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MEMORANDUM

Be

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 21, 2010

RE: **NOTICE OF ERRATA – STAFF’S CORRECTION TO THE FILED RESPONSIVE STAFF REPORT FOR WHITE HORSE RANCH HOMEOWNERS ASSOCIATION (DOCKET NO. W-04161A-09-0471)**

The Utilities Division (“Staff”) of the Arizona Corporation Commission provides this Notice of Errata.

It has come to the attention of Staff that there was an error in the Company-proposed rates as illustrated on Schedule GWB-5, Typical Bill Analysis, of Staff’s Responsive Staff Report, filed April 16, 2010. The Company-proposed rates for the average and median users, as well as the associated dollar increases and percentage increases, are misstated on the schedule and these misstatements were carried through into the body of the Responsive Staff Report. The Company-proposed numbers should not have changed from those that were illustrated in Staff’s original Staff Report, filed March 10, 2010.

Therefore, Staff now submits the following corrections and attaches a revised Schedule GWB-5 and revised narrative pages to replace those in the body of the report that contain errors.

Executive Summary, page 1, paragraph 4, last sentence:
DELETE “\$44.41” and REPLACE with “\$49.41”
DELETE “\$1.77” and REPLACE with “\$6.77”
DELETE “4.16” and REPLACE with “15.88”

Page 2, line 7:
DELETE “\$44.41” and REPLACE with “\$49.41”

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Sun Leisure Estates Utilities Company, Inc.'s

Docket No. W-02386A-09-0308).

Page 2

Page 7, first paragraph under RATE DESIGN AND ALTERNATIVE RATE DESIGNS:

DELETE "\$44.41" and REPLACE with "\$49.41"

DELETE "\$1.77" and REPLACE with "\$6.77"

DELETE "4.16" and REPLACE with "15.88"

SMO:GWB:red

Originator: Gerald W. Becker

Service List for: Little Park Water Company
Docket No. W-04161A-09-0471

Mr. Steve Gudovic
Little Park Water Company
45 Castle Rock Road, No. 4
Sedona, Arizona 86351

Revised

**EXECUTIVE SUMMARY
WHITE HORSE RANCH OWNERS ASSOCIATION
DOCKET NO. W-04161A-09-0471**

On September 30, 2009, the White Horse Ranch Owners Association ("WHROA" or "Association" or "Company") filed an application for a rate increase with the Arizona Corporation Commission ("Commission"). On October 30, 2009, Staff issued a letter of insufficiency. On November 10, 2009, WHROA filed amendments to its rate application. On December 21, 2009, Staff issued a letter of sufficiency to WHROA.

On March 10, 2010, Staff issued a Staff report recommending approval of the application with recommended annual revenues of \$81,730. On March 19, 2010, WHROA filed a response to the initial Staff Report of March 10. After reviewing the Company's Response, Staff now proposes approval of the application as originally described in the Staff Report of March 10, 2010, except that the monthly minimum charge for a 5/8 x 3/4-inch meter be set at the existing rate of \$35 per month. This change will increase the recommended annual revenues from \$81,730 to \$90,545.

WHROA is a Class D public service corporation engaged in the business of providing utility water service and serves approximately 116 customers. WHROA is located in Yavapai County, Arizona.

The Association's rate application requested a revenue increase of \$15,000, or 35.69 percent, over test year revenue of \$66,730. The Association's proposed rates, as amended, produce operating revenues of \$81,730 for an operating loss of \$13,872 and for an operating margin of a negative 16.97 percent. The Association's requested rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 gallons from \$42.64 to \$49.41 for an increase of \$6.77, or 15.88 percent.

In this Responsive Staff Report, Staff includes much of the information contained in the original filing, but Staff now recommends total revenue of \$90,545. This level of revenue represents an increase of \$23,815, or 35.69 percent, over test year revenue of \$66,730, and is necessary due to the potential need to continue to haul water. Staff's recommended revenue would result in a negative 11.71 percent rate of return on a \$78,856 rate base and a negative 10.20 percent operating margin. See Schedule GWB-1. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent. See Schedule GWB-5.

Staff's recommended revenue requirement is sufficient and would allow the Company to recover all routine test year expenses, except for \$9,233 of the test year cost \$27,345 of hauling water.

Staff recommends its rates and charges as presented on Schedule GWB-4 of this report.

0 to 2,000 gallons			\$4.00
2,001 to 4,000 gallons			\$6.00
4,001 to 9,000 gallons			\$8.00
Over 9,000 gallons			12.00
Bulk Water, No Minimum, per 1,000 gallons	N/A	N/A	N/A
Typical residential bill (Based on 5/8 x 3/4 inch meter with median usage of 3,546 gallons)	\$42.64	\$49.41	\$52.28

Customers:

There were 116 customer connections in the current test year. The Association does not expect any significant growth.

Notification:

Customer Notification was mailed September 30, 2009

Complaints:

- 2006 - three complaints
- 2007 - zero complaints
- 2008 - zero complaints
- 2009 - zero complaints
- 2010 - zero complaints

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to remove the costs of water testing associated with the development of Well Nos. 3 and 4, as described above in rate base Adjustment A to Plant in Service, and, further to reflect Staff's determination of the Association's ongoing, annual water testing cost (See Schedule GWB-3, Page 1).

Regulatory Commission Expense – Rate Case – Adjustment D increases this account by \$3,333 from zero to \$3,333 to reflect a normalized level of rate case expense. (See Schedule GWB-3, Page 1).

Depreciation Expense – Adjustment E increases this account by \$6,511, from \$25 to \$6,536 to reflect application of Staff's recommended depreciation rates to Staff's recommended plant balances, less any fully depreciated or non-depreciable plant and offset by amortization of contributions-in-aid-of-construction. The calculation of Staff's recommended depreciation expense and adjustment is shown in Schedule GWB-3, Page 3.

REVENUE REQUIREMENT

In this Responsive Staff Report, Staff recommends total revenue of \$90,545. This level of revenue represents an increase of \$23,815, or 35.69 percent, over test year revenue of \$66,730. Staff's recommended revenue would result in a negative 11.71 percent rate of return on a \$78,856 rate base and a negative 10.20 percent operating margin. See Schedule GWB-1. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent. See Schedule GWB-5.

Staff's recommended revenue requirement is sufficient and would allow the Company to recover all routine test year expenses, except for \$9,233 of the test year cost \$27,345 of hauling water. Staff's recommendation is based on conservation that is expected to occur through Staff's rate design.

RATE DESIGN AND ALTERNATIVE RATE DESIGNS

WHROA's requested rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 gallons from \$42.64 to \$49.41 for an increase of \$6.77 or 15.88 percent.

WHROA currently has an inverted three-tier design with no gallons included in the minimum monthly charge for all customers. Currently, the break-over points are at 3,000 and 15,000 gallons for all rate groups.

WHROA proposes to implement an inverted four-tier rate design with no gallons included in the minimum monthly charge and to set break-over points at 3,000, 6,000 and 9,000 gallons for all meter sizes.

Typical Bill Analysis
Residential 5/8 X 3/4-Inch Meters

Produces Revenues of \$90,545

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,885	\$ 46.66	\$ 54.10	\$ 7.44	15.95%
Median Usage	3,546	42.64	49.41	\$ 6.77	15.88%
Staff Recommended					
Average Usage	4,885	\$ 46.66	\$ 62.08	\$ 15.43	33.06%
Median Usage	3,546	42.64	52.28	\$ 9.64	22.60%

Present & Proposed Rates (Without Taxes)
Residential 5/8 X 3/4-Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	Increase	Staff Recommended Rates	Increase
-	\$ 35.00	\$ 40.00	14.29%	\$ 35.00	0.00%
1,000	37.00	42.50	14.86%	39.00	5.41%
2,000	39.00	45.00	15.38%	43.00	10.26%
3,000	41.00	47.50	15.85%	49.00	19.51%
4,000	44.00	51.00	15.91%	55.00	25.00%
5,000	47.00	54.50	15.96%	63.00	34.04%
6,000	50.00	58.00	16.00%	71.00	42.00%
7,000	53.00	62.50	17.92%	79.00	49.06%
8,000	56.00	67.00	19.64%	87.00	55.36%
9,000	59.00	71.50	21.19%	95.00	61.02%
10,000	62.00	84.45	36.21%	107.00	72.58%
11,000	65.00	97.40	49.85%	119.00	83.08%
12,000	68.00	110.35	62.28%	131.00	92.65%
13,000	71.00	123.30	73.66%	143.00	101.41%
14,000	74.00	136.25	84.12%	155.00	109.46%
15,000	77.00	149.20	93.77%	167.00	116.88%
16,000	80.60	162.15	101.18%	179.00	122.08%
17,000	84.20	175.10	107.96%	191.00	126.84%
18,000	87.80	188.05	114.18%	203.00	131.21%
19,000	91.40	201.00	119.91%	215.00	135.23%
20,000	95.00	213.95	125.21%	227.00	138.95%
25,000	113.00	278.70	146.64%	287.00	153.98%
30,000	131.00	343.45	162.18%	347.00	164.89%
35,000	149.00	408.20	173.96%	407.00	173.15%
40,000	167.00	472.95	183.20%	467.00	179.64%
45,000	185.00	537.70	190.65%	527.00	184.86%
50,000	203.00	602.45	196.77%	587.00	189.16%
75,000	293.00	926.20	216.11%	887.00	202.73%
100,000	383.00	1,249.95	226.36%	1,187.00	209.92%