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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: June 26, 2006

RE: STAFF REPORT FOR BRADSHAW MOUNTAIN VIEW WATER COMPANY, INC. FOR A PERMANENT RATE INCREASE (DOCKET NO. W-02089A-06-0041)

Attached is the Staff Report for Bradshaw Mountain View Water Company, Inc. application for a permanent rate increase. Staff recommends approval of the application using Staff's recommended rates and charges.

EGJ:DRR:tdp

Originator: Dennis R. Rogers

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Service List for: Bradshaw Mountain View Water Company
Docket No. W-02089A-06-0041

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

BRADSHAW MOUNTAIN VIEW WATER COMPANY, INC.

DOCKET NO. W-02089A-06-0041

APPLICATION FOR A PERMANENT RATE INCREASE

JUNE 26, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Bradshaw Mountain View Water Company, Inc. Docket No. W-02089A-06-0041, was the responsibility of the Staff members listed below. Dennis R. Rogers was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Dorothy Hains was responsible for the engineering and technical analysis. Richard Martinez was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.

Dennis R. Rogers
Public Utility Analyst V

Dorothy Hains
Dorothy Hains
Utilities Engineer

Connie Walczak for
Richard Martinez
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
BRADSHAW MOUNTAIN VIEW
WATER COMPANY, INC.
APPLICATION FOR A
PERMANENT RATE INCREASE
W-02089A-06-0041

Bradshaw Mountain View Water Company, Inc. ("Company") is located approximately 3.3 miles northwest of the Town of Cordes Junction along U.S. Highway 69, in Yavapai County. The Company is engaged in the business of providing utility water service exclusively to Arizona customers in Yavapai County. The Company provides service to less than 600 customers.

The Company's rate application requested an increase in revenue of $52,398 or a 28.59 percent increase over test year revenue of $183,269. The Company's proposed revenues of $235,667, as filed, result in an operating income of $50,598 for an operating margin of 21.47 percent. The Company's requested rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,273 gallons from $20.68 to $25.78 for an increase of $5.10 or 24.7 percent.

Staff's is recommending a $32,839 or 18.0 percent increase over test year revenue of $182,376. Staff's recommended revenues of $215,215 would result in an operating income of $32,366 for an operating margin of 15.04 percent. This would provide the Company sufficient revenue to make the principal and interest payments on the previously approved loans. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,273 from $20.68 to $24.00 for an increase of $3.32 or 16.1 percent.

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

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Attachment

Engineering Report

Fact sheet

Current Rates: Decision No. 55210, dated September 18, 1986.

Type of Ownership: Arizona "S" Corporation.

Location: The Company serves customers in Yavapai County.

Rates:

Permanent rate increase application filed: January 24, 2006, deficiency notice sent February 23, 2006. Letter of Sufficiency sent April 10, 2006.

Current Test Year Ended: March 31, 2005.

Monthly Minimum Charges:

	Company Current Rates	Company Proposed Rates	Staff Recommended Rates
Monthly Minimum Charge Based on 5/8 X ¾ inch meter	$15.00	$17.50	$16.00
Gallons in Minimum	2,000	0	0
Commodity Charge Excess of minimum, per 1,000 gallons			
Tier One 2,000 gallons to infinite	2.50		
Tier One zero gallons to 3,000 gallons		1.70	1.63
Tier Two from 3,001 gallons to 10,000 gallons		2.50	2.45
Tier Three from 10,001 gallons to infinite		3.00	2.94
Typical residential bill (Based on median usage of 4,273 gallons)	$20.68	$25.78	$24.00

Customers:

Average number of customers in prior test year 233, current test year 514.

Notification:

Customers Notification was mailed January 20, 2006.

Complaints:

There were no opinions filed regarding the rate increase.

Summary of Filing

The test year results, as adjusted by Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission"), show that Bradshaw Mountain Valley Water Company, Inc. ("Company") realized an operating loss of $473 for no operating margin as shown on Schedule 1.

The Company proposed rates, as filed, produce operating revenues of $235,667 and an operating income of $50,598 for an operating margin of 21.47 percent. The Company's proposed rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,273 gallons from $20.68 to $25.78 for an increase of $5.10 or 24.7 percent.

Staff's recommended rates would produce revenues of $215,215 and an operating income of $32,366 for an operating margin of 15.04 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,273 gallons from $20.68 to $24.00 for an increase of $3.32 or 16.1 percent.

Background

On January 24, 2006, the Company filed an application for a permanent rate increase with the Commission. On February 23, 2006, the Company filing was found deficient. On March 31, 2006, the Company submitted the deficient items. On April 10, 2006, the application was deemed sufficient. The Company's application states that the requested rate increase is needed due to aging infrastructure, lack of customer growth and an increase in operational costs.

Consumer Services

A review of the Commission's records revealed the following customers complaints and opinions from January 1, 2003 to May 23, 2006: Year 2003 - two complaints, one concerning water outage and one concerning installation delay; Year 2004 - 14 complaints concerning water outages and one installation delay; Year 2005 and to May 23, 2006 - zero complaints and inquires and no opinions concerning the rate case and billing. All complaints and inquiries have been resolved and closed.

Compliance

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

The Company is current in its property and sales tax payments.

The Company is in good standing with the Corporation's Division of the Commission.

The Company is in compliance with the new arsenic maximum contaminant level.

The Arizona Department of Environmental Quality ("ADEQ") has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The Company is not located within any Active Management Area and is not subject to conservation and monitoring requirements.

Upon review of the Company's books and records, Staff concludes that they are kept in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts.

Rate Base

Staff's recommended adjustments increase rate base by $14,662 from $174,039 to $188,661. Staff's rate base results from adjustments to disallow $30,425 of plant, to reduce accumulated depreciation by $45,034 and to increase the working capital allowance by $13 using the formula method to reflect adjustments to operating expenses. See Schedule 2, page 1.

Plant-in-Service

Staff removed $30,425 from plant in service. Staff reconciled plant in service from the authorized amount in the prior rate case (Decision No. 55210), through the test year ending March 31, 2005, using plant additions and retirements. Staff removed plant determined not used and useful relating to the 1972 Well No. 2 for $17,374 and Well No. 4 costs of $13,051 (Staff Engineering Report, Page 11).

Accumulated Depreciation:

Staff decreased the Company's proposed accumulated depreciation by $45,034 from $341,881 to $296,853.

Staff calculated an accumulated depreciation balance by adding depreciation expense for the years 1986 through the end of 2005 and subtracting accumulated depreciation for recorded and Staff recommended plant retirements to the Commission approved zero balance for accumulated depreciation in the prior test year ended December 31, 1985.

Working Capital:

Staff increased the working capital allowance by $13, from $17,953 to $17,966, using the formula method to reflect adjustments to operating expenses.

Operating Revenue:

Staff decreased test year operating revenue by $893, from $183,269 to $182,376 to match the metered water revenue to the revenue generated by the billing determinants.

Operating Expenses:

Staff adjustments to operating expenses resulted in a $2,220 net decrease from $185,069 to $182,849 as shown on Schedule 3, page 1. Adjustments are discussed below.

Adjustment B removed non-recurring Purchased Water Expense of $752.

Adjustment C decreased Repairs and Maintenance Expense by $1,929 to reflect normalized expenses. Well repair expenses were abnormal in the test year.

Adjustment D increased Water Testing by $2,285 to reflect the on-going expense level.

Adjustment E decreased Depreciation Expense by $1,824 to reflect disallowance of depreciation expense on not used and useful plant.

Revenue Requirement

Staff is recommending revenue of $215,215, a $32,839 or 18.00 percent increase over the Staff adjusted test year operating revenue of $182,376. Staff's recommended revenue would provide a 17.16 percent rate of return on a rate base of $188,661 and an operating margin of 15.04 percent. Staff's recommended revenue is sufficient to cover operations, maintenance and capital costs.

Rate Design

The Company's proposed rates would increase the median usage 5/8-inch meter residential customer's bill by 24.7 percent.

The Company currently has a single tier rate design with 2,000 gallons included in the minimum monthly charge. The Company proposed an inverted three-tier rate design with no gallons included in the minimum monthly charge and breakover points at 3,000 and 10,000 gallons for all meter sizes. Staff recommends a similar inverted three-tier rate design with zero gallons in the minimum monthly charge for all meter sizes adjusted to Staff's recommended revenue requirement.

The Company is proposing actual cost non-refundable Service Line and Meter Installation Charges. Staff recommends that the Company proposed changes to its service line and meter installation charges be denied. A.A.C. Rule R14-2-405.B.2 includes the requirement

that the meter and service line installation charge be treated as a refundable advance. Staff recommends adoption of its Service Line and Meter Installation Charges as shown in Schedule 4.

The Company proposes to increase Establishment Service Charge from $15.00 to $40.00. Staff finds $40.00 as a reasonable and normal charge.

The Company proposes to increase Establishment Service Charge (After Hours) from $20.00 to $50.00. Staff recommends $50.00 as being reasonable and normal.

The Company proposed to increase Meter Re-read (if correct) from $25.00 to $40.00. Staff finds $40.00 as a reasonable and normal charge.

The Company proposes to establish service charges for Reconnection (delinquent) at $45.00. Staff finds $45.00 as a reasonable and normal.

The Company proposes to establish service charges for Deposit at two months average bill. Staff recommends charges consistent with Commission Rule (R14-2-403.B).

The Company proposes to establish service charges for Deposit Interest at 2.0 percent. Staff recommends interest charged in accordance with Commission Rule (14-2-403.B) at 6 percent per annum.

The Company proposed to increase Meter Re-read (if correct) from $10.00 to $15.00. Staff finds $15.00 as a reasonable and normal charge.

The Company proposed to increase Late Fee from zero to $5.00. Staff recommends a charge of 1.50 percent of the unpaid monthly balance per month as being reasonable and normal.

Staff Recommendations

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule 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).

- 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 use the depreciation rates shown in Exhibit 6 of the Engineering Report on a going forward basis.

- Staff recommends that Service Line and Meter Installation Charges remain refundable advances per A.A.C. Rule R14-2-405.B.2.

BRADSHAW MOUNTAIN VIEW WATER COMPANY
Docket No. Docket No. W-02089A-06-0041 Schedule 1
Test Year Ended March 31, 2005

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	$182,054	$181,161	$234,452	$214,000
Other Water Revenues	$ 1,215	$ 1,215	$ 1,215	$ 1,215
Total Operating Revenue	$ 183,269	$ 182,376	$ 235,667	$ 215,215
Operating Expenses:				
Operation and Mainenance	$ 158,247	$ 157,851	$ 158,247	$ 157,851
Depreciation	$ 17,176	$ 15,352	$ 17,176	$ 15,352
Property & Other Taxes	$ 9,646	$ 9,646	$ 9,646	$ 9,646
Income Taxes	$ -	$ -	$ -	$ -
Total Operating Expenses	$ 185,069	$ 182,849	$ 185,069	$ 182,849
Operating Income/(Loss)	($1,800)	**($473)**	$50,598	**$32,366**
Rate Base O.C.L.D.	$174,039	$188,661	$174,039	$188,661
Rate of Return - O.C.L.D.	-1.03%	-0.25%	29.07%	17.16%
Times Interest Earned Ratio (Pre-Tax)	N/M	N/M	4.64	2.97
Debt Service Coverage Ratio (Pre-Tax)	1.41	1.36	6.21	4.38
Operating Margin	-0.98%	-0.26%	21.47%	15.04%

NOTES:

1. The times interest earned ratio (TIER) represents the ability of the Company to pay interest expenses before taxes.

2. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

BRADSHAW MOUNTAIN VIEW WATER COMPANY
Docket No. Docket No. W-02089A-06-0041
Test Year Ended Test Year Ended March 31, 2005

RATE BASE

	Original Cost Company	Original Cost Adjustment		Staff
Plant in Service	$515,628	($30,425)	A	$485,203
Less:				
Accum. Depreciation	341,887	(45,034)	B	296,853
Net Plant	$173,741	$14,609		**$188,350**
Less:				
Plant Advances	$17,655	$0		$17,655
Customer Meter Deposits	0	0		0
Accumulated Deferred Income Taxes	0	0		0
Total Advances	$17,655	$0		$17,655
Contributions Gross	$0	$0		$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	$0	$0		$0
Total Deductions	$17,655	$0		**$17,655**
Plus:				
1/24 Power	$914	($31)	C	$883
1/8 Operation & Maint.	17,039	44	D	17,083
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	$17,953	$13		**$17,966**
Rate Base	**$174,039**	**$14,622**		**$188,661**

Explanation of Adjustments:

A	Plant in Service - per Company	$515,628	
	Per Staff	485,203	($30,425)
	To remove plant determined to be not used and useful per Staff adjustmentsEngineering. Well No. 2 $17,374, Well No. 4 $13,051.		
B	Accumulated Depreciation - per Company	$341,887	
	Per Staff	296,853	($45,034)
	To reconcile to the prior rate case balance recognizing depreciation for the intervening years and Staff plant adjustments.		
C	1/24 POWER - per Company	$914	
	Per Staff	883	($31)
	To adjust for power cost formula calculations.		
D	1/8 OPERATION & MAINT. - per Company	$17,039	
	Per Staff	17,083	$44
	To adjust for power cost formula calculations.		

PLANT ADJUSTMENT

	Company Exhibit	Adjustment		Staff Adjusted
301 Organization	$10,271	$0		$10,271
302 Franchises	0	0		0
303 Land & Land Rights	5,500	0		5,500
304 Structures & Improvements	14,205	0		14,205
307 Wells & Springs	77,796	(22,595)	A	55,201
311 Pumping Equipment	42,698	(7,830)	B	34,868
320 Water Treatment Equipment	1,735	0		1,735
330 Distribution Reservoirs & Standpipes	34,148	0		34,148
331 Transmission & Distribution Mains	165,854	(0)		165,854
333 Services	114,161	(0)		114,161
334 Meters & Meter Installations	47,660	0		47,660
335 Hydrants	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	1,600	0		1,600
346 Communication Equipment	0	0		0
347 Miscellaneous Equipment	0	0		0
348 Other Tangible Plant	0	0		0
105 C.W.I.P.	0	0		0
TOTALS	$515,628	($30,425)		**$485,203**

A	WELLS & SPRINGS - per company	$77,796	
	Per Staff	55,201	($22,595)
	To remove plant determined to be not used and useful per Staff Engineering. Well No. 2 $14,526, Well No. 4 $8,069.		
B	PUMPING EQUIPMENT - per company	$42,698	
	Per Staff	34,868	($7,830)
	To remove plant determined to be not used and useful per Staff Engineering. Well No. 2 $2,848, Well No. 4 $4,982.		

ACCUMULATED DEPRECIATION ADJUSTMENT

	Amount
Accumulated Depreciation - Per Company	$341,887
Accumulated Depreciation - Per Staff	296,853
Total Adjustment	**($45,034)**

Explanation of Adjustment:

A - The Accumulated Depreciation balance was calculated by adding depreciation expense for the years 1986 through the end of 2005, and subtracting accumlated depreciation for recorded and Staff recommended retirements to the Commission approved zero balance in the prior test year ended December 31, 1985.

BRADSHAW MOUNTAIN VIEW WATER COMPANY
Docket No. Docket No. W-02089A-06-0041
Test Year Ended Test Year Ended March 31, 2005

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	$182,054	($893)	A	$181,161
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	1,215	0		1,215
Total Operating Revenue	$183,269	($893)		**$182,376**
Operating Expenses:				
601 Salaries and Wages	$0	$0		$0
610 Purchased Water	752	(752)	B	0
615 Purchased Power	21,185	0		21,185
618 Chemicals	1,200	0		1,200
620 Repairs and Maintenance	60,524	(1,929)	C	58,595
621 Office Supplies & Expense	0	0		0
630 Outside Services	62,044	0		62,044
635 Water Testing	3,492	2,285	D	5,777
641 Rents	0	0		0
650 Transportation Expenses	0	0		0
657 Insurance - General Liability	1,200	0		1,200
659 Insurance - Health and Life	0	0		0
666 Regulatory Commisssion Expense - Rate Case	1,670	0		1,670
675 Miscellaneous Expense	6,180	0		6,180
403 Depreciation Expense	17,176	(1,824)	E	15,352
408 Taxes Other Than Income	0	0		0
408.11 Property Taxes	9,646	0		9,646
409 Income Tax	0	0		0
Total Operating Expenses	$185,069	($2,220)		**$182,849**
OPERATING INCOME/(LOSS)	**($1,800)**	**$1,327**		**($473)**
Other Income/(Expense):				
419 Interest and Dividend Income	$0	$0		$0
421 Non-Utility Income	0	0		0
427 Interest Expense	10,906	0		10,906
4XX Reserve/Replacement Fund Deposit	0	0		0
426 Miscellaneous Non-Utility Expense	0	0		0
Total Other Income/(Expense)	($10,906)	$0		($10,906)
NET INCOME/(LOSS)	**($12,706)**	**$1,327**		**($11,379)**

STAFF ADJUSTMENTS

A	METERED WATER REVENUE - Per Company	$182,054	
	Per Staff	181,161	($893)

To adjust for the difference between the Company's submitted metered water revenues and the actual bill counts computed by staff.

B	PURCHASED WATER - Per Company	$752	
	Per Staff	0	($752)

To remove one-time test year purchased water expense.

C	REPAIRS AND MAINTENANCE - Per Company	$60,524	
	Per Staff	58,595	($1,929)

Staff normalized repairs and maintenance to reflect extradordinary well repairs made during the test year.

D	WATER TESTING - Per Company	$3,492	
	Per Staff	5,777	$2,285

Water Testing expenses per Engineering Report.

E	DEPRECIATION - Per Company	$17,176	
	Per Staff	15,352	($1,824)

Explanation of Adjustment:

Pro Forma Annual Depreciation Expense:

Plant in Service	$485,203
Less: Non Depreciable Plant	15,771
Fully Depreciated Plant	180,238
Depreciable Plant	$469,432
Times: Staff Proposed Depreciation Rate[1]	Varies
Pro Forma Annual Depreciation Expense	**$15,352**

1 Staff Engineering Report - Exhibit 6.

BRADSHAW MOUNTAIN VIEW WATER COMPANY
Docket No. Docket No. W-02089A-06-0041
Test Year Ended Test Year Ended March 31, 2005

Schedule 4

RATE DESIGN

	Present	-Proposed Rates-					
Monthly Usage Charge	Rates	Company			Staff		
5/8" x 3/4" Meter	$15.00	$17.50			$16.00		
3/4" Meter	16.70	17.50			18.00		
1" Meter	20.87	43.75			32.00		
1½" Meter	25.05	87.50			50.10		
2" Meter	33.40	140.00			66.80		
3" Meter	66.80	280.00			130.00		
4" Meter	N/A	437.50			203.13		
6" Meter	N/A	875.00			406.25		
Commodity Rates		1st Tier	2nd Tier	3rd Tier	1st Tier	2nd Tier	3rd Tier
Excess of Minimum - per 1,000 Gallons	$2.50	$1.70	$2.50	$3.00	$1.63	$2.45	$2.94
Gallons Included in Minimum 5/8" and 3/4" meters	2,000	-	-	-	-	-	-
Tier Breakovers for 5/8" and 3/4" meters		3,000	10,000	Infinite	3,000	10,000	Infinite
Gallons Included in Minimum 1"	2,000	3,000	10,000	Infinite	-	10,000	Infinite
Gallons Included in Minimum 1 1/2"	2,000	3,000	10,000	Infinite	-	10,000	Infinite
Gallons Included in Minimum 2"	2,000	3,000	10,000	Infinite	-	10,000	Infinite
Gallons Included in Minimum 3"	2,000	3,000	10,000	Infinite	-	10,000	Infinite
Gallons Included in Minimum 4"	N/A	3,000	10,000	Infinite	-	10,000	Infinite
Gallons Included in Minimum 6"	2,000	3,000	10,000	Infinite	-	10,000	Infinite
Service Line and Meter Installation Charges							
5/8" x 3/4" Meter	$120.00	Acual cost - Non refundable			$520.00		
3/4" Meter	140.00	Acual cost - Non refundable			600.00		
1" Meter	180.00	Acual cost - Non refundable			690.00		
1½" Meter	350.00	Acual cost - Non refundable			935.00		
2" Meter	460.00	Acual cost - Non refundable			1,595.00		
3" Meter	550.00	Acual cost - Non refundable			2,275.00		
4" Meter	N/A	Acual cost - Non refundable			3,520.00		
6" Meter	1,575.00	Acual cost - Non refundable			6,275.00		
Service Charges							
Establishment	$15.00	$40.00			$40.00		
Establishment (After Hours)	20.00	50.00			50.00		
Reconnection (Delinquent)	N/A	45.00			45.00		
Meter Test (If Correct)	25.00	40.00			40.00		
Deposit	0.00	2 months average bill			*		
Deposit Interest	0.00%	2.00%			*		
Re-Establishment (Within 12 Months)	6 times minimum	**			**		
NSF Check	10.00	25.00			25.00		
Deferred Payment	0.00%	1.50%			1.50%		
Meter Re-Read (If Correct)	10.00	15.00			15.00		
Late Fee	N/A	5.00			1.50%		
Monthly Service Charge for Fire Sprinkler							
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 Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than $5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines seperate and distinct from the primary water service line.

Bradshaw Mountain View Water Company
Docket No. W-02089A-06-0041
Test Year Ended March 31, 2005

Schedule 5

TYPICAL BILL ANALYSIS

General Service 5/8 x 3/4 - Inch Meter Residential

Average Number of Customers: 285

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,141	$25.35	$30.45	$5.10	20.1%
Median Usage	4,273	$20.68	$25.78	$5.10	24.7%
Staff Proposed					
Average Usage	6,141	$25.35	$28.57	$3.22	12.7%
Median Usage	4,273	$20.68	$24.00	$3.32	16.1%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$15.00	$17.50	16.7%	$16.00	6.7%
1,000	15.00	19.20	28.0%	17.63	17.5%
2,000	15.00	20.90	39.3%	19.26	28.4%
3,000	17.50	22.60	29.1%	20.89	19.4%
4,000	20.00	25.10	25.5%	23.34	16.7%
5,000	22.50	27.60	22.7%	25.78	14.6%
6,000	25.00	30.10	20.4%	28.23	12.9%
7,000	27.50	32.60	18.5%	30.67	11.5%
8,000	30.00	35.10	17.0%	33.12	10.4%
9,000	32.50	37.60	15.7%	35.56	9.4%
10,000	35.00	40.10	14.6%	38.01	8.6%
15,000	47.50	55.10	16.0%	52.73	11.0%
20,000	60.00	70.10	16.8%	67.45	12.4%
25,000	72.50	85.10	17.4%	82.17	13.3%
50,000	135.00	160.10	18.6%	155.77	15.4%
75,000	197.50	235.10	19.0%	229.37	16.1%
100,000	260.00	310.10	19.3%	302.97	16.5%
125,000	322.50	385.10	19.4%	376.57	16.8%
150,000	385.00	460.10	19.5%	450.17	16.9%
175,000	447.50	535.10	19.6%	523.77	17.0%
200,000	510.00	610.10	19.6%	597.37	17.1%

Engineering Report
For Bradshaw Mountain View Water Company
By Dorothy Hains, P. E.
Docket No. W-02089A-06-0041
(Rates)

EXECUTIVE SUMMARY

Recommendations:

1. Staff recommends that Bradshaw Mountain View Water Company ("the Company") use depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Exhibit 6, in the future. These rates should also be used to calculate the annual depreciation expense for the Company in this application. (See §K and Exhibit 6 for a discussion and a tabulation of the recommended rates.)

2. Staff recommends approval of the meter and service line installation charges listed in the right-hand column of Table 8. (See §L of report for discussion and details.)

3. Water testing expenses are based upon participation in the Arizona Department of Environmental Quality ("ADEQ") Monitoring Assistance Program. Annual testing expenses should be adjusted to $5,777. (See §J and Tables 7 for discussion and details.)

4. Staff recommends that an adjustment be made to rate base to reflect that Well No. 4 (#55-584368) is not connected to the system and is not used and useful. (See §L of report for discussion and details.)

5. Staff recommends that an adjustment of $17,374 be made to rate base to reflect that old Well No. 2 (#55-610558) has been abandoned as is no longer in service. (See §L of report for discussion and details.)

Conclusions:

1. The most recent lab analysis provided by the Company indicates that the arsenic levels in the wells used by the Company are below 3.2 μg/l, which is below the new arsenic MCL.

2. The Company is not in an Arizona Department of Water Resources ("ADWR") Active Management Area and is not in subject to ADWR monitoring and reporting

requirements.

3. A check of the Compliance Section database indicated that the Company had no delinquencies.

4. ADEQ reported that the Company's system (#13-062) has no major deficiencies. ADEQ also has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §G of report for discussion and details.)

5. Non-account water for the Company was calculated to be 6.61 percent during the test year, which is within the acceptable limits. (See §E of report for discussion and details.)

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ENGINEERING REPORT
FOR
BRADSHAW MOUNTAIN VIEW WATER COMPANY, INC
DOCKET NO. W-02089A-06-0041 (RATES)

A. PURPOSE OF REPORT

This report was prepared in response to the application of Bradshaw Mountain View Water Company. ("Bradshaw Mountain View" or "Company") for a rate increase. An inspection and evaluation of the Company's water systems was conducted by Dorothy Hains, Utilities Water Engineer, in the accompaniment of Timothy Kyllo, President of the Company, on April 25, 2006.

B. LOCATION OF SYSTEM

The Company is located approximately 3.3 miles northwest of the Town of Cordes Junction along U. S. Highway 69, in Yavapai County. Attached Exhibits 1 and 2 detail the location of the service area in relation to other Commission regulated companies in Yavapai County and in the immediate area. The Company serves an area approximately two and half square miles in size that includes all or a portion of Sections 6, 9, 16 and 31 of Township 12 North, Range 2 East.

C. DESCRIPTION OF SYSTEM

I. System Description

The Company owns and operates one water system that consists of three well sites. The Company serves less than 600 metered customers; the majority of which are residential. Exhibits 3A and 3B are schematic drawings of the water systems. A detailed listing of the Company's water system facilities are as follows:

Table 1 Well Data

PWS #	Well Name	ADWR ID No. (55-xxxxxx)	Location	Pump (HP)	Yield (GPM)	Casing Size (in inches) & Depth (in ft)	(Meter Size inches)	Year drilled
13-062	Well #1	564103	Lot 298 Trails End	10	75	6"x312'	2	2002
13-062	Well #2	610558	17081 Duffers Dr	10	200	6"x406'	2	2004
13-062		610556	Lot 298 Trails End	10	100	8"x105"		1945
13-062		610557	Lot 745 Goldpan Rd	7½	85	8"x105'	2	N/A
				TOTAL:	460			

Table 1A Plant Not Used and Useful

PWS # -	Well Name	ADWR ID No. (55-xxxxxx)	Location	Pump (HP)	Yield (GPM)	Casing Size (in inches) & Depth (in ft)	Year disconnected from service	Year drilled
13-062	Old Well #2 [1]		17081 Duffers Dr	10	200	10⅞"x302'	2004	1972
13-062	Well #4[2]	584368	Lot 806 Bob White Court	N/A	100	12-8" x 630'	-	2001
				TOTAL:	300			

Notes:
1. This well was abandoned in 2001 due to a collapsed casing.
2. This well was not connected to the system.
3. See Section L of this report for recommended adjustments to rate base.

Table 2 Storage Tank

Capacity (Gallons)	Quantity	Location
132,000	1	North Section 31
65,000	1	Well #1 Site
Total: 197,000 gallons		

Table 3 Distribution Mains

Diameter (inches)	Material	Length (feet)
3	polyvinyl chloride ("PVC")	3,500
4	PVC	11,500
6	PVC	42,768

Table 4 Meters

Size (inches)	Quantity
5/8 x 3/4	369
¾	161
1	?
1½	2
2	6
3 (Comp)	1
3 (Turbo)	1
4 (Comp)	1
Total	541

II. System Analysis

The system has adequate production and storage capacity to support the existing customer base.

D. ARSENIC

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The most recent lab analysis provided by the Company indicates that the arsenic level in the well system used by the Company is 3.2 µg/l, which is below the new arsenic MCL.

E. WATER USAGE

Table 5 summarizes water usage in the Company's CC&N area. Exhibit 4 is graph that shows water consumption data in gallons per day per connection for the system for the period of April 2004 through March 2005.

Table 5 Water Usage in Combined Systems

Month	Number of Customers	Water Sold (gallons)	Water pumped (gallons)	Water purchased (gallons)	Daily Average (gal/day/customer)
Apr 04	541	3,907,000	4,106,000	0	241
May 04	539	4,836,000	5,186,000	0	289
Jun 04	532	4,590,000	4,836,000	0	288
Jul 04	533	4,734,000	4,905,000	0	287
Aug 04	537	4,424,000	4,526,000	0	266
Sep 04	535	4,281,000	4,385,000	0	267
Oct 04	534	3,258,000	3,426,000	0	197
Nov 04	533	2,341,000	2,516,000	0	146
Dec 04	530	2,905,000	3,205,000	0	177
Jan 05	530	2,386,000	2,791,000	0	145
Feb 05	536	2,379,000	2,854,000	0	159
Mar 05	534	1,862,000	2,141,000	0	112
Total		41,912,000	44,877,000	0	
Average					214

The calculated overall water loss is 6.61% during the test year.

I. Water Sold

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 214 gallons per day ("gpd") per customer, a high use of 289 gpd per customer and a low use of less than 112 gpd per customer. The highest total monthly use occurred in May, when total of 4,836,000 gallons were sold to 539 customers. The lowest total monthly use occurred in March, when 1,862,000 gallons were sold to 534 customers.

II. Non-account Water

Non-account water should be 10% or less and never more than 15%. 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 the Company was calculated to be 6.61 percent during the test year, which is within the acceptable limits.

F. GROWTH PROJECTION

Based on the service meter data contained in these reports, the number of customers increased from 410 at the end of 1997 to 569 by the end of 2005, with an average growth rate of 18 customers per year. Based on the linear regression analysis, the Company could have approximately 719 customers by the end of 2011. The following table summarizes actual and projected growth in the Company's existing certificated service area.

Table 6 Actual and Projected Growth

Year	Nos. of Customers	
1997	410	Reported
1998	433	Reported
1999	462	Reported
2000	465	Reported
2001	488	Reported
2002	508	Reported
2003	514	Reported
2004	530	Reported
2005	569	Reported
2006	630	Estimated
2007	648	Estimated
2008	666	Estimated
2009	683	Estimated
2010	701	Estimated
2011	719	Estimated

G. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Staff received a compliance status reports from ADEQ dated March 29, 2006, in which ADEQ reported that the system (PWS #13-062) has no major deficiencies. ADEQ also has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

H. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Bradshaw Mountain View Water Company is not in any ADWR Active Management Area, and the Company is not required to comply with ADWR's monitoring and reporting requirements.

I. ARIZONA CORPORATION COMMISSION ("ACC") COMPLIANCE

A check of the Compliance Section database indicated that the Company had no delinquencies.

J. WATER TESTING EXPENSES

Bradshaw Mountain View 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, nitrates, and bacteria.

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 two points 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 8 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount shown in Table 7 a total of **$ 5,777**.

Table 7 Water Testing Cost

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost ($)	Annual Cost ($)
Bacteriological – monthly	$30	144	4,320	1,440
Inorganics (& secondary)	$275	3	825	275
Radiochemical – (1/ 4 yr)	$55			MAP
IOC's, SOC's, VOC's				MAP
Nitrites	$25			MAP
Nitrates – annual	$40	144	5,760	1,920
Asbestos – per 9 years	$180			MAP
Lead & Copper – annual	$45	30	1,350	450
MAP fees (annual)				1,691.77
Total				**5,777**

K. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Exhibit 6, and should be used to calculate the annual depreciation expense for the Company in this application. It is also recommended that the Company use depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Exhibit 6, in the future.

L. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company is proposing to revise its meter and service line installation charges. The Company has requested that its meter and service line installation charges be determined on an individual case basis and that the monies collected be non-refundable (the Company's tariff currently includes specific charges that are treated as refundable advances). Staff recommends that the Company's proposed changes to its service line and meter installation charges be denied. A.A.C. Rule R14-2-405.B.2 includes the requirement that the meter and service line installation charge be treated as a refundable advance. Based on its experience with other Company's, Staff has developed a range of reasonable and customary charges by meter size which it believes should be adopted in this case. Staff recommends that the charges listed in the right-hand column of the table below be adopted for purposes of this case.

Table 8. Service Line and Meter Installation Charges

Meter Size	Current Charges	Company Proposal	Staff Recommendation
5/8 x3/4-inch	$120 refundable	At cost-non refundable	$520 refundable
3/4-inch	$140 refundable	At cost-non refundable	$600 refundable
1-inch	$180 refundable	At cost-non refundable	$690 refundable
1-½-inch	$350 refundable	At cost-non refundable	$935 refundable
2-inch	$460 refundable	At cost-non refundable	$1,595 refundable
3-inch	$550 refundable	At cost-non refundable	$2,275 refundable
4-inch	N/A	At cost-non refundable	$3,520 refundable
6-inch	N/A	At cost-non refundable	$6,275 refundable

II. Curtailment Tariff

The Company has an approved curtailment tariff on file with the Commission (Docket No. W-02089A-04-0430 filed June 9, 2004).

III. Rate Base Adjustments for Plant Not Used and Useful

1. During its site inspection, Staff found that the old well #2 (DWR # 55-610558) was abandoned in 2004 after the well casing collapsed. A new well #2 (DWR # 55-610558) was installed in 2004 to replaced the old well. The old well #2 and well pump should be retired. Staff estimated that the old well #2 would have cost $14,526 in 1972 and the old well pump would have cost $2,848 in 1972. Staff recommends $17,374 be removed from rate base.

2. Well #4 was drilled in 2001 however this well has not connected to the system. Therefore it is not used and useful and its value should be removed from the rate base.

EXHIBIT 1
Bradshaw Mountain View' Certificate Service Area

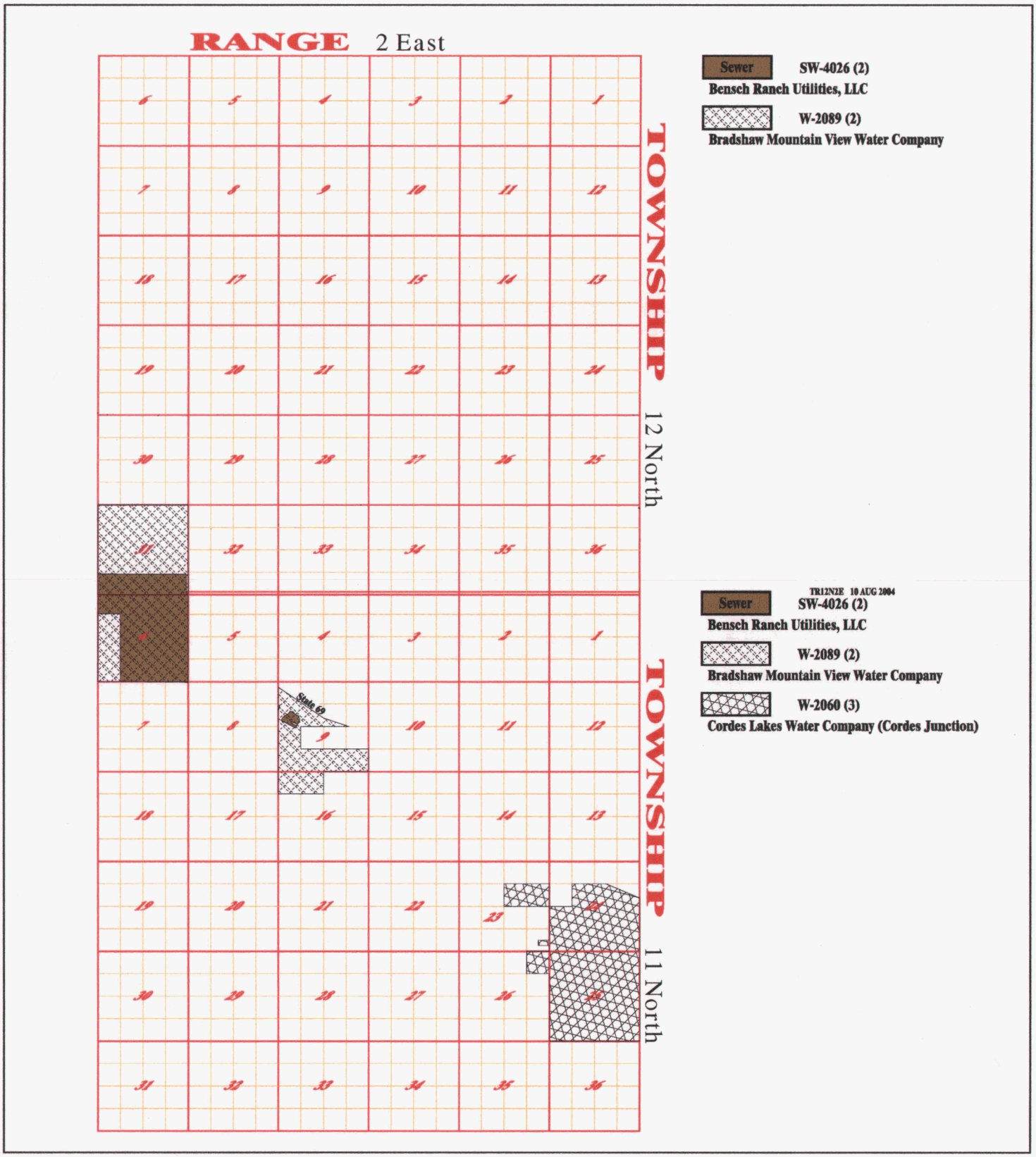
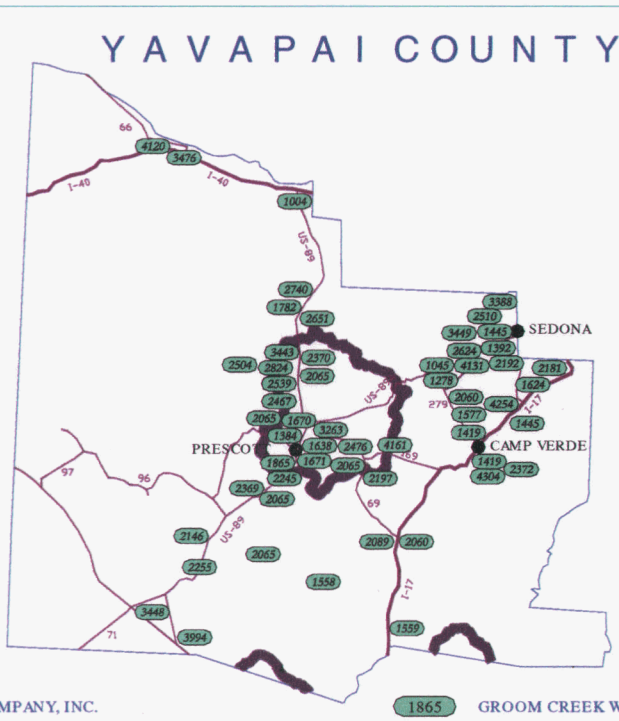


EXHIBIT 2.
LOCATION OF BRADSHAW MOUNTAIN VIEW WATER COMPANY SERVICE AREA



1782	ABRA WATER COMPANY, INC.
2740	ANTELOPE LAKES WATER COMPANY
3443	APPALOOSA WATER COMPANY
1445	ARIZONA WATER COMPANY
1004	ASHFORK DEVELOPMENT ASSOCIATION, INC.
3476	BN LEASING CORPORATION
1624	BIG PARK WATER COMPANY
2510	BOYNTON CANYON ENCHANTMENT HOMEOWNERS ASSOC.
2089	BRADSHAW MOUNTAIN VIEW WATER COMPANY
2476	BRADSHAW WATER COMPANY, INC.
1419	CAMP VERDE WATER SYSTEM
3994	CDC WICKENBURG WATER, LLC
2370	CHINO MEADOWS II WATER COMPANY, INC.
1278	CLEMENCEAU WATER COMPANY
1559	COLDWATER CANYON WATER COMPANY
2060	CORDES LAKES WATER COMPANY
1045	COTTONWOOD WATER WORKS, INC.
4131	CROSS CREEK RANCH WATER COMPANY
1558	CROWN KING WATER COMPANY, INC.
1384	DELL'S WATER COMPANY, INC.
3263	DIAMOND VALLEY WATER USERS ASSOCIATION
4120	GRAND CANYON CAVERNS AND INN, LLC
1670	GRANITE DELLS WATER COMPANY
2467	GRANITE MOUNTAIN WATER COMPANY, INC.
2539	GRANITE OAKS WATER USERS ASSOCIATION
1865	GROOM CREEK WATER USERS ASSOCIATION
1638	HOLIDAY HILLS WATER COMPANY
2197	HUMBOLDT WATER SYSTEM, INC.
2824	ICR WATER USERS ASSOCIATION
2624	MICHAELS RANCH WATER USERS' ASSOCIATION
2651	JUNIPER WELLS WATER COMPANY
1557	LAKE VERDE WATER COMPANY
2192	LITTLE PARK WATER COMPANY, INC.
2245	LOMA ESTATES WATER COMPANY
2504	MEADOW WATER COMPANY
4254	MONTEZUMA RIMROCK WATER COMPANY, LLC
4304	OAK CREEK PUBLIC SERVICE, LLC
1392	OAK CREEK WATER COMPANY NO. 1
2146	PEEPLES VALLEY WATER COMPANY
2181	PINE VALLEY WATER COMPANY
3448	RAINBOW PARKS, INC.
3449	SEDONA VENTURE (MHC OPERATING LTD PARTNERSHIP)
3388	SEVEN CANYONS WATER COMPANY
1671	SHERMAN PINES WATER COMPANY
2372	VERDE LAKES WATER CORPORATION
2369	WALDEN MEADOWS COMMUNITY COOPERATIVE
4161	WHITE HORSE RANCH OWNERS ASSOCIATION, INC.
2065	WILHOIT WATER COMPANY, INC.
2255	YARNELL WATER IMPROVEMENT ASSOCIATION

01/05/06

EXHIBIT 3A
SYSTEMATIC DRAWING

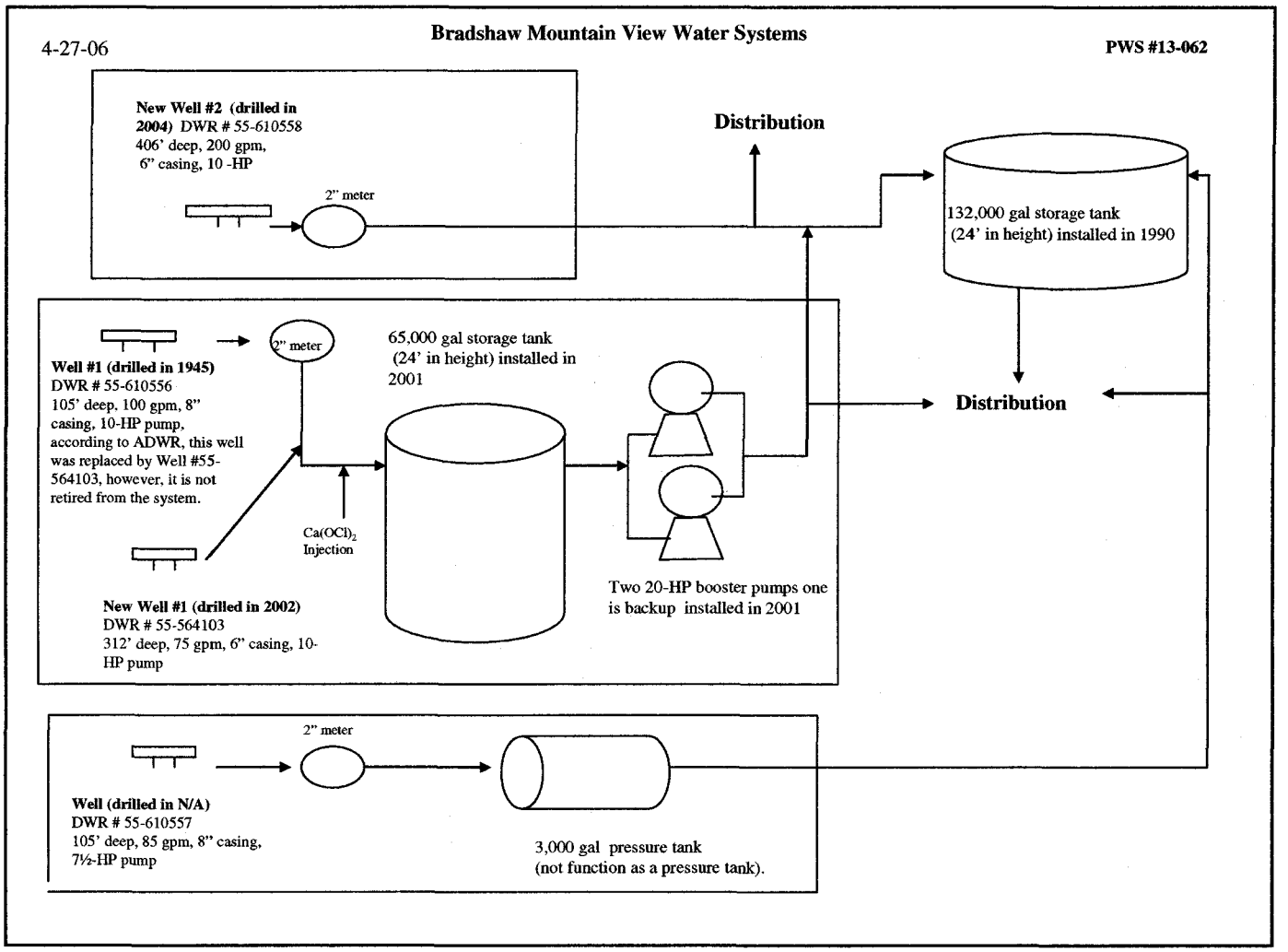


EXHIBIT 3B

SYSTEMATIC DRAWING

5-1-06

Old Well (drilled in 1972)
DWR # 55-610558 (302' deep, 200 gpm,
10 ⅞" casing, 10-HP) Well was closed in 2004, due to well casing collapsed.

Well Abandoned

Well #4
(drilled in 2001),
DWR # 55-584368 (630' deep,
100 gpm, 12-8" casing)

Well is **not used and useful**, due to not connected to the system,

Bradshaw Water (Inactive) Systems

EXHIBIT 4

WATER USAGE ON THE BRADSHAW MOUNTAIN VIEW WATER COMPANY SERVICE AREA

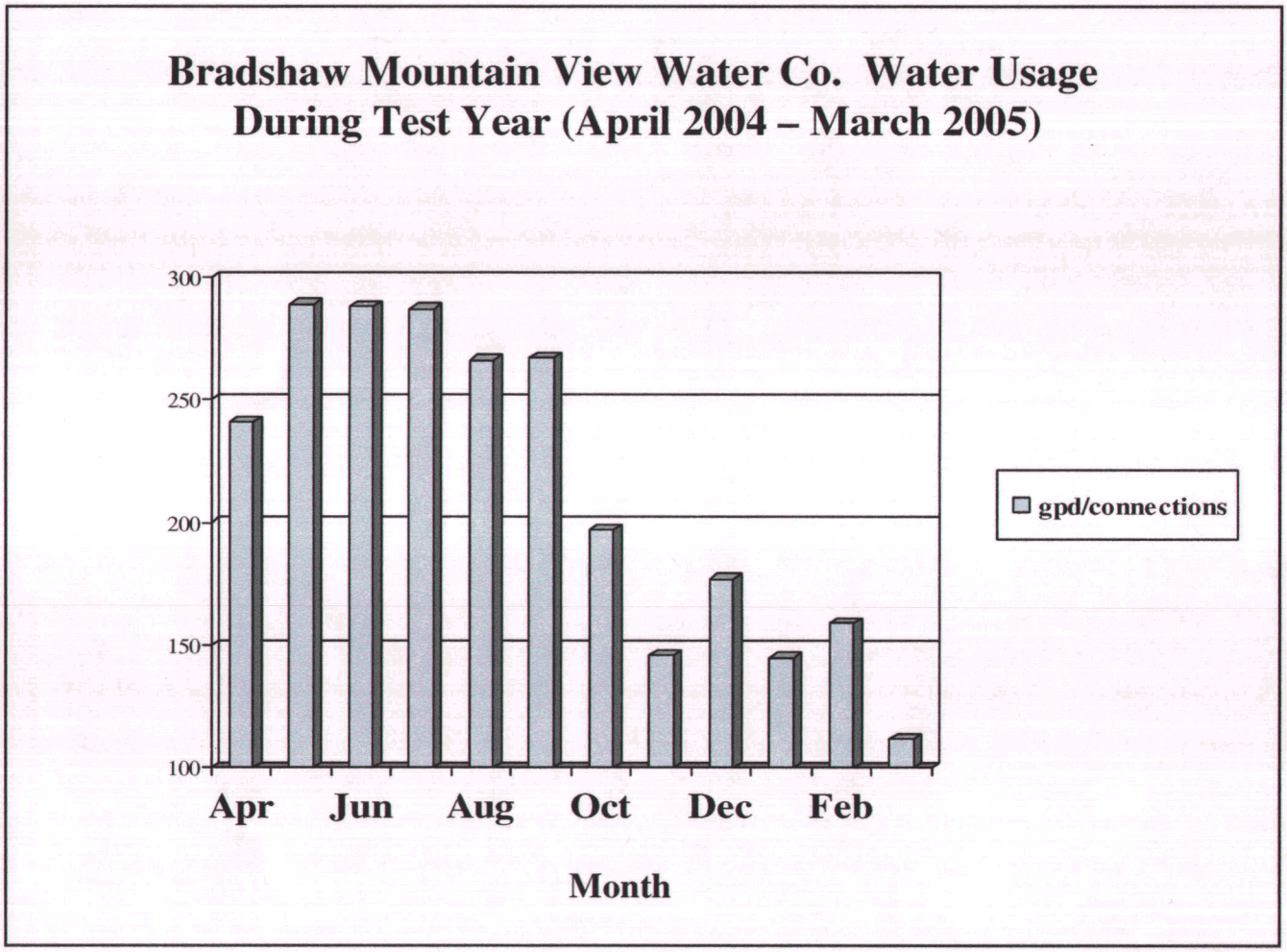


EXHIBIT 5

ACTUAL AND PROJECTED GROWTH IN BRADSHAW MOUNTAIN VIEW WATER COMPANY SERVICE AREA

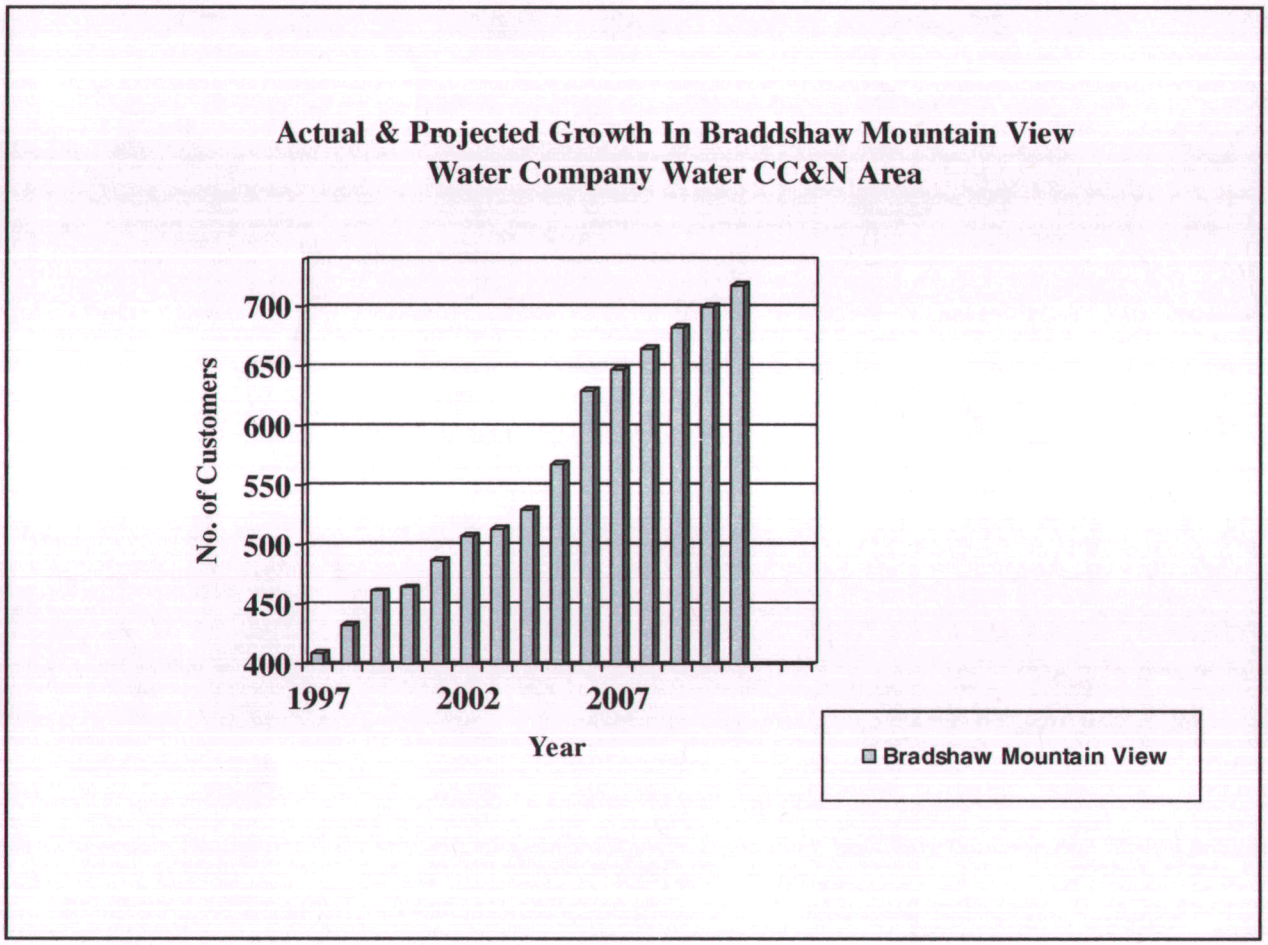


Exhibit 6

Water Depreciation Rates

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	----	----