual Cost	1,430.00	2,570.00	2,570.00	4,000.00	6,570.00
4" Meter Compound	2,540.00	1,610.00	3,545.00	3,545.00	5,155.00	8,700.00
6" Meter Turbo	Actual Cost	2,150.00	4,950.00	4,950.00	7,100.00	12,050.00
6" Meter Compound	4,815.00	2,270.00	6,820.00	6,820.00	9,090.00	15,910.00
Over 6-inch	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

Service Charges	Present Rates	Company Proposed	Staff Recommended
Establishment	\$25.00	\$25.00	\$25.00
Establishment (After Hours)	50.00	50.00	50.00
Reconnection (Delinquent)	50.00	50.00	50.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit	*	*	*
Deposit Interest	**	**	**
Re-Establishment (Within 12 Months)	***	***	***
NSF Check	15.00	15.00	15.00
Deferred Payment	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	15.00	15.00	15.00
Late Payment Charge-Per Month	1.5% or \$3.5	1.5% or \$3.5	1.50%
Charge For Moving Meter	Minimum Cost	Minimum Cost	Minimum Cost

RATE DESIGN

	Present Rates	Company Proposed	Staff Recommended
<u>Monthly Service Charge for Fire Sprinkler</u>			
4" or Smaller	\$0.00	\$0.00	****
6"	0.00	0.00	****
8"	0.00	0.00	****
10"	0.00	0.00	****
Larger than 10"	0.00	0.00	****

- * Per Commission Rule ACC R14-2-403(B)(7)
- ** Per Commission Rule ACC R14-2-403(B)(3)
- *** Months off system times the monthly minimum AAC R14-2-403(D)
- **** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

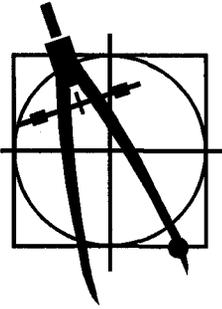
TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 67

<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	12,496	\$57.49	\$108.81	\$51.32	89.27%
Median Usage	5,378	\$36.13	\$66.73	\$30.60	84.69%
<u>Staff Recommend</u>					
Average Usage	12,496	\$57.49	\$88.22	\$30.73	53.45%
Median Usage	5,378	\$36.13	\$48.89	\$12.76	35.32%

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

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$20.00	\$39.34	96.7%	\$30.00	50.0%
1,000	23.00	44.24	92.3%	33.00	43.5%
2,000	26.00	49.14	89.0%	36.00	38.5%
3,000	29.00	54.04	86.3%	39.00	34.5%
4,000	32.00	58.94	84.2%	42.00	31.3%
5,000	35.00	64.59	84.5%	47.00	34.3%
6,000	38.00	70.24	84.8%	52.00	36.8%
7,000	41.00	75.89	85.1%	57.00	39.0%
8,000	44.00	81.54	85.3%	62.00	40.9%
9,000	47.00	87.19	85.5%	67.00	42.6%
10,000	50.00	92.84	85.7%	72.00	44.0%
15,000	65.00	124.84	92.1%	107.00	64.6%
20,000	80.00	156.84	96.1%	144.50	80.6%
25,000	95.00	188.84	98.8%	182.00	91.6%
50,000	170.00	348.84	105.2%	369.50	117.4%
75,000	245.00	508.84	107.7%	557.00	127.3%
100,000	320.00	668.84	109.0%	744.50	132.7%
125,000	395.00	828.84	109.8%	932.00	135.9%
150,000	470.00	988.84	110.4%	1,119.50	138.2%
175,000	545.00	1,148.84	110.8%	1,307.00	139.8%
200,000	620.00	1,308.84	111.1%	1,494.50	141.0%



**Engineering Report
For Virgin Mountain Utilities Company
Docket No. W-03551A-09-0205
(Rate Increase Application)**

By Dorothy Hains *DH*

EXECUTIVE SUMMARY

Recommendations:

- I. Staff recommends approval of the depreciation rates presented in Figure 6 by NARUC account. (See §I of report for discussion and details.)
- II. Staff recommends approval of the meter and service line installation charges listed under the heading "Staff Recommended" in the right-hand columns of Table 4. (See §J of report for discussion and details.)
- III. Staff recommends that Annual testing expenses should be adjusted to \$895. Water testing expenses are based upon participation in the Arizona Department of Environmental Quality ("ADEQ") Monitoring Assistance Program. (See §F and Table 1 for discussion and details.)
- IV. To assure that the Company will continue to have access to the water produced by Well 55-55309, Staff recommends that the Company file by May 31, 2010, with Docket Control, as a compliance item in this docket, documentation that shows either the Company now owns Well 55-55309 or the Trust and the Company have entered into a long term (at least 99 years) lease which ensures the Company's continued use of Well 55-55309. (See §J of report for discussion and details.)
- V. Staff recommends an adjustment reducing rate base by \$20,579 to reflect five and one-half acres of land not used and useful to the Company's provision of service at the time of Staff's inspection. (See §J of report for discussion and details.)

Conclusions:

- I. Arizona Department of Environmental Quality ("ADEQ") has determined that Virgin Mountain is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §D for a discussion of the financing.)

- II. The Arizona Department of Water Resource has determined that Virgin Mountain is currently in compliance with departmental requirements governing water providers and/or community water systems. (See §E of report for discussion and details.)
- III. Virgin Mountain has 4.8 percent water loss which is within acceptable limits. (See §G of report for discussion and details.)
- IV. Virgin Mountain has an approved cross connection tariff. (See §J of report for discussion and details.)
- V. The Virgin Mountain water system has adequate production and storage capacity to serve existing customers and projected growth for a five-year planning horizon. (See §B of report for discussion and details.)
- VI. Virgin Mountain has an approved curtailment tariff. (See §J of report for discussion and details.)
- VII. A check with the Utilities Division Compliance Section showed Virgin Mountain has no outstanding compliance issues. (See §E of report for discussion and details.).

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FIGURES

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A. LOCATION OF COMPANY

Virgin Mountain Utilities Company (“Virgin Mountain” or “Company”) serves water to approximately 70 customers and is located near the Community of Beaver Dam in Mohave County, Arizona. Figure 1 describes the Certificate of Convenience and Necessity (“CC&N”) area of the Company, and Figure 2 describes the location of the Company.

B DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on July 14, 2009, by Dorothy Hains, Utilities Engineer, accompanied by the Company’s representative, Tom Stoddard, (Company’s Owner and Manager).

System Analysis

The Company operates a drinking water system that consists of one drinking water well that is capable of producing a total flow of 70 gallons per minute (“GPM”) and 56,870 gallons of total storage capacity. The water system has adequate storage and well production to serve existing customers and projected growth for a five-year planning horizon. Figures 3 provide process schematic drawings showing the active components of the system.

Active Drinking Water Well

ADWR No.	Year Drilled	Casing Size (in inches)	Well Depth (in ft)	Well Meter Size (in inches)	Pump (in HP)	Pump Yield (in GPM)
55-55309	1996	8	300	2	7½	70

Active Storage, Pumping

Location	Structure or equipment	Capacity
Well Site	Booster Pumps	Two 7½-HP
Well Site	Pressure Tank	eleven 110 gal
Well Site	Storage Tank	Two 28,435 gal

Distribution Mains

Diameter (inches)	Material	Length (in feet)
6	polyvinyl chloride (“PVC”)	17,740
10	PVC	6,920

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	210
1	1
8	1

C. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

Based on an ADEQ memorandum dated May 6, 2009, ADEQ has determined that Virgin Mountain is currently in compliance with its requirements. ADEQ also stated that it has determined that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

D. ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE

A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

E. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Company is not in any ADWR Active Management Area (“AMA”). Staff received a Compliance Status Report from ADWR related to Virgin Mountain on August 25, 2009 stating that ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

F. WATER TESTING EXPENSES

Virgin Mountain is subject to mandatory participation in the ADEQ Monitoring Assistance Program (“MAP”). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria and disinfection by-products.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented as a pro forma expense on an annualized basis.
3. MAP fees were calculated from the ADEQ MAP rules.

4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.
5. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase.

Table 1 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount of **\$895** shown in Table 1.

Table 1 Water Testing Cost

Monitoring – 1 well (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$20	36	\$7200	\$240
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP
Nitrites	\$20	MAP	MAP	MAP
Nitrates – annual	\$40	12	MAP	MAP
Asbestos – per 9 years	\$180	2½	MAP	MAP
Lead & Copper – annual	\$45	15	\$675	\$225
TTHM/HHAs –annually*	\$0	0	\$0	\$0
Maximum chlorine residual levels*	\$0	108	\$0	\$0
MAP fees (annual)				\$429.90
Total				\$895

Note: The water system is equipped with a disinfection unit (automatic Chlorination) however because the Company only uses it when the water tests positive for bacteria ADEQ does not require the Company test for disinfection by-products such as TTHM/ HHA and the maximum chlorine residual level.

G. WATER USAGE

Table 2 summarizes water usage in the Company's CC&N area. Exhibit 4 is a graph that shows water consumption data in gallons per day ("GPD") per customer for the system for the test year period of January 2008 through December 2008.

Table 2 Water Usage in the System

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in GPD/customer)
Jan 08	62	403,250	427,877	0	210
Feb 08	63	514,180	542,172	0	291
Mar 08	64	676,000	702,387	0	341
Apr 08	67	900,860	927,418	0	448
May 08	68	1,037,530	1,054,281	0	492
Jun 08	71	1,374,050	1,408,189	0	645
Jul 08	71	1,506,577	1,532,019	0	684
Aug 08	72	1,020,809	1,178,248	0	457
Sep 08	72	994,515	1,021,470	0	460
Oct 08	69	777,327	807,289	0	363
Nov 08	67	487,586	511,946	0	243
Dec 08	67	396,352	481,529	0	191
total		10,089,036	10,594,825		
Average					402

Water Sold

Based on information provided by the Company, water use for the year 2008 is presented in Figure 4. The high monthly water use was 684 gallons per day ("GPD") per connection in July, and the low monthly water use was 191 GPD per connection in December. The average annual use was 402 GPD per connection.

Non-account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. Non-account water for Virgin Mountain was calculated to be 4.8 percent which is within acceptable limits.

H. GROWTH

Figure 5 shows customer growth based on the service connection data contained in the Company's annual reports, the number of customers increased from 1 at the end of 2002 to 67 by the end of 2008, with an average growth rate of 8 customers per year. Based on linear regression analysis, Staff estimates that the Company could have approximately 107 customers by the end of 2013. The following tables summarize Staff's projected growth.

Table 3 Actual and Projected Growth

Year	Nos. of Customers	
2001	0	Reported
2002	1	Reported
2003	0	Reported
2004	0	Reported
2005	0	Reported
2006	1	Reported
2007	59	Reported
2008	67	Reported
2009	75	Estimated
2010	83	Estimated
2011	91	Estimated
2012	99	Estimated
2013	107	Estimated

I. DEPRECIATION RATES

Decision No. 68449 (dated February 2, 2006) approved the depreciation rates used by Virgin Mountain in this rate proceeding except that the Company reorganized the authorized rates utilizing the National Association of Regulatory Commissioners' ("NARUC") latest plant account matrix as presented in Figure 6.

Staff recommends that the depreciation rates presented in Figure 6 by NARUC account.

J. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company is proposing to increase its meter and service line installation charges. The proposed charges are within Staff's experience of what are reasonable and customary charges; Staff does not object to the Company's proposed Charges. Staff recommends approval of separate meter and service line installation charges as shown under the column headings "Staff Recommended" in Table 4.

Table 4 Service Line and Meter Installation Charges

Meter Size	Current Charges (Service line & meter installation)	Proposed Charges (Service line installation)	Proposed Charge (meter installation)	Staff Recommended (Service Line)	Staff Recommended (meter installation)	Staff Recommended total charge
5/8 x 3/4-inch	\$400	\$415	\$105	\$415	\$105	\$520
3/4-inch	\$440	\$415	\$205	\$415	\$205	\$620
1-inch	\$500	\$465	\$265	\$465	\$265	\$730
1½-inch	\$715	\$520	\$475	\$520	\$475	\$995
2-inch (Turbo)	Actual Cost	\$800	\$995	\$800	\$995	\$1,795
2-inch (Compound)	\$1,170	\$800	\$1,840	\$800	\$1,840	\$2,640
3-inch (Turbo)	Actual Cost	\$1,015	\$1,620	\$1,015	\$1,620	\$2,635
3-inch (Compound)	\$1,585	\$1,135	\$2,495	\$1,135	\$2,495	\$3,630
4-inch (Turbo)	Actual Cost	\$1,430	\$2,570	\$1,430	\$2,570	\$4,000
4-inch (Compound)	\$2,540	\$1,610	\$3,545	\$1,610	\$3,545	\$5,155
6-inch (Turbo)	Actual Cost	\$2,150	\$4,950	\$2,150	\$4,950	\$7,100
6-inch (Compound)	\$4,815	\$2,270	\$6,820	\$2,270	\$6,820	\$9,090
Over 6-inch	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

2. Curtailement Tariff

The Company has an approved curtailement tariff on file with the Commission.

3. Cross Connection & Backflow Tariff

The Company has an approved Cross Connection & Backflow Tariff.

4. Well Registration

According to ADWR database, Well 55-55309 is registered under the name of “Joe and Dixie Bowler Family Trust” (“Trust”), not in the Company’s name. This well is the only water supply that serves Virgin Mountain’s customers, and there is no long term lease agreement for

this well between the Trust and the Company. To assure that the Company will continue to have access to the water produced by Well 55-55309, Staff recommends that the Company file by May 31, 2010, with Docket Control, as a compliance item in this docket, documentation that shows either the Company now owns Well 55-55309 or the Trust and the Company have entered into a long term (at least 99 years) lease which ensures the Company's continued use of Well 55-55309.

5. Land

The Company purchased six acres of land for its operations. This land is valued at \$22,450 in the Company's plant records. During its inspection, Staff observed that approximately one-half acre of this land is used for the well and other Company plant. However, Company's response to Data Request #BCA 4.2 and BCA 4.3, the Company purchased 40 acres for \$40,000 and the Company needs to maintain one full acre land to comply with the Mohave County Zoning requirements. Therefore, Staff recommends an adjustment reducing rate base by \$21,950¹ to reflect that the remaining five and one-half acres is not used and useful to the Company's provision of service.

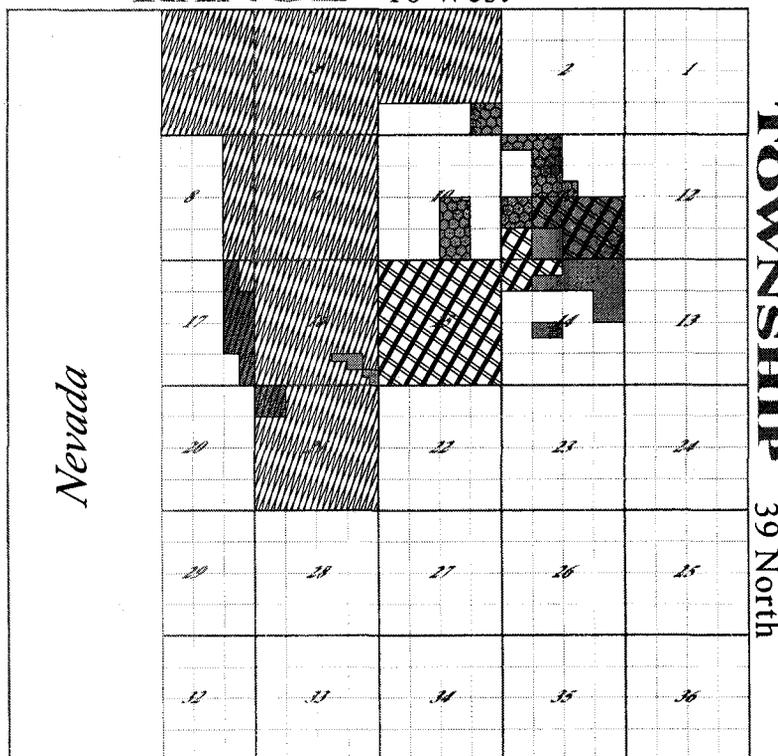
¹ Because the original cost was \$1,000/acre and estimated cost for a half acre land would be \$500. \$21,950 is the difference from \$22,450 and \$500.

FIGURE 1

VIRGIN MOUNTAIN WATER COMPANY CERTIFICATED AREA

COUNTY: *Mohave*

RANGE 16 West



-  W-3067 (4)
Beaver Dam Water Company, Inc.
-  WS-4247 (1)
Sunrise Utilities, LLC
-  (1)
Sunrise Well Association, Inc. (Nonjurisdictional)
-  W-3551 (1)
Virgin Mountain Utilities Company

FIGURE 2
LOCATION OF VIRGIN MOUNTAIN WATER COMPANY

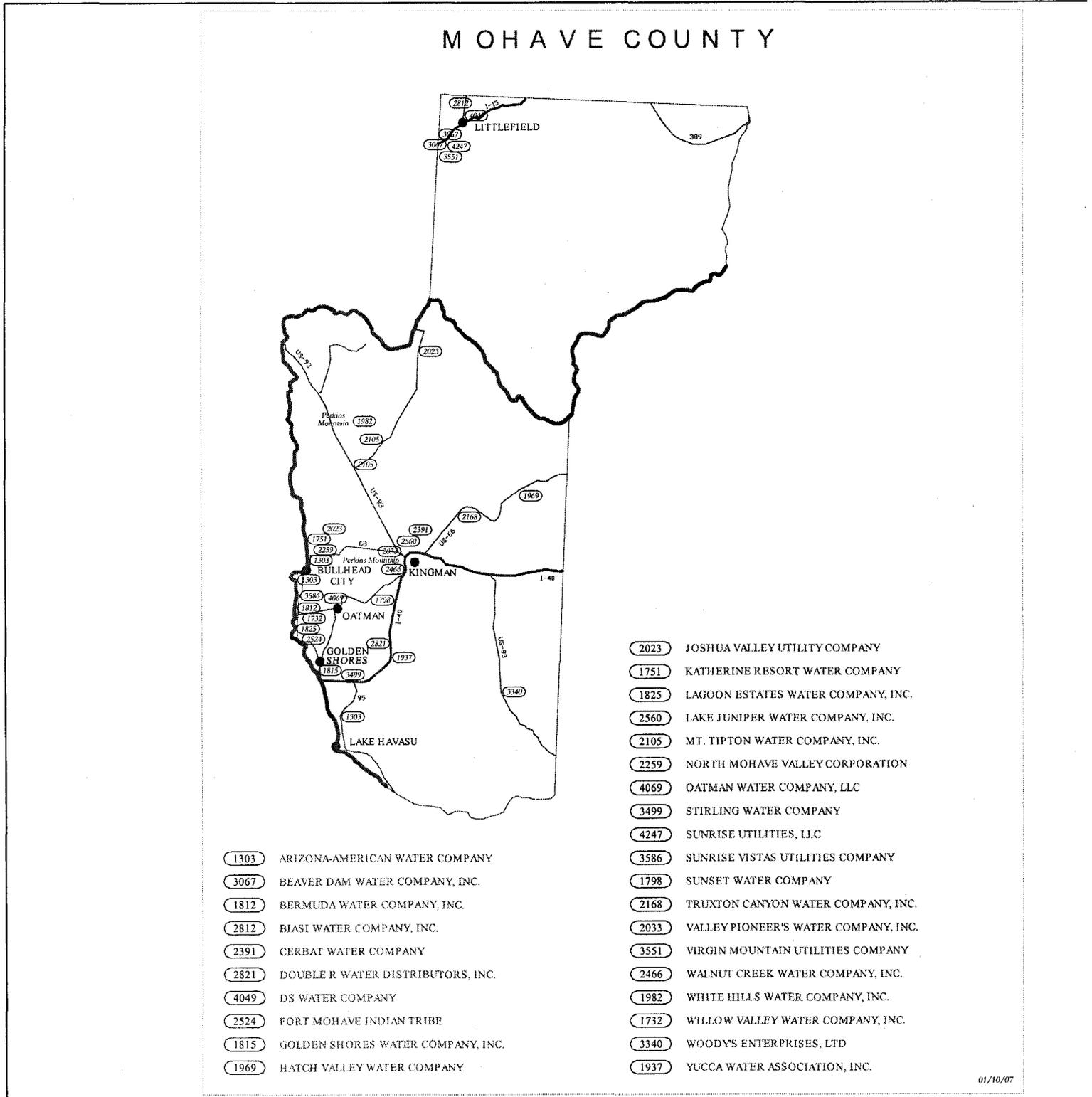


FIGURE 3

**VIRGIN MOUNTAIN WATER COMPANY SYSTEMATIC DIAGRAM
FOR EXISTING SYSTEMS**

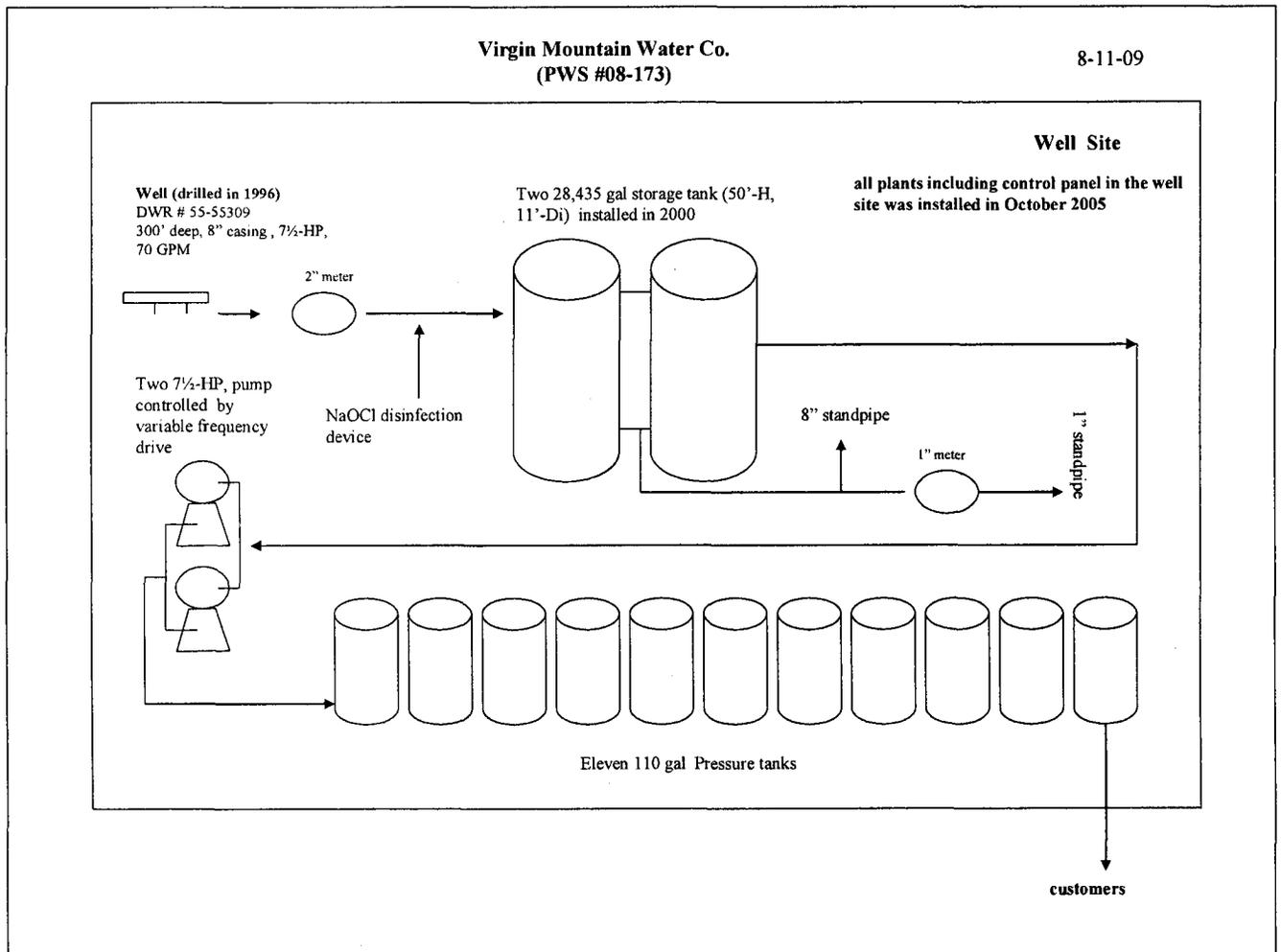


FIGURE 4

VIRGIN MOUNTAIN WATER COMPANY USAGE

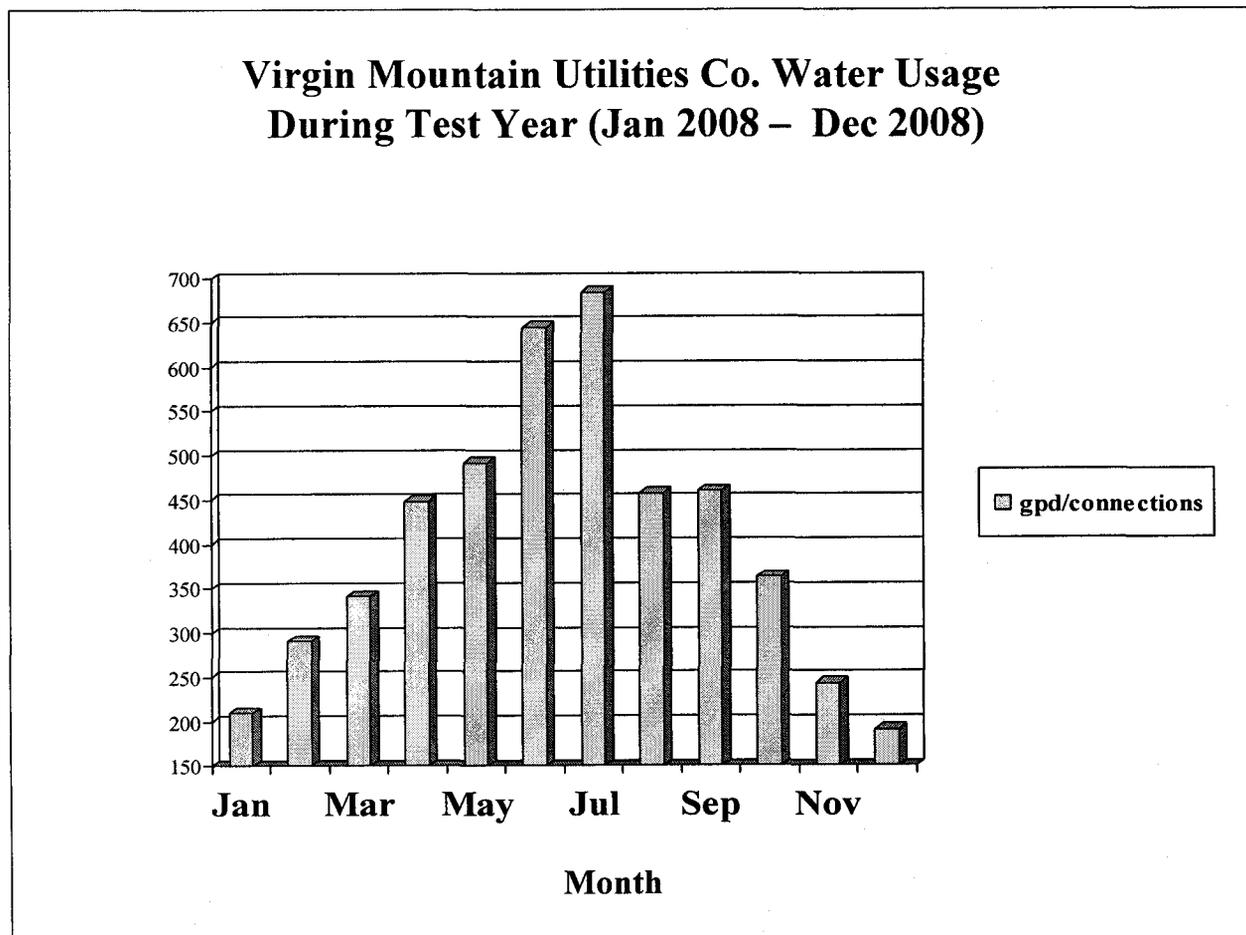


FIGURE 5

GROWTH IN VIRGIN MOUNTAIN WATER COMPANY

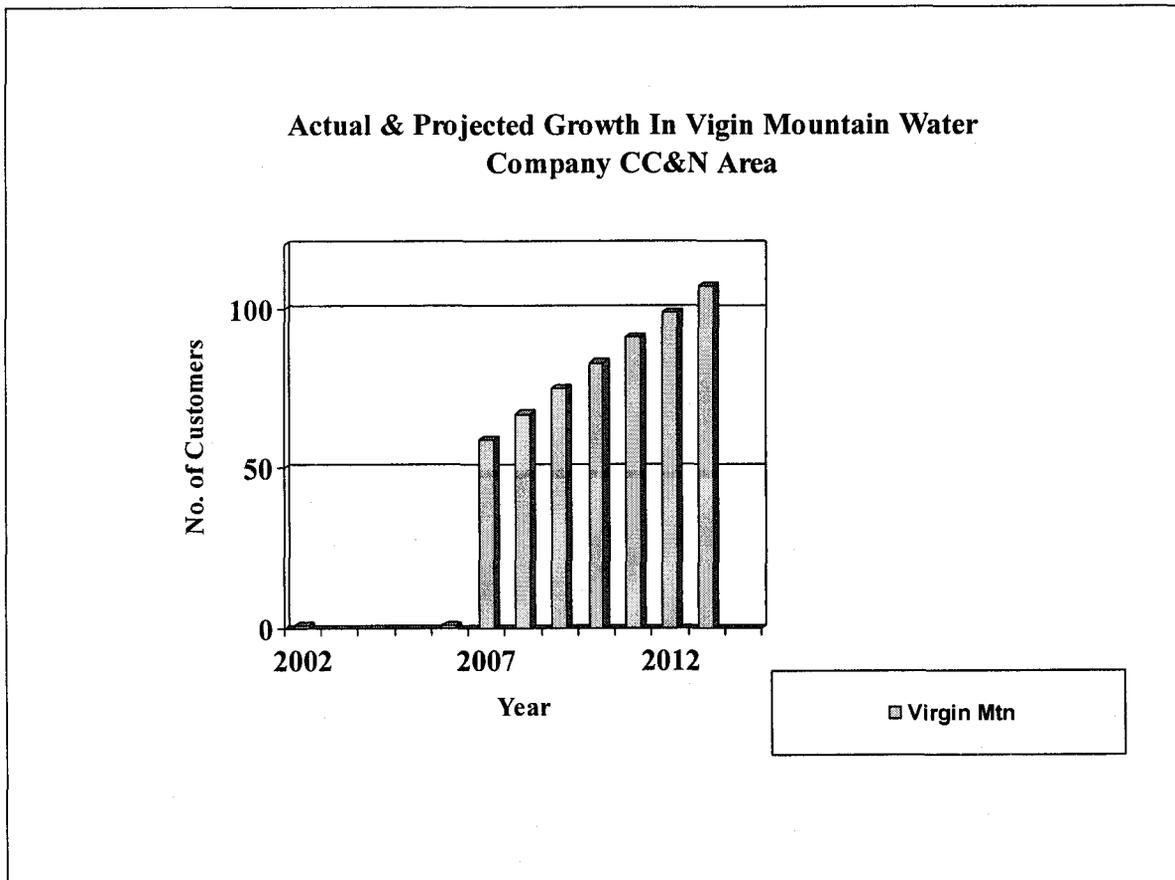


FIGURE 6

DEPRECIATION RATES FOR WATER SYSTEMS (Virgin Mountain)

NARUC Acct #	Depreciable Plant	Approved Rate (Decision # 68449)	Proposed Rate (Virgin Mountain)	Staff Recommended Rate (%)
301	Organization	0	0	0
302	Franchises	0	0	0
303	Land & Land Rights	0	0	0
304	Structures & Improvements	3.33	3.33	3.33
305	Collection & Impounding reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equip Other	5.00	N/A	5.00
311	Pumping Equipment	12.50	12.50	12.50
320	Water Treatment			
320.1	Water Treatment Equipment	3.33	3.33	3.33
320.2	Solution Chemical Feeders	20.0	5.00	20.0
330	Distribution Reservoirs & Standpipes		2.22	
330.1	Storage Tanks	2.22	2.22	2.22
330.2	Pressure Tanks	5.00	5.00	5.00
331	Transmission and Distribution	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	6.67	6.67
339	Other Plant & Misc Equipment	6.67	6.67	6.67
340	Office Furniture & Equipments	6.67	6.67	6.67
340.1	Computer & Software	20.00	20.00	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Store Equipments	4.00	N/A	4.00
343	Tools Shop & Garage Equipments	5.00	5.00	5.00
344	Lab equipments	10.00	10.00	10.00
345	Power operated equipments	5.00	5.00	5.00
346	Communication Equipments	10.00	10.00	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	---	5.00	