

ORIGINAL

BEFORE THE ARIZONA CORPORATION C



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COMMISSIONERS

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
COMMUNITY WATER COMPANY OF
GREEN VALLEY FOR A DETERMINATION
OF THE CURRENT FAIR VALUE OF ITS
UTILITY PROPERTY AND FOR AN
INCREASE IN ITS WATER RATES AND
CHARGES FOR UTILITY SERVICES.

DOCKET NO. W-02304A-08-0590

STAFF'S CLOSING BRIEF

I. INTRODUCTION.

Community Water Company of Green Valley ("CWCGV" or the "Company") is a member-owned, non-profit water utility located in Southern Arizona, in unincorporated Pima County, in the Town of Sahuarita.¹ The Company served almost 12,000 customers during the test year ended December 31, 2007.² The Company's current rates were approved on December 21, 2006 in Decision No. 69205.³

CWCGV filed its application requesting a permanent rate increase on December 9, 2008.⁴ The Company is proposing a total revenue requirement of \$3,825,058.⁵ This is an increase of \$803,315, or 26.58 percent increase over test year revenues.⁶ The Company is proposing an operating margin of 15 percent.⁷ The Company is requesting that its original cost rate base ("ORCB") be used as its fair value rate base ("FVRB").⁸

Staff is recommending annual operating revenues of \$3,798,428.⁹ This is an increase of

¹ Ex. S-3 at 2.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ Ex. A-7 at 1.

⁶ *Id.*

⁷ *Id.*

⁸ Ex. A-5 at 7.

⁹ Ex. S-4 at 3.

Arizona Corporation Commission

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1 \$790,351, or a 26.27 percent increase over adjusted test year revenues of \$3,008,077.¹⁰ This will
2 produce operating income of \$569,764, or a 15 percent operating margin.¹¹

3 As of the conclusion of the hearing in this matter, there are two adjustments in dispute
4 regarding rate base, two adjustments in dispute regarding operating revenues, and four rate design
5 issues where Staff and the Company are still in disagreement.

6 **II. REVENUE REQUIREMENT.**

7 The Company and Staff both agree that the use of an operating margin of 15 percent is
8 appropriate in this case, and are both recommending an increase in revenues of approximately 26
9 percent.¹² However, there is a very important difference between how the Company arrived at the
10 revenue requirement it is seeking in this matter and the revenue requirement that Staff is
11 recommending.

12 The Company asserts that the difference between the two proposed revenue requirements is
13 due in large part to treatment of contributions in aid of construction and the associated amortization
14 and depreciation.¹³ However, this is incorrect. It is important to note that Staff arrived at its revenue
15 requirement through a cash flow analysis.¹⁴ What this means is that the treatment of CIAC in this
16 case does not have an impact on Staff's revenue requirement.¹⁵ The Company on the other hand is
17 deriving its revenue requirement entirely from the 15 percent operating margin.¹⁶

18 **III. RATE BASE.**

19 The Company is proposing Original Cost Rate Base ("OCRB") of \$7,504,829, and is also
20 seeking to treat its OCRB rate base as its Fair Value Rate Base.¹⁷ Staff is recommending OCRB and
21 FVRB of \$6,991,408 as set forth in Staff's Final Schedules.¹⁸ As discussed below there are two
22 reasons for the difference in rate base between what the Company is proposing and what Staff is
23 recommending. First, there is a difference in the amount of accumulated depreciation between what

24 _____
25 ¹⁰ Ex. S-3 at 3.

¹¹ *Id.*

26 ¹² Tr. at 104.

¹³ Tr. at 105.

27 ¹⁴ Tr. at 153.

¹⁵ Tr. at 157.

¹⁶ Ex. A-6 at 3.

28 ¹⁷ Ex. A-7 at 4.

¹⁸ Final Schedules "Final Schedules of Pedro M. Chaves."

1 the Company and Staff calculated. The second major difference in rate base amounts is due the
2 treatment of contributions in aid of construction (“CIAC”). As noted above neither the Company nor
3 Staff are deriving revenue requirement from rate base. However, both parties agree that there is a
4 constitutional requirement for making a fair value determination.¹⁹

5 **A. Accumulated Depreciation.**

6 In Mr. Bourassa’s rejoinder testimony he indicated that Staff’s computation of accumulated
7 depreciation contained errors and was therefore overstated.²⁰ During the hearing in this case, Staff
8 acknowledged that its calculation of accumulated depreciation contained an error and that it would
9 submit final schedules that reflected the correct amount for accumulated depreciation.²¹ Staff
10 reviewed its accumulated depreciation calculation and has made several changes to its calculation of
11 accumulated depreciation.

12 First, Staff included a salvage amount for account no. 341 “Transportation Equipment” of
13 \$6,630 associated with a year 2006 retirement. Due to an oversight, Staff did not include this salvage
14 amount in its prior testimony. This change results in an increase in accumulated depreciation of
15 \$6,630.

16 Second, Staff reduced the balance of accumulated depreciation for account no. 341
17 “Transportation Equipment” by \$39,951. Staff’s initial recommended balance had recognized this
18 amount in excess of the cost of the plant-in-service at the beginning of the year 2006. In other words,
19 the accumulated depreciation exceeded the plant by \$39,951. However, Mr. Bourassa’s contention
20 that the maximum depreciation for account no. 341 is \$43,943 is incorrect. Mr. Bourassa improperly
21 recognizes depreciation expense on fully depreciated plant. The correct depreciation expense for
22 account no. 341 in 2006 is \$19,814.

23 Third, Staff modified the accumulated depreciation for account no. 311.1 “Gas Pumping
24 Equipment” to be \$4,677 (instead of \$4,647) for the year 2005 plant balance. This was an input error.
25 The effect of this change is an increase of \$30 in accumulated depreciation.

26
27 _____
28 ¹⁹ Tr. at 104, 192.

²⁰ Ex. A-7 at 5.

²¹ Tr. at 146-147.

1 Finally, Staff corrected the depreciation expense for account no. 304.1 "Structures and
2 Improvements – Pumping". Staff agrees that it overstated accumulated depreciation by \$10 due to
3 calculating depreciation on fully depreciated plant. This change decreases accumulated depreciation
4 of \$10.

5 The net effect of Staff's changes decreases accumulated depreciation by \$33,300 from
6 \$7,132,363 (Surrebuttal Schedule PMC-5) to \$7,099,063 (Final Schedule PMC-5). The effect of
7 these changes on rate base is an increase in fair value rate base of \$33,300; from \$6,958,108 in
8 Surrebuttal to \$6,991,408 in Staff's Final Schedules.

9 **B. Contributions In Aid Of Construction.**

10 Both the Company and Staff agree that construction work in progress ("CWIP") should not be
11 part of plant-in-service. However, the Company asserts that if the plant cost for CWIP is not in rate
12 base, neither should the related CIAC.²² The Company argues that including CIAC in rate base
13 without the corresponding plant cost will create a mismatch between rate base, revenues and
14 expenses.²³

15 Staff recommends that CIAC that is associated with CWIP should remain in rate base. CIAC
16 represents funds or plant provided to the Company by parties other than investors, in this case the
17 members of the Co-op.²⁴ Ultimately, the Company has use of the funds or plant contributed by
18 others, regardless of how the funds, or plant, are used.²⁵ It is Staff's position that not leaving the
19 CWIP associated CIAC in rate base is a departure from traditional rate-making practices.²⁶

20 Beyond this overall departure from traditional rate-making, Staff believes that the Company
21 has oversimplified the treatment of CIAC in this case. The Company asserts that the treatment of
22 CIAC should be the same whether it is associated with CWIP, Plant Held for Future Use ("PHFFU"),
23 or plant that is determined to be excess capacity.²⁷ The Company referred to recent rate cases filed by
24 Johnson Utilities and Far West Sewer and Water as examples where Staff recommended the removal

25
26 ²² Ex. A-6 at 5.

27 ²³ *Id.*

28 ²⁴ Ex. S-3 at 6.

²⁵ Ex. S-3 at 6.

²⁶ Ex. S-3 at 6.

²⁷ Tr. at 106-107.

1 of the plant in question and the associated CIAC.²⁸ The Company also acknowledged that neither of
2 these cases involved CWIP.²⁹ However, there is a unique attribute of CWIP that warrants a different
3 treatment from that of Plant Held for Future Use, or excess capacity. The Company acknowledges
4 that with CWIP there has been no determination whether the plant once complete will be disallowed
5 from rate base, whereas with PHFFU and excess capacity, there has been a determination to disallow
6 the completed plant items.³⁰ The Company claims that removing CWIP from rate base and leaving
7 the associated CIAC in rate base creates a mismatch.³¹

8 Staff asserts that leaving the associated CIAC in rate base does not create a mismatch, and
9 merely amounts to a timing issue in the context of CWIP. Even the Company acknowledges that the
10 “mismatch” will ultimately be corrected when the Company files its next rate case.³² In fact, while
11 the Company’s witness was unable to identify what the balance of CWIP was comprised of, the
12 witness did admit that the CWIP balance in the test year was now contained in plant in service.³³ The
13 Company further acknowledged that if the Company filed a rate case today, the issue regarding CWIP
14 and associated CIAC would not be an issue.³⁴ This supports the Staff’s recommended treatment for
15 CWIP and associated CIAC and that it is merely a timing issue and not a mismatch as the Company
16 claims.

17 **IV. OPERATING INCOME.**

18 Staff is recommending test year operating revenues of \$3,008,077, operating expenses of
19 \$3,216,437 and an operating loss of \$208,360.³⁵ Staff made one adjustment to operating revenues
20 and four adjustments to operating expenses.³⁶

21 The Company is proposing test year operating revenues of \$3,021,743, operating expenses of
22 \$3,251,299, and an operating loss of \$229,556.³⁷

24 ²⁸ Tr. at 169-172.

25 ²⁹ Tr. at 126-127.

26 ³⁰ Tr. at 106-107.

27 ³¹ Tr. at 108.

28 ³² Tr. at 108-109.

³³ Tr. at 123.

³⁴ Tr. at 124.

³⁵ Ex. S-3 at 8.

³⁶ *Id.*

³⁷ Ex. A-7, Schedule A-1.

1 The Company agrees with Staff's operating expense adjustments to purchased power expense,
2 water testing expense, and property tax expense.

3 **A. Operating Revenue Adjustments.**

4 Staff is recommending on adjustment to metered water revenues relating to monthly minimum
5 charges to construction water meters.

6 **1. Construction Revenues.**

7 Staff decreased metered water revenues by \$13,665, from \$2,966,077 to \$2,953,147.³⁸ Staff
8 determined that the Company was charging its construction customers a monthly minimum charge
9 contrary to its approved tariff.³⁹ The Company acknowledged in its rebuttal testimony that it was
10 inadvertently charging its construction customers, but nonetheless wanted to keep the revenues
11 collected.⁴⁰ The Company did ultimately agree, in its rejoinder testimony, to refund the money, and
12 to work with Staff to determine the amount and means of refunding the affected customers.⁴¹

13 The other aspect of this adjustment is that the Company is seeking approval of a monthly
14 minimum for construction water customers. So while the Company agrees with refunding the
15 monthly minimum revenues it collected from its construction customers, it disagrees with Staff's
16 adjustment because it is seeking approval of a monthly minimum charge for construction customers
17 on a *going forward* basis.⁴² The Company does acknowledge that if the Commission determines a
18 monthly minimum is not appropriate for construction meters, then Staff's adjustment would be
19 appropriate.⁴³ Staff's adjustment to the test year metered water revenues is appropriate even if the
20 Commission determines a monthly minimum is appropriate for construction meters. This adjustment
21 is a test year adjustment and is a rate design issue on a going forward basis. The issue of whether a
22 monthly minimum is appropriate for construction meters is addressed below.

23 **B. Operating Expense Adjustments.**

24 Staff is recommending four adjustments to the Company's operating expenses.

26 ³⁸ Ex. S-3 at 8.

³⁹ *Id.*

27 ⁴⁰ Ex. A-3 at 5.

⁴¹ Ex. A-4 at 1.

28 ⁴² Ex. A-6 at 10.

⁴³ *Id.*

1 **1. The Company agrees with Staff's adjustments to purchased power, Water**
2 **Testing Expense, and Staff's Method of Calculating Property Tax.**

3 First, Staff decreased the Company's purchased power expense by \$95,000 from \$339,905 to
4 \$244,905.⁴⁴ This adjustment accounts for a settlement between Tucson Electric Power ("TEP") and
5 the Company.⁴⁵ As a result of this settlement, the Company received an adjustment for \$95,000
6 related to purchased power from TEP in 2007.⁴⁶ This adjustment normalizes purchased power
7 expense in the test year.⁴⁷ The Company is in agreement with this adjustment.⁴⁸

8 Second, Staff made several adjustments to the Company's water testing expense to decrease
9 the expense by \$20,744 from \$32,903 to \$12,159.⁴⁹ Staff reclassified \$10,903 as an addition to the
10 wells and springs account, and \$12,000 for material and equipment as an addition to the laboratory
11 equipment account.⁵⁰ Staff increased the expense by \$2,159 to arrive at \$12,159.⁵¹ The Company
12 adopts Staff's proposed adjustment to water testing expense.⁵²

13 Third, Staff recommends an adjustment that increases property tax expense by \$6,083, from
14 \$131,630 to \$137,713.⁵³ Staff's calculation is based on Staff's recommended adjusted test year and
15 revenues.⁵⁴ The Company accepts Staff's method of computing property taxes.⁵⁵ The difference
16 between what the Company is proposing and what Staff is recommending is due to differences in the
17 adjusted and proposed revenues.⁵⁶

18 **2. The Difference in Depreciation Expense is primarily due to the differing**
19 **Balances in CIAC.**

20 Staff's adjustment decreases depreciation expense by \$96,542, from \$989,839, to \$893,297.⁵⁷
21 This adjustment is based upon Staff's recommended depreciation rates on a going forward basis, as

22 ⁴⁴ Ex. S-3 at 9.

23 ⁴⁵ *Id.*

24 ⁴⁶ *Id.*

25 ⁴⁷ *Id.*

26 ⁴⁸ Ex. A-6 at 9.

27 ⁴⁹ Ex. S-3 at 10.

28 ⁵⁰ *Id.*

⁵¹ *Id.*

⁵² Ex. A-6 at 10.

⁵³ Ex.S-3 at 11.

⁵⁴ *Id.*

⁵⁵ Ex. A-6 at 9.

⁵⁶ *Id.*

⁵⁷ Ex. S-3 at 10.

1 well as Staff's adjustments to rate base.⁵⁸ The Company is proposing depreciation expense of
2 \$914,676.⁵⁹ The difference between what the Company is seeking and what Staff is recommending is
3 due to a difference in the amount of amortization of CIAC.⁶⁰ This is due primarily to the difference
4 in balance in CIAC that the Company is seeking and Staff is recommending.⁶¹ The other difference is
5 due to the Company's depreciation of fully-depreciated plant as discussed above.

6 **V. RATE DESIGN.**

7 **A. Rate Design Comparison.**

8 There are some similarities between the rate design proposed by the Company and the rate
9 design Staff is recommending in this case. Staff and the Company are both proposing inverted tier
10 rate designs.⁶² Both designs have three tiers for the 5/8-inch and 3/4 -inch residential meters, and two
11 tiers for 5/8-inch and 3/4-inch commercial and larger meters.⁶³ In addition, both the Company and
12 Staff are recommending the same break over points at 3,000 gallons, and 10,000 gallons for 5/8-inch
13 and 3/4-inch residential meters.⁶⁴

14 Where the designs vary is in the break over points for the 1-inch meter size and larger. In all
15 cases, Staff's proposed break over points in the 1-inch, 1 1/2 -inch, 2-inch, 3-inch, 4-inch, 6-inch,
16 and 8-inch meters sizes are lower than what the Company is proposing.⁶⁵ The Company asserts that
17 it used the same break over points as were approved in the last rate case.⁶⁶ However, while Staff
18 acknowledges the Company is proposing the same break over points in this case, rate design is not
19 static in nature. It is something that continues to evolve based on the circumstances that exist in each
20 case to achieve the goal of promoting the efficient use of water while allowing the Company the
21 opportunity to earn its revenue requirement.⁶⁷ In addition Staff modified the break over points in this
22 case to prevent crossovers between customer classes so that one class is not subsidizing the other.⁶⁸

23
24 ⁵⁸ *Id.*
⁵⁹ Ex. A-6 at 9.
25 ⁶⁰ *Id.*
⁶¹ *Id.*
26 ⁶² Ex. A-6 at 12, S-3 at 12.
⁶³ Ex. A-6 at 12.
27 ⁶⁴ *Id.*
⁶⁵ Ex. A-6 at 12, S-3 Schedule PMC-14.
⁶⁶ Ex. A-6 at 12.
28 ⁶⁷ Tr. at 173.
⁶⁸ Tr. at 187.

1 For example, a 1-inch meter customer should not pay more for 20,000 gallons than a 1 1/2 -inch
2 customer that uses 20,000 gallons.⁶⁹ Staff's proposed break over points help prevent this occurrence.

3 The other major differences in rate design between the Company and Staff are: 1) the
4 allocation of the revenue to the monthly usage charge; and 2) the commodity rates for the tiers, for
5 each tier by meter size. Compared to Staff's rate design, the Company acknowledges that its
6 proposed rate design builds more revenue into the monthly minimum charge, and the lower-tiered
7 commodity charges for the 5/8-inch by 3/4-inch meters and 3/4-inch meters than it does other meter
8 classes.⁷⁰ It is important to keep in mind that the majority of the Company's customers are 5/8-inch
9 meter residential customers, and that the Company, compared to Staff, is shifting the recovery of
10 revenue to this customer class. The Company is also building more revenue recovery into what it
11 acknowledges is the nondiscretionary usage tier.⁷¹ For example a 5/8-inch meter residential customer
12 would pay a proposed monthly minimum of \$13.64 under the Company's proposal and \$13.00 under
13 Staff's proposal.⁷² Under the Company's proposal a 5/8-inch meter residential customer would pay a
14 commodity rate of \$1.66 for the first 3,000 gallons, \$2.63 for 3,001 to 10,000 gallons, and \$3.10 for
15 over 10,000 gallons.⁷³ Under Staff's recommended rates, a 5/8-inch meter customer would pay a
16 commodity rate of \$1.30 for the first 3,000 gallons, \$2.50 for 3001 to 10,000 gallons, and \$3.42 for
17 over 10,000 gallons.⁷⁴ In other words, the Company's proposal shifts the recovery of revenue to the
18 fixed monthly minimum and the nondiscretionary tiers. Staff's proposed design sends an appropriate
19 signal to ratepayers to efficiently use water, while still allowing the Company the opportunity to meet
20 its revenue requirement.

21 **B. The Commission Should Not Adopt the Company's Proposal to Allow a**
22 **Construction Meter Monthly Minimum.**

23 The Company is proposing to include a monthly minimum for construction meters in this
24 case. The Company gives five reasons why a monthly minimum charge is important to the Company.

25
26 ⁶⁹ *Id.*

⁷⁰ Tr. at 114.

27 ⁷¹ Tr. at 114-115.

⁷² Ex. S-3, Schedule PMC-14, page 1.

28 ⁷³ *Id.*

⁷⁴ *Id.*

1 First, the Company claims that it provides an incentive for construction customers to return
2 the meters when they are not in use.⁷⁵ It is important to note that the Company currently has a tariff
3 that allows it to collect deposits from its customers, but that the Company does not currently collect
4 deposits from its construction water customers.⁷⁶ The Company acknowledges that it does not know
5 whether collecting a deposit from its customers would provide an incentive for the customer to return
6 the meters when they are not using them.⁷⁷ The Company further admits that it has never had a
7 problem with construction meter customers not returning meters when they are done using them.⁷⁸

8 Second the Company claims that for every month that a construction meter customer holds a
9 meter, the utility is required to read the meter and send a bill to that customer.⁷⁹ In this case Staff is
10 recommending the Company be able to charge the highest commodity rate for all construction water
11 use.⁸⁰ Charging the highest commodity rate for all consumption compensates the Company for not
12 having a monthly minimum charge.⁸¹

13 Third, the Company asserts that even at zero consumption, the Company incurs costs for
14 obtaining meter reads, administering the accounts, and issuing bills.⁸² However, the Company did
15 not provide any sort of information in this case that shows the frequency of the Company having to
16 read construction meters and send bills where there was zero consumption.⁸³

17 Fourth, the Company alleges that these costs must be absorbed by the other ratepayers if the
18 developers are not charged a monthly minimum.⁸⁴ Yet the Company did not provide any sort of
19 analysis that demonstrates that it is experiencing a problem with other ratepayers having to absorb
20 these costs.⁸⁵ Ultimately the Company admits that this is not currently an issue.⁸⁶

23 ⁷⁵ Ex. A-3 at 6.

24 ⁷⁶ Tr. at 41.

24 ⁷⁷ Tr. at 43.

25 ⁷⁸ Tr. at 43.

25 ⁷⁹ *Id.*

26 ⁸⁰ Ex. S-4 at 2.

26 ⁸¹ *Id.*

27 ⁸² *Id.*

27 ⁸³ Tr. at 48-49.

28 ⁸⁴ *Id.*

28 ⁸⁵ Tr. at 50-51.

⁸⁶ Tr. at 50.

1 Finally the Company avers that it will very likely be required to increase its investment in the
2 number of meters to accommodate more meters out in the field.⁸⁷ While claims that there have been
3 times where it had to contact construction customers that were not using meters so they could be
4 provided to other customers, the Company admitted that this was not a problem and was due to
5 typical growth.⁸⁸

6 Staff is recommending against approval of a monthly minimum charge for construction meter
7 customers. Staff asserts that the combination of charging the highest commodity rate for all
8 construction water use, and the use of a hydrant meter deposit addresses the Company's concerns.⁸⁹
9 In fact, the Company ultimately admits that the information it provided regarding construction
10 companies hanging onto construction water meters and the cost impact was anecdotal and not
11 statistical.⁹⁰

12 **C. The Commission Should Not Adopt the Company's Proposed Change to Its**
13 **Interest Rate on Customer Deposits.**

14 The Company is seeking to reduce the interest rate that it must pay on customer held deposits
15 from 6 percent to 2 percent.⁹¹ The Company apparently believes that a 6 percent interest rate is too
16 high given the low interest rates currently provided by banks on certificates of deposits and money
17 markets.⁹² Similarly, the Company is proposing that charges for credit cards and/or debt card
18 payments include a minimum charge instead of simply the cost up to 6 percent on the bill paid.⁹³

19 Staff does not agree with the Company's request to reduce the customer deposit interest rate
20 from 6 percent to 2 percent.⁹⁴ First, the Company does not collect deposits from its customers, and
21 did not have any customer deposits at the end of the test year.⁹⁵ Second, given the number of
22 construction meter customers the Company has, interest expense would most likely be an immaterial
23

24 _____
25 ⁸⁷ *Id.*

26 ⁸⁸ Tr. at 51.

27 ⁸⁹ Ex. S-4 at 2.

28 ⁹⁰ Tr. at 66-67.

⁹¹ Ex. A-6 at 16.

⁹² *Id.*

⁹³ Ex. A-6 at 17.

⁹⁴ Ex. S-4 at 6.

⁹⁵ *Id.*

1 amount if the Company did collect deposits from customers.⁹⁶ It is also important to remember that
2 the Company has the option of recovering the amount it pays in interest on customer deposits as an
3 expense item.⁹⁷ Ultimately a 6 percent interest rate is a reasonable amount, the Company doesn't
4 currently collect customer deposits, and if it did, the Company could recover the amount paid as
5 interest expense. The Company has not demonstrated that the 6 percent interest rate listed in A.A.C
6 R14-2-403(B)(3), and currently in effect has been burdensome.

7 **D. Miscellaneous Charges and Meter and Service Line Installation Charges.**

8 **1. The Commission Should not adopt the Company's proposed increases to**
9 **Miscellaneous Charges.**

10 The Company is seeking to increase, and in some cases significantly increase, all of its
11 services charges.⁹⁸ However, the Company has not justified the increase in the services charges.⁹⁹ In
12 fact, many of the service charge increases that the Company is requesting are higher than the service
13 charges of other Arizona water utilities.¹⁰⁰ The Company claims its proposed increases reflect the
14 higher cost of providing the services as compared to what the those costs have been in the past.¹⁰¹
15 However, Staff does not believe the Company has demonstrated in this case that it is experiencing an
16 increase in the cost of providing these services and recommends maintaining the service charges
17 approved in the last rate case.¹⁰²

18 For example, the Company is seeking to increase its call out charges for after hours/Saturdays
19 and for Sundays/Holidays.¹⁰³ The Company is seeking to increase these charges to \$70 and \$140
20 respectively from \$10 and \$20.¹⁰⁴ However, the Company admits that it did not perform any analysis
21 or data that shows the actual cost for providing these services are \$70 and \$140. The Company
22 asserts that with each call out the Company incurs an average cost of \$35 per hour for a minimum of
23 2 hours for the After Hours/Saturday call out and an average of \$70 per hour for a minimum of 2

24 _____
25 ⁹⁶ Tr. at 196.

26 ⁹⁷ Tr. at 190.

27 ⁹⁸ Ex. A-7, Schedule H-3.

28 ⁹⁹ Ex. S-3 at 14.

¹⁰⁰ *Id.*

¹⁰¹ Ex. A-6 at 17.

¹⁰² *Id.*

¹⁰³ Ex. A-3 at 7.

¹⁰⁴ Ex. A-3 at 7-8.

1 hours.¹⁰⁵ Similarly, the Company claims, to move a meter, it usually requires two service personnel
2 for two hours or approximately \$140.¹⁰⁶ The Company was unable to indicate how it arrived at the 2
3 hour time frame for these charges other than it may be a vestige of a Company policy before 1977.¹⁰⁷
4 In fact, the Company does not have any statistics of what the average call out time is, and admitted
5 that it would not know if call out times were less than an hour.¹⁰⁸ Staff does not believe that the
6 Company has demonstrated anything in this case that would warrant increasing the Company's
7 services charges in this case.

8 **2. Meter and Service Line Installation Charges.**

9 Staff and the Company were initially in agreement regarding all of the Company's proposed
10 meter and service line charges as of Staff's direct testimony.¹⁰⁹ However, in the Company's rebuttal
11 testimony, the Company modified its request by increasing the 5/8 inch by 3/4-inch meter charge by
12 \$83.¹¹⁰ The Company claims that this increase reflects the differential between a standard 5/8-inch
13 meter and a radio-read 5/8-inch meter.¹¹¹ However, the amount the Company is seeking exceeds
14 Staff's recommended range of charges for this meter size, and the Company did not provide any
15 documentation to support this proposed charge.¹¹²

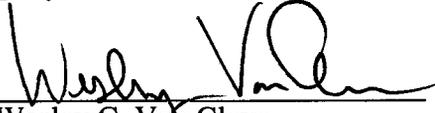
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17 ...
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19 ...
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25 ¹⁰⁵ *Id.*
26 ¹⁰⁶ *Id.*
27 ¹⁰⁷ Tr. at 84.
28 ¹⁰⁸ *Id.*
¹⁰⁹ Ex. A-1, Schedule H-3, page 3.
¹¹⁰ Ex. A-6, Schedule H-3, page 4.
¹¹¹ Ex. A-6 at 18.
¹¹² Ex. S-2 at 1.

1 **VI. CONCLUSION.**

2 Staff respectfully requests that the Commission adopt its recommendations on the disputed
3 issues for the reasons stated above and the testimony provided.

4 RESPECTFULLY SUBMITTED this 24th day of November, 2009.

5 
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9 **Original and thirteen (13) copies**
10 **of the foregoing were filed this**
11 **24th day of November, 2009 with:**

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21 

Community Water Company of Green Valley
Docket No. W-02304A-08-0590
Test Year Ended December 31, 2007

FINAL SCHEDULES OF PEDRO M. CHAVES

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REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY ORIGINAL COST</u>	<u>[B] STAFF ORIGINAL COST</u>
1	Fair Value Rate Base	\$ 7,517,446	\$ 6,991,408
2	Adjusted Operating Income/(Loss)	\$ (400,898)	\$ (208,360)
3	Current Rate of Return (L2 / L1)	-5.33%	-2.98%
4	Current Operating Margin	-13.27%	-6.93%
5	Recommended Operating Margin	15.00%	15.00%
6	Required Operating Income (L5 * L11)	\$ 603,995	\$ 569,764
7	Recommended Increase in Operating Income (L6 - L2)	\$ 1,004,893	\$ 778,124
8	Gross Revenue Conversion Factor ¹	1.0000	1.0157
9	Recommended Increase in Operating Revenue (L7 * L8)	\$ 1,004,893	\$ 790,351
10	Adjusted Test Year Operating Revenue	\$ 3,021,742	\$ 3,008,077
11	Recommended Annual Operating Revenue (L9 + L10)	\$ 4,026,635	\$ 3,798,428
12	Required Increase in Revenue (%) (L9 / L10)	33.26%	26.27%
13	Rate of Return (L7/ L1)	8.03%	8.15%

References:

Column [A]: Company Schedules A-1, B-1, C-1

Column [B]: Staff Final Schedules PMC-2, PMC-6

¹ Staff's Gross Revenue Conversion Factor reflects property taxes.

RATE BASE - ORIGINAL COST

LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	\$ 37,776,039	\$ 22,903	\$ 37,798,942
2	(7,087,673)	(11,390)	(7,099,063)
3	<u>\$ 30,688,366</u>	<u>\$ 11,513</u>	<u>\$ 30,699,879</u>
<u>LESS:</u>			
4	\$ 9,677,466	\$ -	\$ 9,677,466
5	\$ 14,578,352	\$ 537,551	\$ 15,115,903
6	(1,084,898)	-	(1,084,898)
7	<u>\$ 13,493,454</u>	<u>\$ 537,551</u>	<u>\$ 14,031,005</u>
8	\$ -	\$ -	\$ -
9	\$ -	\$ -	\$ -
<u>ADD:</u>			
10	\$ -	\$ -	\$ -
11	\$ -	\$ -	\$ -
12	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
13	<u>\$ 7,517,446</u>	<u>\$ (526,038)</u>	<u>\$ 6,991,408</u>

References:

Column [A], Company Schedule B-1, Page 1

Column [B]: Final Schedule PMC-3

Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	[A] COOPERATIVE AS FILED	[B] CIAC Related to CWIP ADJ No. 1	[B] PMC-5 Accumulated Dep. ADJ No. 2	[C] PMC-6 Reclass. of Plant ADJ No. 3	[D] STAFF ADJUSTED
PLANT IN SERVICE:						
1	Organization Cost	\$ 47,863	\$ -	\$ -	\$ -	\$ 47,863
2	Franchise Cost	244	-	-	-	244
3	Land and Land Rights	169,578	-	-	-	169,578
4	Structures and Improvements	-	-	-	-	-
5	Structures and Improvements - Pumping	24,640	-	-	-	24,640
6	Structures and Improvements - Water Treatment	138,396	-	-	10,903	138,396
7	Wells and Springs	1,999,899	-	-	-	2,010,802
8	Power Generation Equipment	-	-	-	-	-
9	Electric Pumping Equipment	3,459,933	-	-	-	3,459,933
10	Gas Pumping Equipment	122,126	-	-	-	122,126
11	Water Treatment Equipment	4,373,993	-	-	-	4,373,993
12	Distribution Reservoirs & Standpipe	1,064,732	-	-	-	1,064,732
13	Transmission and Distribution Mains	18,042,745	-	-	-	18,042,745
14	Services	3,725,465	-	-	-	3,725,465
15	Fire Sprinkler Taps	239,551	-	-	-	239,551
16	Meters	711,853	-	-	-	711,853
17	Hydrants	1,862,371	-	-	-	1,862,371
18	Other Plant and Miscellaneous Equipment	549,839	-	-	-	549,839
19	Office Furniture and Fixtures	150,571	-	-	-	150,571
20	Computer Equipment	265,818	-	-	-	265,818
21	Transportation Equipment	464,094	-	-	-	464,094
22	Stores Equipment	2,441	-	-	-	2,441
23	Tools and Work Equipment	110,595	-	-	-	110,595
24	Laboratory Equipment	(246)	-	-	12,000	11,754
25	Power Operated Equipment	72,281	-	-	-	72,281
26	Power Operated Equipment - Backhoe	107,179	-	-	-	107,179
27	Communications Equipment	69,340	-	-	-	69,340
28	Miscellaneous Equipment	-	-	-	-	-
29	Other Tangible Plant	738	-	-	-	738
30	Total Plant in Service	\$ 37,776,039	\$ -	\$ -	\$ 22,903	\$ 37,798,942
31	Less: Accumulated Depreciation	(7,087,673)	-	(11,390)	-	(7,099,063)
32	Less: Accumulated Amortization	-	-	-	-	-
33	Total Accumulated Depreciation & Amortization	\$ (7,087,673)	\$ -	\$ (11,390)	\$ -	\$ (7,099,063)
34	Net Plant in Service	\$ 30,688,366	\$ -	\$ (11,390)	\$ 22,903	\$ 30,699,879
LESS:						
35	Advances in Aid of Construction (AIAC)	\$ 9,677,466	\$ -	\$ -	\$ -	\$ 9,677,466
36	Contributions in Aid of Construction (CIAC)	14,578,352	537,551	-	-	15,115,903
37	Less: Accumulated Amortization	(1,084,898)	-	-	-	(1,084,898)
38	Net CIAC	\$ 13,493,454	\$ 537,551	\$ -	\$ -	\$ 14,031,005
39	Deferred Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
40	Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
ADD:						
41	Allowance for Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -
42	Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
43	Prepayments	\$ -	\$ -	\$ -	\$ -	\$ -
44	Total Rate Base	\$ 7,517,446	\$ (537,551)	\$ (11,390)	\$ 22,903	\$ 6,991,408

RATE BASE ADJUSTMENT NO. 1 - REMOVAL OF DISALLOWANCE OF CIAC RELATED TO CWIP

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Contributions In Aid of Construction	\$ 14,578,352	\$ 537,551	\$ 15,115,903

References:

Column A: Cooperative Schedule B-2, Page 1

Column B: Direct Testimony

Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ (7,087,673)	\$ (11,390)	\$ (7,099,063)

References:

Column A: Cooperative Schedule B-1, Page 1

Column B:

Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - RECLASSIFICATION OF PLANT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Wells and Springs	\$ 1,999,899	\$ 10,903	\$ 2,010,802
2	Laboratory Equipment	\$ (246)	\$ 12,000	\$ 11,754
3	Totals	<u>\$ 1,999,653</u>	<u>\$ 22,903</u>	<u>\$ 2,022,556</u>

References:

Column A: Cooperative Schedule B-1, Page 1

Column B: Direct Testimony

Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

Line No.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS		[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
REVENUES:							
1	Metered Water Revenues	\$ 2,966,812	\$ (13,665)	ADJ. No. 1	\$ 2,953,147	\$ 790,351	3,743,498
2		-	-		-	-	-
3	Unmetered Water Revenues	4,439	\$ -		4,439	-	4,439
4	Other Water Revenues	50,491	-		50,491	-	50,491
5	Total Revenues	\$ 3,021,742	\$ (13,665)		\$ 3,008,077	\$ 790,351	\$ 3,798,428
OPERATING EXPENSES:							
6	Salaries and Wages	\$ 923,207	\$ -		\$ 923,207	\$ -	\$ 923,207
7	Purchased Water	-	-		-	-	-
8	Purchased Power	339,905	(95,000)	ADJ. No. 2	244,905	-	244,905
9	Chemicals	21,432	-		21,432	-	21,432
10	Repairs and Maintenance	118,681	-		118,681	-	118,681
11	Office Supplies and Expense	8,091	-		8,091	-	8,091
12	Outside Services	34,557	-		34,557	-	34,557
13	Water Testing	32,903	(20,744)	ADJ. No. 3	12,159	-	12,159
14	Rents	2,532	-		2,532	-	2,532
15	Transportation Expenses	116,265	-		116,265	-	116,265
16	Insurance - General Liability	21,900	-		21,900	-	21,900
17	Insurance - Health and Life	139,981	-		139,981	-	139,981
18	Regulatory Commission Expense - Rate Case	33,333	-		33,333	-	33,333
19	Miscellaneous Expense	441,287	-		441,287	-	441,287
20	Depreciation Expense	989,839	(96,542)	ADJ. No. 4	893,297	-	893,297
21	Taxes Other Than Income	67,097	-		67,097	-	67,097
22	Property Taxes	131,630	6,083	ADJ. No. 5	137,713	12,228	149,940
23	Income Tax	-	-		-	-	-
24	Total Operating Expense	\$ 3,422,640	\$ (206,203)		\$ 3,216,437	\$ 12,228	\$ 3,228,664
25	Operating Income/(Loss)	\$ (400,898)	\$ 192,538		\$ (208,360)	\$ 778,124	\$ 569,764

References:

Column (A): Cooperative Schedule C-1, Page 1
Column (B): Final Schedule PMC-8
Column (C): Column (A) + Column (B)
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Construction Revenues ADJ No. 1 Ref. Sch PMC-9	[D] Purchased Power Expense ADJ No. 2 Ref. Sch PMC-11	[E] Water Testing Expense ADJ No. 3 Ref. Sch PMC-12	[F] Depreciation Expense ADJ No. 4 Ref. Sch PMC-13	[G] Property Tax Expense ADJ No. 5 Ref. Sch PMC-14	[H] STAFF ADJUSTED
1	REVENUES:							
1	Metered Water Revenues	\$ 2,966,812	\$ (13,665)	\$ -	\$ -	\$ -	\$ -	\$ 2,953,147
2		-	-	-	-	-	-	\$ -
3	Unmetered Water Revenues	4,439	-	-	-	-	-	\$ 4,439
4	Other Water Revenues	50,491	-	-	-	-	-	\$ 50,491
5	Total Revenues	\$ 3,021,742	\$ (13,665)	\$ -	\$ -	\$ -	\$ -	\$ 3,008,077
OPERATING EXPENSES:								
6	Salaries and Wages	\$ 923,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 923,207
7	Purchased Water	-	-	-	-	-	-	\$ -
8	Purchased Power	339,905	-	-	-	-	-	\$ 339,905
9	Chemicals	21,432	-	-	-	-	-	\$ 21,432
10	Repairs and Maintenance	118,681	-	-	-	-	-	\$ 118,681
11	Office Supplies and Expense	8,091	-	-	-	-	-	\$ 8,091
12	Outside Services	34,557	-	-	-	-	-	\$ 34,557
13	Water Testing	32,903	-	(20,744)	-	-	-	\$ 12,159
14	Rents	2,532	-	-	-	-	-	\$ 2,532
15	Transportation Expenses	116,265	-	-	-	-	-	\$ 116,265
16	Insurance - General Liability	21,900	-	-	-	-	-	\$ 21,900
17	Insurance - Health and Life	139,981	-	-	-	-	-	\$ 139,981
18	Regulatory Commission Expense - Rate Case	33,333	-	-	-	-	-	\$ 33,333
19	Miscellaneous Expense	441,287	-	-	-	-	-	\$ 441,287
20	Depreciation Expense	989,839	-	-	(96,542)	-	-	\$ 893,297
21	Taxes Other Than Income	67,097	-	-	-	-	-	\$ 67,097
22	Property Taxes	131,630	-	-	-	6,083	-	\$ 137,713
23	Income Tax	-	-	-	-	-	-	\$ -
24	Total Operating Expenses	\$ 3,422,640	\$ -	\$ (20,744)	\$ (96,542)	\$ 6,083	\$ -	\$ 3,216,437
25	Operating Income/(Loss)	\$ (400,898)	\$ (13,665)	\$ 20,744	\$ 96,542	\$ (6,083)	\$ -	\$ (208,360)

OPERATING INCOME ADJUSTMENT NO. 1 - CONSTRUCTION WATER METERED REVENUES

		[A]	[B]	[C]
Line No.	Description	COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Metered Water Revenue	\$ 2,966,812	\$ (13,665)	\$ 2,953,147

To remove unauthorized minimum charges in construction meters.

References:

- Column A: Cooperative Schedule C-1, Page 1
- Column B: Direct Testimony, Final Schedule PMC-7
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Purchased Power Expense	\$ 339,905	\$ (95,000)	\$ 244,905

References:

- Column A: Cooperative Schedule C-1, Page 1
- Column B: Direct Testimony, Final Schedule PMC-6
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing Expense	\$ 32,903		
2	Reclassification to Wells and Springs		\$ (10,903)	
3	Reclassification to Laboratory Equipment		\$ (12,000)	
4	Normalization of Water Testing Expense		\$ 2,159	
5	Totals	<u>\$ 32,903</u>	<u>\$ (20,744)</u>	<u>\$ 12,159</u>

References:

- Column A: Cooperative Schedule C-1, Page 1
- Column B: Direct Testimony, Final Schedule PMC-6
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE

Line No.	Description	[A]	[B]	[C]	[D]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED	
1	Depreciation Expense	\$ 989,839	\$ (96,542)	\$ 893,297	

Depreciation Expense

Line No.	Acct. No.	Description	Company Original Cost 12/31/2007	Staff Adjustment	Staff Adjusted Original Cost	Proposed Rate	Depreciation Expense
1	301	Organization	\$ 47,863	-	\$ 47,863	0.00%	\$ -
2	302	Franchises	244	-	244	0.00%	-
3	303	Land & Land Rights	169,578	-	169,578	0.00%	-
4	304	Structures & Improvements	-	-	-	3.33%	-
5	304.1	Structures & Improvements - Pumping	24,640	-	24,640	3.33%	821
6	304.2	Structures & Improvements - Water Treatment	138,396	-	138,396	3.33%	4,609
7	305	Collecting & Impounding Reservoirs	-	-	-	2.50%	-
8	306	Lake, River, Canal Intakes	-	-	-	2.50%	-
9	307	Wells & Springs	1,999,899	10,904	2,010,803	3.33%	66,960
10	308	Infiltration Galleries	-	-	-	6.67%	-
11	309	Raw Water Supply Mains	-	-	-	2.00%	-
12	310	Power Generation Equipment	-	-	-	5.00%	-
13	311	Electric Pumping Equipment	3,459,933	-	3,459,933	12.50%	432,492
14	311.1	Gas Pumping Equipment	122,126	-	122,126	12.50%	15,266
15	320	Water Treatment Equipment	4,373,993	-	4,373,992	3.33%	145,654
16	330	Distribution Reservoirs & Standpipes	1,064,732	-	1,064,732	2.22%	23,637
17	331	Transmission & Distrib. Mains	18,042,745	-	18,042,744	2.00%	360,855
18	333	Services	3,725,465	-	3,725,466	3.33%	124,058
19	333.1	Fire Sprinkler Taps	239,551	-	239,551	3.33%	7,977
20	334	Meters & Meter Installations	711,853	-	711,853	8.33%	59,297
21	335	Hydrants	1,862,371	-	1,862,371	2.00%	37,247
22	336	Backflow Prevention Devices	-	-	-	6.67%	-
23	339	Other Plant & Misc. Equipment	549,839	-	549,840	6.67%	36,674
24	340	Office Furniture & Equipment	150,571	-	150,570	6.67%	10,043
25	340.1	Computers & Software	265,818	-	265,817	20.00%	53,163
26	341	Transportation Equipment	464,094	-	464,093	20.00%	92,819
27	342	Stores Equipment	2,441	-	2,441	4.00%	98
28	343	Tools, Shop & Garage Equip.	110,595	-	110,595	5.00%	5,530
29	344	Laboratory Equipment	(246)	12,000	11,754	10.00%	1,175
30	345	Power Operated Equipment	72,281	-	72,281	5.00%	3,614
31	345.1	Power Operated Equipment - Backhoe	107,179	-	107,179	5.00%	5,359
32	346	Communication Equipment	69,340	-	69,340	10.00%	6,934
33	347	Miscellaneous Equipment	-	-	-	10.00%	-
34	348	Other Tangible Plant	738	-	738	10.00%	74
35		Total	\$ 37,776,039	22,904	\$ 37,798,940		\$ 1,494,355
36		Less: Non-depreciable Accounts			\$ 217,685		
37		Depreciable Plant (L35 - L36)			\$ 37,581,255		
38		Contributions-in-aid-of-Construction (CIAC)			\$ 15,115,903		
39		Composite CIAC Amortization Rate (Col. D, L35 / Col. B, L37)			3.9763%		
40		Less: Amortization of CIAC					\$ 601,058
41		Staff Recommended Total Depreciation Expense (L 35 - L 40)					\$ 893,297

References:

Column A: Cooperative Schedule C-1, Page 1
Column B: Direct Testimony
Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 3,008,077	\$ 3,008,077
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 6,016,154	\$ 6,016,154
4a	Staff Adjusted Test Year Revenues - 2007	3,008,077	
4b	Staff Recommended Revenue, Per Schedule PMC-1		3,798,428
5	Subtotal (Line 4 + Line 5)	\$ 9,024,231	\$ 9,814,582
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 3,008,077	\$ 3,271,527
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 6,016,154	\$ 6,543,055
10	Plus: 10% of CWIP -	53,755	53,755
11	Less: Net Book Value of Licensed Vehicles	135,661	135,661
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 5,934,248	\$ 6,461,149
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	\$ 1,246,192	\$ 1,356,841
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	11.0507%	11.0507%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 137,713	
17	Company Proposed Property Tax	\$ 131,630	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ 6,083	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 149,940
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 137,713
21	Increase/(Decrease) to Property Tax Expense		\$ 12,228
22	Increase to Property Tax Expense		\$ 12,228
23	Increase in Revenue Requirement		\$ 790,351
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.5471%
25	GRCF = (1 / (1-TR)) = 1 / (1-.015471)		1.0157

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: Direct Testimony

RATE DESIGN

Monthly Usage Charge	Present Rates	Company's Rebuttal Proposed Rates	Staff Recommended Rates
5/8 x3/4" Meter - All Classes	\$ 11.00	\$ 13.21	\$ 13.00
3/4" Meter - All Classes	11.00	13.21	13.00
1" Meter - All Classes	20.00	24.02	24.00
1½" Meter - All Classes	33.00	39.63	40.00
2" Meter - All Classes	55.00	66.06	67.00
3" Meter - All Classes	87.00	105.09	105.00
4" Meter - All Classes	330.00	396.33	400.00
6" Meter - All Classes	550.00	660.55	650.00
8" Meter - All Classes	900.00	1,080.90	1,000.00
Construction Water - All Sized Meters	-	Minimum depends on meter size	-
Commodity Rates			
5/8 x3/4" Meter (Residential)			
From 0 to 3,000 Gallons	\$ 1.25	\$ 1.54	\$ 1.30
From 3,001 to 10,000 Gallons	\$ 1.82	\$ 2.45	\$ 2.50
Over 10,000 Gallons	\$ 2.20	\$ 3.00	\$ 3.42
3/4" Meter (Residential)			
Excess of Minimum - per 1,000 Gallons			
From 0 to 3,000 Gallons	\$ 1.25	\$ 1.54	\$ 1.30
From 3,001 to 10,000 Gallons	\$ 1.82	\$ 2.45	\$ 2.50
Over 10,000 Gallons	\$ 2.20	\$ 3.00	\$ 3.42
5/8" (Commercial/Residential and Commercial)			
From 0 to 10,000 Gallons	\$ 1.82	\$ 2.45	\$ 2.50
Over 10,000 Gallons	\$ 2.20	\$ 3.00	\$ 3.42
1" Meter (Res., Comm., Res/Comm.)			
From 0 to 24,000 Gallons	\$ 1.82	\$ 2.45	N/A
Over 24,000 Gallons	\$ 2.20	\$ 3.00	N/A
From 0 to 21,000 Gallons	N/A	N/A	\$ 2.50
Over 21,000 Gallons	N/A	N/A	\$ 3.42
1½" Meter (Res., Comm.)			
From 0 to 50,000 Gallons	\$ 1.82	\$ 2.45	N/A
Over 50,000 Gallons	\$ 2.20	\$ 3.00	N/A
From 0 to 35,000 Gallons	N/A	N/A	\$ 2.50
Over 35,000 Gallons	N/A	N/A	\$ 3.42
2" Meter (Res., Comm., & Res/Comm)			
From 0 to 100,000 Gallons	\$ 1.82	\$ 2.45	N/A
Over 100,000 Gallons	\$ 2.20	\$ 3.00	N/A
From 0 to 63,000 Gallons	N/A	N/A	\$ 2.50
Over 63,000 Gallons	N/A	N/A	\$ 3.42

<u>Service Charges</u>			
Establishment	\$ 25.00	\$ 35.00	\$ 25.00
Establishment (After Hours)	35.00	35.00	35.00
Reconnection (Delinquent)	25.00	70.00	25.00
Reconnection (Delinquent and After Hours)	35.00	70.00	35.00
Turn On/Off Fee / After Hours	10.00	70.00	10.00
Turn On/Off Fee / Sunday / Holiday	20.00	140.00	20.00
Call out charge -After hours	N/T	70.00	10.00
Call out charge - Holiday	N/T	140.00	20.00
Service Charge during business hours	N/T	N/T	N/T
Service Charge after business hours	N/T	N/T	N/T
Meter Test	20.00	35.00	20.00
Deposit Requirement (Residential)	(a)	2%	(a)
Deposit Requirement (Non Residential Meter)	(a)	2%	(a)
* Hydrant Meter Deposit:			
5/8" x 3/4" Meter	\$ 135.00	\$ 155.00	\$ 155.00
3/4" Meter	215.00	255.00	255.00
1" Meter	255.00	315.00	315.00
1½" Meter	465.00	525.00	525.00
2" Turbine Meter	965.00	1,045.00	1,045.00
2" Compound Meter	1,690.00	1,890.00	1,890.00
3" Turbine Meter	1,470.00	1,670.00	1,670.00
3" Compound Meter	2,265.00	2,545.00	2,545.00
4" Turbine Meter	2,350.00	1,737.00	1,737.00
4" Compound Meter	3,245.00	3,645.00	3,645.00
6" Turbine Meter	4,545.00	3,766.00	3,766.00
6" Compound Meter	6,280.00	6,920.00	6,920.00
8" Cost		Cost	Cost
10" Cost		Cost	Cost
12" Cost		Cost	Cost
Deposit Interest	6.00%	6.00%	6.00%
Re-Establishment (Within 12 Months)	(b)	(b)	(b)
Re-Establishment (After Hours)	(b)	(c)	(b)
NSF Check	\$ 25.00	35.00	\$ 25.00
Deferred Payment, Per Month	0.00%	1.50%	1.50%
Meter Re-Read (If correct)	10.00	25.00	10.00
Charge of Moving Customer Meter -			
Customer Requested per Rule R14-2-405B	20.00	Cost	20.00
After hours service charge, per Rule R14-2-403D	10.00	Cost	10.00
Late Charge per month	1.50%	1.50%	1.50%
Meter Tampering Charge	Cost	Cost	Cost
Meter Box "Cut Lock" Charge	Cost	Cost	Cost
Payment via Visa Charge Card			
(Cost up to 6.00% service charge on bill paid)	Cost	Cost	Cost

NT = No Tariff

<u>Monthly Service Charge for Fire Sprinkler</u>			
Less than 6"	\$ 10.00	\$ 10.00	\$ 10.00
Less than 8"	15.00	15.00	15.00
Less than 10"	22.50	22.50	22.50
Less then 12"	33.75	33.75	33.75

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

(a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.

* Shall be refunded in its entirety upon return of the undamaged meter.

(b) Minimum charge times number of months disconnected.

(c) \$100 Plus \$12.50 times months off system.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5).

All advances and/or contributions are to include labor, materials, overheads and all applicable taxes,

Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
5/8" Residential

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,898	\$ 18.20	\$ 22.48	\$ 4.28	23.49%
Median Usage	3,500	15.66	19.06	\$ 3.40	21.68%
Staff Recommended					
Average Usage	4,898	\$ 18.20	\$ 21.65	\$ 3.44	18.90%
Median Usage	3,500	15.66	18.15	\$ 2.49	15.90%

Present & Proposed Rates (Without Taxes)
5/8" Residential

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 11.00	\$ 13.21	20.09%	\$ 13.00	18.18%
1,000	12.25	14.75	20.41%	14.30	16.73%
2,000	13.50	16.29	20.67%	15.60	15.56%
3,000	14.75	17.83	20.88%	16.90	14.58%
4,000	16.57	20.28	22.39%	19.40	17.08%
5,000	18.39	22.73	23.60%	21.90	19.09%
3,500	15.66	19.06	21.68%	18.15	15.90%
6,000	20.21	25.18	24.59%	24.40	20.73%
7,000	22.03	27.63	25.42%	26.90	22.11%
8,000	23.85	30.08	26.12%	29.40	23.27%
9,000	25.67	32.53	26.72%	31.90	24.27%
4,898	18.20	22.48	23.49%	21.65	18.90%
10,000	27.49	34.98	27.25%	34.40	25.14%
11,000	29.69	37.98	27.92%	37.82	27.37%
12,000	31.89	40.98	28.50%	41.23	29.29%
13,000	34.09	43.98	29.01%	44.65	30.96%
14,000	36.29	46.98	29.46%	48.06	32.43%
15,000	38.49	49.98	29.85%	51.48	33.74%
16,000	40.69	52.98	30.20%	54.89	34.90%
17,000	42.89	55.98	30.52%	58.31	35.94%
18,000	45.09	58.98	30.81%	61.72	36.88%
19,000	47.29	61.98	31.06%	65.14	37.74%
20,000	49.49	64.98	31.30%	68.55	38.51%
25,000	60.49	79.98	32.22%	85.63	41.55%
30,000	71.49	94.98	32.86%	102.70	43.66%
35,000	82.49	109.98	33.33%	119.78	45.20%
40,000	93.49	124.98	33.68%	136.85	46.38%
45,000	104.49	139.98	33.96%	153.93	47.31%
50,000	115.49	154.98	34.19%	171.00	48.06%
75,000	170.49	229.98	34.89%	256.38	50.38%
100,000	225.49	304.98	35.25%	341.75	51.56%