

OPEN MEETING ITEM



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COMMISSIONERS  
KRISTIN K. MAYES - Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP



ARIZONA CORPORATION COMMISSION

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DATE: JUNE 4, 2010  
DOCKET NOS.: W-02386A-09-0308 and W-02386A-09-0554

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

SUN LEISURE ESTATES UTILITIES COMPANY, INC.  
(RATES/FINANCE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JUNE 14, 2010

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JUNE 29, 2010 AND JUNE 30, 2010

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JUN - 4 2010

DOCKETED BY 

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman  
4 GARY PIERCE  
5 PAUL NEWMAN  
6 SANDRA D. KENNEDY  
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF  
9 SUN LEISURE ESTATES UTILITIES COMPANY,  
10 INC. FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02386A-09-0308

11 IN THE MATTER OF THE APPLICATION OF  
12 SUN LEISURE ESTATES UTILITIES COMPANY,  
13 INC. FOR APPROVAL OF FINANCING FOR  
14 CONSTRUCTION OF A NEW WELL.

DOCKET NO. W-02386A-09-0554

DECISION NO. \_\_\_\_\_

15 ORDER

16 Open Meeting  
17 June 29 and 30, 2010  
18 Phoenix, Arizona

19 **BY THE COMMISSION:**

20 Having considered the entire record herein and being fully advised in the premises, the  
21 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

22 PROCEDURAL HISTORY

23 1. Pursuant to authority granted by the Commission, Sun Leisure Estates Utilities  
24 Company, Inc. ("Sun Leisure" or "Company") is an Arizona non-profit corporation engaged in the  
25 business of providing water utility service to 57 customers near the City of Yuma, Yuma County,  
26 Arizona. Sun Leisure's present rates and charges for water were approved in Decision No. 57078  
27 (September 19, 1990).

28 2. On June 10, 2009, Sun Leisure filed with the Commission an application for a  
permanent rate increase in Docket No. W-02386A-09-0308 ("Rate Application").<sup>1</sup> As part of its  
Rate Application, the Company provided Staff with a copy of the Rate Application Notice that Sun

<sup>1</sup> Staff notes that in Decision No. 62622 (June 9, 2000), the Commission authorized the Company to collect a \$382 emergency surcharge per customer to cover the costs of drilling a new well, installing a new pump, and make repairs to its existing well. On March 5, 2008, Sun Leisure filed another emergency surcharge application because one of its wells failed, and the Company sought an emergency surcharge of \$450 per customer to pay for a back-up well, pump, meter and attorney fees. In Decision No. 70375 (June 13, 2008), the Commission denied the Company's request and Sun Leisure was directed to file the instant Rate Application.

1 Leisure provided to its customers.

2         3.       On July 10, 2009, the Commission's Utilities Division Staff ("Staff") notified the  
3 Company that its Rate Application was insufficient under Arizona Administrative Code ("A.A.C.")  
4 R14-2-103, and provided the Company with Staff's first set of data requests.

5         4.       On July 27, 2009, and August 27, 2009, Sun Leisure filed its responses to Staff's data  
6 requests.

7         5.       On September 11, 2009, pursuant to A.A.C. R14-2-103, Staff issued a Letter of  
8 Sufficiency finding Sun Leisure's Rate Application sufficient, and classifying the Company as a  
9 Class E utility.

10        6.       On October 29, 2010, Staff filed a Request for Extension of time to file the Staff  
11 Report.

12        7.       On November 3, 2010, a Procedural Order was filed granting Staff's Request for  
13 Extension and granting Staff until November 24, 2010, to file the Staff Report, and extending the  
14 time clock in this matter accordingly.

15        8.       On November 24, 2010, Staff filed its Staff Report in the Rate Application docket,  
16 recommending approval of the Rate Application using Staff's recommended rates and charges, and  
17 also recommending that Sun Leisure be required to either construct a storage tank or drill a back-up  
18 well.

19        9.       On December 3, 2010, Sun Leisure filed its response to the Staff Report, objecting to  
20 certain of Staff's recommendations ("Response").

21        10.      On December 8, 2010, a Procedural Order was filed directing Staff to file its reply to  
22 the Company's Response no later than January 8, 2010, and suspending time clock in this matter.

23        11.      On December 9, 2010, Sun Leisure filed with the Commission an application for  
24 approval of financing for construction of a new well ("Financing Application").

25        12.      On January 8, 2010, Staff filed its Reply to the Company's Response, and on January  
26 11, 2010, Staff filed a Notice of Errata to its Reply to the Company's Response.

27        13.      On February 10, 2010, a Procedural Order was filed in both the Rate Application  
28 docket and the Financing Application docket, setting a procedural conference for February 19, 2010,

1 and directing the parties to be prepared to discuss the possible consolidation of the two dockets.

2 14. On February 19, 2010, a Procedural Conference was held in which the parties agreed  
3 that the matters should be consolidated.

4 15. On February 22, 2010, a Procedural Order was issued finding that the matters are  
5 substantially related and no party will be prejudiced by their consolidation, and directing the  
6 consolidation of Docket No. W-02386A-09-0308 and Docket No. W-02386A-09-0554.

7 16. On March 5, 2010, Sun Leisure filed a Unanimous Written Resolution of the Board of  
8 Directors authorizing the Company's President, Charles Swysgood, to represent the Company in all  
9 matters and proceedings coming before the Commission.

10 17. On March 9, 2010, Sun Leisure filed an Affidavit that the Company mailed notice of  
11 the Financing Application to its customers on March 4, 2010.

12 18. On April 2, 2010, Staff filed its Amended Staff Report for the consolidated matters.

13 19. On April 14, 2010, the Company filed its response to the Amended Staff Report,  
14 indicating that Staff's recommendations are acceptable.

### 15 FINDINGS OF FACT

#### 16 Rate Application

17 20. During the test year ended December 31, 2008, Sun Leisure served 57 residential  
18 customers on 5/8" x 3/4" meters. Average and median water usage by residential customers during  
19 the test year were 5,907 gallons and 3,382 gallons per month, respectively.

20 21. The water rates and charges for Sun Leisure at present, as proposed by Sun Leisure in  
21 its June 10, 2009, Rate Application, and as recommended by Staff in its Amended Staff Report, are as  
22 follows:

<u>MONTHLY USAGE CHARGE:</u>	<u>Present</u> <u>Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
23 5/8" x 3/4" Meter	\$12.50	\$25.00	\$16.25
24 3/4" Meter	18.75	31.25	24.38
25 1" Meter	31.25	43.75	40.63
26 1 1/2" Meter	62.50	75.00	81.25
2" Meter	100.00	112.50	130.00
27 3" Meter	N/A	N/A	260.00
4" Meter	N/A	N/A	406.25
28 6" Meter	N/A	N/A	812.50
<u>Gallons in Minimum</u>	1,000	1,000	0

1	Commodity Charge in Excess of Minimum (Charge per 1,000 Gallons)	\$1.50	\$3.00	N/A
2				
3	<u>5/8" x 3/4" Meter and 3/4" Meter (Residential)</u>			
4	0 - 3,000 gallons	N/A	N/A	\$1.85
5	3,001 - 10,000 gallons	N/A	N/A	2.77
6	Over 10,000 gallons	N/A	N/A	3.45
7				
8	<u>5/8" x 3/4" Meter and 3/4" Meter (Industrial &amp; Commercial)</u>			
9	0 - 10,000 gallons	N/A	N/A	2.77
10	Over 10,000 gallons	N/A	N/A	3.45
11				
12	<u>1" Meter (Residential, Industrial &amp; Commercial)</u>			
13	0 - 35,000 gallons	N/A	N/A	2.77
14	Over 35,000 gallons	N/A	N/A	3.45
15				
16	<u>1-1/2" Meter (Residential, Industrial &amp; Commercial)</u>			
17	0 -100,000 gallons	N/A	N/A	2.77
18	Over 100,000 gallons	N/A	N/A	3.45
19				
20	<u>2" Meter (Residential, Industrial &amp; Commercial)</u>			
21	0 -180,000 gallons	N/A	N/A	2.77
22	Over 180,000 gallons	N/A	N/A	3.45
23				
24	<u>3" Meter (Residential, Industrial &amp; Commercial)</u>			
25	0 -390,000 gallons	N/A	N/A	2.77
26	Over 390,000 gallons	N/A	N/A	3.45
27				
28	<u>4" Meter (Residential, Industrial &amp; Commercial)</u>			
29	0 -635,000 gallons	N/A	N/A	2.77
30	Over 635,000 gallons	N/A	N/A	3.45
31				
32	<u>6" Meter (Residential, Industrial &amp; Commercial)</u>			
33	0 - 1,300,000 gallons	N/A	N/A	2.77
34	Over 1,300,000 gallons	N/A	N/A	3.45
35				
36	<u>Standpipe/Construction -</u>			
37	<u>All Usage per 1,000 gallons</u>	N/A	N/A	3.45

**SERVICE LINE AND METER INSTALLATION CHARGES:**

	<u>Current Charges</u>	<u>Company's Proposed Charges</u>	<u>Staff Recommended Service Line Charges</u>	<u>Staff Recommended Meter Charges</u>	<u>Staff Recommended Total Charges</u>	
23						
24	5/8" x 3/4" Meter	\$250.00	\$280.00	\$200.00	\$ 80.00	\$280.00
25	3/4" Meter	275.00	305.00	200.00	105.00	305.00
26	1" Meter	300.00	330.00	200.00	130.00	330.00
27	1-1/2" Meter	345.00	375.00	200.00	175.00	375.00
28	2" Meter	625.00	655.00	290.00	365.00	655.00
29	3" Meter	N/A	N/A	Cost	Cost	Cost
30	4" Meter	N/A	N/A	Cost	Cost	Cost
31	6" Meter	N/A	N/A	Cost	Cost	Cost

	<b>Present Rates</b>	<b>Proposed Rates Company</b>	<b>Staff</b>
1 <b><u>SERVICE CHARGE:</u></b>			
2 Establishment	\$25.00	\$35.00	\$35.00
3 Establishment (After Hours)	40.00	50.00	50.00
4 Reconnection (Delinquent)	25.00	35.00	35.00
5 Reconnection (Delinquent) after hours	N/A	55.00	55.00
6 Meter Test (If Correct)	25.00	35.00	35.00
7 Deposit	*	*	*
8 Deposit Interest Per Annum	*	*	*
9 Reestablishment (Within 12 Months)	**	**	**
10 NSF Check	\$15.00	\$30.00	\$30.00
11 Deferred Payment (Per Month)	15.00%	18.00%	18.00%
12 Meter Reread (If Correct)	\$10.00	\$15.00	\$15.00
13 Late Payment Charge-Per Month	N/A	N/A	1.50%

8 \* Per Commission rule (R14-2-403.B).

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

10 22. According to the Amended Staff Report, Staff determined Sun Leisure's original cost  
11 rate base ("OCRB") to be \$23,768, which is the same as its fair value rate base ("FVRB"). This is a  
12 \$1,280 increase to Sun Leisure's proposed OCRB of \$22,488, due to Staff's adjustment to working  
13 capital.

14 23. Staff made several adjustments to Sun Leisure's proposed test year operating income,  
15 resulting in an increase of \$8,058, from (\$7,974) to \$84. The increase to Sun Leisure's test year  
16 operating income is due to a number of expense adjustments to outside services, water testing,  
17 insurance expense, and rate case expense.

18 24. Based on Staff's analysis, Sun Leisure's present water rates and charges produced  
19 operating revenues of \$13,636 and adjusted operating expenses of \$13,552, which resulted in  
20 operating income of \$84, for a rate of return on its FVRB of 0.35 percent during the test year.

21 25. The rates and charges proposed by Sun Leisure would produce operating revenues of  
22 \$27,272, and operating expenses of \$21,610, resulting in an operating income of \$5,662, or a 25.18  
23 percent rate of return on the \$22,488 FVRB, and an operating margin of 20.76 percent.

24 26. The water rates and charges Staff recommended would produce operating revenues of  
25 \$21,500 and adjusted operating expenses of \$13,552, resulting in operating income of \$7,948, or a  
26 33.44 percent rate of return on the \$23,768 FVRB and an operating margin of 36.97 percent. Staff  
27 states that the "recommended income provides the Company with sufficient funds to cover its debt  
28

1 service from the financing request, as well as adequate cash flows for contingencies.”<sup>2</sup>

2 27. Sun Leisure’s proposed rate schedules would increase the average monthly residential  
3 customer on a 5/8” x 3/4” meter water bill by \$19.86, or 100.0 percent, from \$19.86 to \$39.72, and  
4 increase the median monthly residential customer water bill by \$16.07, or 100.00 percent, from  
5 \$16.07 to \$32.14.

6 28. Staff’s proposed rate schedules would increase the average monthly residential  
7 customer on a 5/8” x 3/4” meter water bill by \$9.99, or 50.30 percent, from \$19.86 to \$29.85, and  
8 increase the median monthly residential customer water bill by \$6.79, or 42.25 percent, from \$16.07  
9 to \$22.86.

10 29. In Sun Leisure’s response to the Amended Staff Report, the Company agreed with  
11 Staff’s recommended rates and charges.

12 30. Accordingly, we adopt the rates and charges as proposed by Staff in the Amended  
13 Staff Report.

14 31. In the Amended Staff Report, Staff noted that the Company did not provide Staff with  
15 invoices to support its plant-in-service costs. Staff noted that:

16 Staff Engineer, Mr. Jian Liu, examined the plant-in-service, and has verified that  
17 the Company does indeed have the plant-in-service. [Mr. Liu] did not conduct a  
18 reconstructive cost analysis; however, Mr. Liu believes the Company’s plant-in-  
19 service amount of \$95,556 to be reasonable. Staff recommends that, on a going-  
20 forward basis, the Company maintain proper documentation for all plant-in-  
21 service.<sup>3</sup>

22 32. Staff further notes that in Decision No. 70981 (March 5, 2009), Sun Leisure was  
23 authorized to implement new depreciation rates, but the Company subsequently applied those rates  
24 retroactively to recalculate its accumulated depreciation. Staff states that Staff “is not recommending  
25 a correcting adjustment to accumulated depreciation in this case; however, Staff recommends that the  
26 Company be admonished that it is not authorized to apply any rate changes retroactively and may  
27 only carry rate changes forward.”<sup>4</sup>

28 33. In addition to the above recommendations, Staff also made the following

<sup>2</sup> Amended Staff Report, page 6.

<sup>3</sup> Amended Staff Report, page 4.

<sup>4</sup> *Id.*

1 recommendations regarding the Rate Application:

- 2 (a) Sun Leisure shall file with Docket Control, as a compliance item in this docket,  
3 a schedule of its approved rates and charges within 30 days of the effective  
4 date of this Order.
- 5 (b) Sun Leisure should collect from its customers a proportionate share of any  
6 privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).
- 7 (c) Sun Leisure shall use the depreciation rates by individual National Association  
8 of Regulatory Utility Commissioners category shown in the attached Exhibit  
9 'A,' on a going-forward basis.
- 10 (d) Sun Leisure shall file a subsequent rate case using a test year ending December  
11 31, 2015, no later than May 31, 2016.

12 34. According to Staff, Sun Leisure's current system can adequately serve its present  
13 customer base. Staff states that there will be minimal growth because Sun Leisure's CC&N area is  
14 bordered by the Marine Air Base and the subdivision is almost entirely built out.

15 35. The Arizona Department of Environmental Quality ("ADEQ") has determined that  
16 Sun Leisure is in full compliance with ADEQ requirements and is currently delivering water that  
17 meets water quality standards required by A.A.C., Title 18, Chapter 4.

18 36. Sun Leisure is not within an active management area, and is not subject to the Arizona  
19 Department of Water Resources monitoring and reporting requirements.

20 37. According to Staff, Sun Leisure is in compliance with Commission filing  
21 requirements, and is in good standing with the Corporations Division of the Commission.

22 38. Sun Leisure provided to Staff a certificate from the Arizona Department of Revenue  
23 indicating that it is current in the payment of its taxes.

24 39. Staff's review of the Commission's Consumer Services records showed that from  
25 January 1, 2006 through March 3, 2010, there were zero complaints and one inquiry. Staff notes that  
26 in 2009 there were three opinions. One customer was opposed to the rate increase and two opinions  
27 were filed in favor of the increase. One of the opinions in favor contained a petition signed by fifteen  
28 customers indicating their approval of the Company's rate request.

40. Because an allowance for the property tax expense is included in Sun Leisure's rates  
and will be collected from its customers, the Commission seeks assurances from Sun Leisure that any  
taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to

1 the Commission's attention that a number of water companies have been unwilling or unable to fulfill  
 2 their obligation to pay the taxes that were collected from its ratepayers, some for as many as twenty  
 3 years. It is reasonable, therefore, that as a preventive measure Sun Leisure shall annually file, as part  
 4 of its annual report, an affidavit with the Commission's Utilities Division attesting that the company  
 5 is current in paying its property taxes in Arizona.

#### 6 **Financing Application**

7 41. According to Staff, as a result of Staff's initial site inspection as a part of the Rate  
 8 Application, Staff recommended in its original Staff Report that within one year of the effective date  
 9 of a Decision in the Rate Application matter, that Sun Leisure either install a storage tank with a  
 10 minimum storage capacity of 65,000 gallons or drill a back-up well.

11 42. In its Amended Staff Report, Staff notes that after discussions with Sun Leisure about  
 12 financing alternatives for the recommended capital improvements, the Company filed its Financing  
 13 Application on December 10, 2009.

14 43. Sun Leisure's Financing Application requests Commission approval to obtain a  
 15 \$25,000 loan to drill a back-up well as recommended by Staff. The Company related to Staff that it  
 16 has commitments for loans from several individuals for a total of up to \$25,000, for a term of five  
 17 years at a six percent annual interest rate. Staff notes that Sun Leisure's assets would not be  
 18 encumbered under the terms of the financing.

19 44. Staff analyzed Sun Leisure's adjusted test year financial statements dated December  
 20 31, 2008, but found that an analysis of the Company's capital structure to be not meaningful since  
 21 Sun Leisure currently does not have any loans outstanding.

22 45. Staff examined the effects of the proposed financing on Sun Leisure's debt service  
 23 coverage ("DSC") and times interest earned ratios ("TIER").<sup>5</sup> Using Staff's recommended revenue  
 24 requirement and fully drawing the proposed \$25,000 loan results in pro forma DSC and TIER of 1.58  
 25 and 5.81, respectively. These ratios show that Sun Leisure would have adequate cash flow to meet

26 \_\_\_\_\_  
 27 <sup>5</sup> DSC represents the number of times internally generated cash cover required principal and interest payments on debt. A  
 28 DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations. TIER represents the number of  
 times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating  
 income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily  
 mean that debt obligations cannot be met in the short term.

1 all obligations, including the proposed debt.

2 46. Engineering Staff determined that the construction of the new well and the associated  
3 costs are reasonable and appropriate, however, Staff made no “used and useful” determination of the  
4 proposed plant, and no particular treatment should be inferred for rate-making or rate-base purposes.

5 47. Staff concludes that the proposed loan is appropriate to finance the proposed plans.  
6 Staff further concludes that issuance of a long-term amortizing loan of approximately five years for  
7 the \$25,000 estimated cost of the new well is appropriate, is within its corporate powers, is  
8 compatible with the public interest, would not impair its ability to provide services and would be  
9 consistent with sound financial practices.

10 48. Staff recommends Commission authorization for Sun Leisure to obtain a five-year  
11 amortizing loan at a rate of six percent interest for an amount not to exceed \$25,000 to finance the  
12 construction of a new well.

13 49. Staff further recommends authorizing Sun Leisure to engage in any transactions and to  
14 execute any documents necessary to effectuate the authorizations granted.

15 50. Staff further recommends that Sun Leisure file with Docket Control, as a compliance  
16 item in this docket, within 60 days of the transaction’s closing, copies of the executed loan  
17 documents.

18 51. Staff also recommends that Sun Leisure file with Docket Control, as a compliance  
19 item in this docket, by May 31, 2011, a copy of the Approval of Construction (“AOC”) issued by the  
20 ADEQ for the new well. Given the timeline of this Decision, we believe it is reasonable to extend the  
21 deadline for filing of the AOC until June 30, 2011.

22 52. Staff’s recommendations in Findings of Fact Nos. 30-33, 40, 48-50 and 51, as  
23 modified, are reasonable and should be adopted.

24 **CONCLUSIONS OF LAW**

25 1. Sun Leisure is a public service corporation within the meaning of Article XV of the  
26 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, 40-302, and 40-303.

27 2. The Commission has jurisdiction over Sun Leisure and of the subject matter of the  
28 Rate Application and Financing Application.



1	<u>5/8" x 3/4" Meter and 3/4" Meter (Industrial &amp; Commercial)</u>	
2	0 - 10,000 gallons	2.77
2	Over 10,000 gallons	3.45
3	<u>1" Meter (Residential, Industrial &amp; Commercial)</u>	
4	0 - 35,000 gallons	2.77
4	Over 35,000 gallons	3.45
5	<u>1 1/2" Meter (Residential, Industrial &amp; Commercial)</u>	
6	0 - 100,000 gallons	2.77
6	Over 100,000 gallons	3.45
7	<u>2" Meter (Residential, Industrial &amp; Commercial)</u>	
8	0 - 180,000 gallons	2.77
8	Over 180,000 gallons	3.45
9	<u>3" Meter (Residential, Industrial &amp; Commercial)</u>	
10	0 - 390,000 gallons	2.77
10	Over 390,000 gallons	3.45
11	<u>4" Meter (Residential, Industrial &amp; Commercial)</u>	
12	0 - 635,000 gallons	2.77
12	Over 635,000 gallons	3.45
13	<u>6" Meter (Residential, Industrial &amp; Commercial)</u>	
14	0 - 1,300,000 gallons	2.77
14	Over 1,300,000 gallons	3.45
15	<u>Standpipe/Construction - All Usage per 1,000 gallons</u>	3.45

**SERVICE LINE AND METER INSTALLATION CHARGES:**

	<u>Service Line</u>	<u>Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
17	5/8" x 3/4" Meter	\$200.00	\$ 80.00	\$280.00
18	3/4" Meter	200.00	105.00	305.00
19	1" Meter	200.00	130.00	330.00
19	1 1/2" Meter	200.00	175.00	375.00
20	2" Meter	290.00	365.00	655.00
20	3" Meter	Cost	Cost	Cost
21	4" Meter	Cost	Cost	Cost
21	6" Meter	Cost	Cost	Cost

**SERVICE CHARGE:**

22	Establishment	\$35.00
23	Establishment (After Hours)	50.00
24	Reconnection (Delinquent)	35.00
24	Reconnection (Delinquent) after hours	55.00
25	Meter Test (If Correct)	35.00
25	Deposit	*
26	Deposit Interest Per Annum	*
26	Reestablishment (Within 12 Months)	**
27	NSF Check	\$30.00
27	Deferred Payment (Per Month)	18.00%
28	Meter Re-read (If Correct)	\$15.00
28	Late Payment Charge-Per Month	1.50%

- 1       \*       Per Commission rule (R14-2-403.B).
- 2       \*\*       Months off system times the monthly minimum (R14-2-403.D).

3           IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,  
4 Sun Leisure Estates Utilities Company, Inc., shall collect from its customers a proportionate share of  
5 any privilege, sales or use tax per A.A.C. R14-2-409(D).

6           IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. shall annually  
7 file, as part of its annual report, an affidavit with the Commission's Utilities Division attesting that it  
8 is current in paying its property taxes in Arizona.

9           IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. shall maintain  
10 proper documentation for all plant-in-service, on a going-forward basis.

11          IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. shall use the  
12 depreciation rates by individual National Association of Regulatory Utility Commissioners category  
13 shown in the attached Exhibit 'A,' on a going-forward basis.

14          IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc., shall file a rate  
15 case no later than May 31, 2016, using a December 31, 2015, test year.

16          IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. shall file with  
17 Docket Control, as a compliance item in this docket, no later than June 30, 2011, a copy of the  
18 Approval of Construction issued by the Arizona Department of Environmental Quality for the new  
19 well.

20          IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. is hereby  
21 authorized to obtain a five-year amortizing loan in an amount not to exceed \$25,000, and at an  
22 interest rate not to exceed six percent, to finance the capital improvement discussed herein.

23          IT IS FURTHER ORDERED that such financing authority shall be expressly contingent upon  
24 Sun Leisure Water Company, Inc.'s use of the proceeds for the purposes stated in the application and  
25 approved herein.

26          IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. is authorized  
27 to engage in any transactions and to execute any documents necessary to effectuate the authorization  
28 granted herein.

1 IT IS FURTHER ORDERED that Sun Leisure Estates Utilities Company, Inc. shall file with  
2 Docket Control, as a compliance item in this docket, copies of its executed financing documents  
3 within 60 days after the transaction is closed.

4 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not  
5 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
6 proceeds derived thereby for purposes of establishing just and reasonable rates.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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10  
11 CHAIRMAN

COMMISSIONER

12  
13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14  
15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
16 Executive Director of the Arizona Corporation Commission,  
17 have hereunto set my hand and caused the official seal of the  
18 Commission to be affixed at the Capitol, in the City of Phoenix,  
19 this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

20 \_\_\_\_\_  
21 ERNEST G. JOHNSON  
22 EXECUTIVE DIRECTOR

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

24 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR: SUN LEISURE ESTATES UTILITIES COMPANY, INC.

2 DOCKET NOS.: W-02386A-09-0308 and W-02386A-09-0554

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Chuck Swysgood, President  
SUN LEISURE ESTATES  
UTILITIES COMPANY, INC.  
P. O. Box 1074  
Yuma, AZ 85366

Janice Alward, Chief Counsel  
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ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, AZ 85007

Steven M. Olea, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, AZ 85007

## EXHIBIT "A"

Sun Leisure Estates Utilities Company, Inc.  
 Docket Nos. W-02386A-09-0308 and W-02386A-09-0554  
 Page 9

Table H-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	10	10.00