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Arizona Corporation Commission
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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC FOR A RATE INCREASE.

DOCKET NO. W-03718A-09-0359

STAFF'S CLOSING BRIEF

I. INTRODUCTION

Sahuarita Water Company L.L.C. ("Sahuarita" or "Company") is an Arizona Limited Liability Company ("LLC") engaged in the business of providing water utility services in Sahuarita, Arizona.[1] Sahuarita provides water service to approximately 4,700 connections or roughly 12,000 people located in the Rancho Sahuarita Master Planned Development in the Town of Sahuarita in Pima County, Arizona.[2] The Company's current rates were approved in its original Certificate of Convenience and Necessity ("CC&N) application, Decision No. 59431, dated December 28, 1995.[3]

Sahuarita filed its application for a permanent rate increase based on a test year ending December 31, 2008.[4] The Company is proposing a total revenue requirement of $3,484,737.[5] This is an increase in revenues of $1,269,594, or 57.31 percent over adjusted test year revenues.[6] The Company is proposing original cost rate base ("OCRB") of $10,059,443.[7] The Company is requesting to treat its OCRB as its fair value rate base ("FVRB").[8] Sahuarita is seeking a capital structure comprised of 18.02 percent debt and 81.98 percent equity.[9] In this case the Company is

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[1] Ex. S-7 at 2. (Direct Michlik)
[2] Ex. A-2 at 2. (Direct Seamans)
[3] Ex. S-7 at 2.
[4] Ex. A-2 at 3. (Direct Bourassa)
[5] Ex. A-6 at 2. (Rejoinder Bourassa)
[6] *Id.*
[7] Ex. A-6 at 3.
[8] *Id.*
[9] Ex. A-7 at 1.

requesting a cost of equity of 10.9 percent, and a cost of debt of 4.2 percent, and a weighted average cost of capital ("WACC") of 9.69 percent.[10]

Staff is recommending a total revenue requirement of $2,608,189.[11] This is a $393,046, or 17.74 percent increase over adjusted test year revenues.[12] Staff is recommending OCRB and FVRB of $8,709,357.[13] Staff is recommending a capital structure consisting of 17.8 percent debt and 82.2 percent equity.[14] Staff is also recommending a 4.2 percent cost of debt, but a more reasonable 10.3 percent cost of equity, and a WACC of 9.2 percent.[15]

Four rate base adjustments remain at issue in this case relating to: the treatment of post test year plant, the accumulated depreciation balance, the Company's inclusion of Accumulated Deferred Income Taxes, and the treatment of customer security deposits. There are three income statement expense adjustments remaining: affiliate management fees, the Company's inclusion of income tax expense, and the proper treatment of rate case expense. Staff and the Company disagree regarding the appropriate cost of equity for Sahuarita. Under the issue of rate design, while the Company did perform a cost of service study, Staff believes the Company's proposed rate design does not adequately promote the efficient use of water by Sahuarita's ratepayers. Finally, Staff is recommending the adoption of the Company's proposed CAGRD adjustor mechanism only if Staff's recommended conditions are also adopted. Staff will address each of these issues in this brief.

II. RATE BASE ADJUSTMENTS

Sahuarita is seeking $10,059,443 in rate base.[16] Staff however, is recommending 8,709,357 for rate base.[17] The difference in the parties' rate base amounts is due to the following adjustments to rate base.

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[10] *Id.*
[11] Final Schedule JMM-9.
[12] Ex. S-9 at 2.
[13] Final Schedule JMM-1.
[14] Ex. S-6 at 2. (Surrebuttal Manrique)
[15] Ex. S-6 at 2.
[16] Ex. A-6 at 3.
[17] Ex. S-9 at 2.

A. The Commission Should Not Include Post Test Year Plant in Rate Base.

The Company is seeking to include $1,844,270 for the cost of Well No. 23 in rate base in this case. The Company asserts that this well is used and useful because it provides redundancy and is a backup to the system.[18] This is despite the fact that the Company did not place Well No. 23 in service until November 2009, or nearly 12 months after the end of the test year in this case.[19] As discussed in greater detail below, Staff inspected the entire water system and determined that the test year well and storage capacities were sufficient, and determined that Well No. 23 was not needed to serve test year customers.[20]

B. The Difference in the Accumulated Depreciation Balance is Due to the Company's Proposed Treatment of Post Test Year Plant.

Staff decreased accumulated depreciation by $327,565, from $1,680,847 to $1,353,282 to reflect application of depreciation to the plant-in-service balance that Staff is recommending in this case.[21] Sahuarita is seeking a balance in the accumulated depreciation account of $1,368,282.[22] The Company explains that the $15,000 difference between what Staff is recommending and what the Company is seeking is due to the cost of a pump motor being used on Well No. 23.[23] Mr. Bourassa explained during the hearing that if the Commission were to disallow the inclusion of Well No. 23 in rate base that he agrees with Staff's accumulated depreciation balance.[24]

C. The Company is Not Entitled to Accumulated Deferred Income Taxes ("ADIT").

The Company is seeking a proforma adjustment for ADIT in the amount of $186,736 to reflect the Company-proposed changes to Plant-in-service ("PIS"), Contributions in Aid of Construction ("CIAC"), and Advances in Aid of Construction ("AIAC").[25] Staff recommends decreasing ADIT by $338,625, from $338,625 to $0.[26]

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[18] Tr. at 132.
[19] Tr. at 273.
[20] Ex. S-7 at 7.
[21] Ex. S-7 at 8-9.
[22] Ex. A-6 at 5.
[23] *Id.*
[24] Tr. at 135.
[25] Ex. A-4 at 3.
[26] Ex. S-7 at 12.

ADIT is a deferred tax benefit/liability which represents the accumulated temporary tax differences between income taxes calculated for rate-making purposes and the actual income taxes that a company pays. A deferred tax liability represents the increase in taxes payable in future years as a result of temporary taxable differences existing at the end of the current year.[27] As explained further by Mr. Bourassa, the Company's witness, ADIT recognizes that taxes paid today are not necessarily the same taxes that are included in the revenue requirement for ratemaking purposes.[28] This is because the taxes included in the revenue requirement are based on book income and book depreciation, and not taxable income and depreciation for tax purposes.[29]

The Company acknowledges that the ADIT proposed in this case is based on its claimed book-tax timing differences with regard to depreciation.[30] However, since Sahuarita is an LLC, a business classification not recognized for tax purposes, it does not pay income taxes and, instead, passes its income through to the shareholders.[31] While the Company argues that it has been paying or reimbursing to its members their personal income taxes, it ultimately acknowledges that it does not record income tax expense on the books of the Company because it is a pass-through entity for tax purposes.[32] The Company further acknowledges that it would not normally record ADIT on its books,[33] and that it is doing so only to be consistent with its proposal to include the Company's income tax expense in operating expenses and to insure a proper match of rate base, revenue, and expenses.[34] In other words, it appears that the Company acknowledges that if the Commission does not allow it to have an income expense, it would be improper to include ADIT. For the reasons discussed in detail below, Staff is recommending that the Company not be entitled to include income tax expense as part of its operating expenses since the Company does not pay income taxes. Accordingly, neither would the Company be entitled to an adjustment for ADIT.

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[27] Ex. S-7 at 11.
[28] Tr. at 146.
[29] *Id.*
[30] Tr. at 147.
[31] Ex. S-7 at 24. Surrebuttal at 19-20.
[32] Tr. at 148.
[33] Tr. at 149.
[34] Ex. A-2 at 10.

D. Customer Deposits Should Be Included as a Deduction to Rate Base.

Staff recommends an increase in customer deposits by $96,204, from $0 to $96,204 because the Company did not include customer deposits in its rate base.[35] These deposits should be treated as a reduction to rate base. Staff's recommendation is based by and large on the fact that customer deposits represent funds received from ratepayers as security against potential losses arising from failure to pay for service.[36] Ultimately, the deposits, like CIAC, are available to the Company for use in support of its rate base investment.[37]

The Company disagrees with Staff's recommended treatment of customer deposits for three reasons. First, the Company claims that security deposits are not capital provided by non-investors. The Company asserts that deposits represent security for payment of receivables from customers and are used as a means of controlling bad debt expense.[38] However, the Company acknowledges that there is no rule or requirement that prevents Sahuarita from using the deposits as long as it is able to refund them as required.[39] In addition, the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA") for Class B Water utilities supports Staff's recommended treatment of customer deposits. NARUC indicates that account 235 customer deposits includes "all amounts deposited with the utility by customers as security for the payment of bills."[40] Even the Rate Case and Audit Manual ("Manual"), prepared by NARUC and submitted as an exhibit by the Company, defines customer deposits as "a source of non-investor supplied capital" and acknowledges that the methodology recommended by Staff in this case is appropriate.[41] The Manual also explains that the method proposed by the Company "allows the utility to earn a return on [customer deposits] and then allows it to use that return to pay the interest that is required . . . ."[42] However, the Manual further cautions that, under this method, when the allowed return on rate base

[35] Ex. S-7 at 10.
[36] *Id.*
[37] *Id.*
[38] Ex. A-4 at 14.
[39] Tr. at 154-155.
[40] Ex. S-9 at 4.
[41] Ex. A-6 at Exhibit TJB-RJ-1.
[42] *Id.*

is higher than the required interest rate (as is true in this case), the utility may earn more than is necessary, to the benefit of the shareholders and the detriment of the ratepayers.[43]

Second, the Company argues that if Staff truly considered the security deposits as a source of capital then Staff should have included the annual interest costs in operating expenses.[44] Contrary to the Company's assertion, Staff indicated that it would consider including the appropriate amount of interest expense on customer security deposits in operating expenses if the Company provided the proper support.[45] Staff's recommendation regarding the treatment of customer deposits has not changed since filing direct testimony in April 2010. Despite this fact, the Company did not raise the issue of interest expense with any particularity until the filing of rejoinder testimony in July, 2010.[46]

When the Company finally raises its concern regarding interest expense, it indicates that "no more information is necessary," and that the calculation is a simple mathematic equation, 6% times $92,204, or $5,772.[47] However, the Company incorrectly ties the amount of interest expense accrued or paid during the year to the dollar amount of the customer deposits account balance existing on the last day of the year. The deposit balance at any given time during the year may vary considerably. As noted by Mr. Michlik, Staff would likely use a 13-month average deposit balance and Staff would audit the deposits received and the refunds and interest paid.[48] Therefore, Staff concludes that more information *is* necessary.

Finally, the Company claims that Staff's recommended treatment is improper because the Company maintains a separate bank account for customer security deposits and does not use this account for any other purpose but to refund security deposits.[49] However, the Company admits that nothing would prevent the Company from getting rid of the account and using all of the money.[50] It is important to remember that the general formula for determining rate base, as indicated by Deloitte

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[43] *Id.*
[44] Ex. A-4 at 15.
[45] Ex. S-9 at 4.
[46] The Company in rebuttal testimony did indicate Staff should have included annual interest costs in operating expenses and that the annual interest costs are on the order of $4,000 to $5,000. Ex. A-4 at 15.
[47] Ex. A-6 at 11.
[48] Tr. at 517-518.
[49] Ex. A-4 at 15.
[50] Tr. at 155.

Development LLC, is to include customer deposits as a deduction to rate base.[51] Further, while the Company may have a separate account for customer deposits, the deposits are normally comingled with other funds in the operating account, and only at the end of each month are the accounts reconciled.[52] Ultimately, the Company has access to this money for any purpose as long as it properly refunds them when required. Interestingly, the Company's witness claims he has never taken the position customer deposits should be a deduction to rate base, yet in 2007 LIVCO Water Company rate case (Docket Nos. W-02121A-07-0506 and W-02121A-07-0688), where Mr. Bourassa was a witness for the Company, he included customer deposits as a deduction to rate base. Further in the recent rate cases for Arizona Water Company, TEP, and UNS Gas, the Commission treated customer deposits as a deduction to rate base.[53]

Staff submits that the NARUC-approved methodology recommended by Staff is preferable to that proposed by the Company. Further, Staff will consider the inclusion of interest expense on customer security deposits in operating expenses if all amounts are appropriately supported.[54] Staff recommends that the Commission deny the Company's requests, and urges to Company to provide this information in subsequent rate application filings.

III. INCOME STATEMENT ADJUSTMENTS

Staff recommends adjusted test year revenues of $2,215,143, operating expenses of $1,806,928 and operating income of $408,215.[55] Staff arrived at these amounts based on the expense adjustments addressed below. The Company is also seeking adjusted test year revenues of $2,215,143, but seeking much larger operating expenses of $2,062,338 resulting in an operating income of $152,805.[56]

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[51] Ex. S-11

[52] Tr. at 351.

[53] Arizona Water Company W-01445A-08-0440, Tucson Electric Power Company E-01933A-07-0402, and UNS Gas, Inc. G-04204A-08-0571.

[54] Ex. S-9 at 4.

[55] Final Schedules JMM-9.

[56] Ex. A-6 at Rejoinder Schedule C-1.

A. The Company Has Not Met Its Burden of Proof for the Inclusion of Affiliate Management Fees Expense for Non-Dedicated Employees.

Staff is recommending a negative $100,831 operating adjustment to account for the Company's unsupported non dedicated affiliate Management Company employee salaries.[57] The Company would like to have its total estimated allocation of affiliate management fees of $637,012 included in operating expenses.[58] However, the Company has failed to provide adequate evidence that inclusion of its affiliate management fees for non-dedicated employees in rates is fair and reasonable to its ratepayers.

1. THE WATER COMPANY AND MANAGEMENT COMPANY ARE AFFILIATED.

The Company is an affiliate of the Management Company.[59] A.A.C. R14-2-801(1) defines an affiliate of a public utility as:

> any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the public utility. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the power to direct the management policies of such entity, whether through ownership of voting securities, or by contract, or otherwise.

Furthermore, Generally Accepted Accounting principles ("GAAP") also dictate that:

> Transactions involving related parties[60] cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.[61]

Although R14-2-801(1) applies to Class A utilities, and the Company is not a Class A utility, GAAP underscores the importance of closely examining transaction between affiliated parties. Deborah Sharpe is the secretary and vice president of Sharpe and Associates, Inc, the parent company

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[57] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 14:1-2 and Surrebuttal Schedule JMM-11.

[58] Ex. A-14, Rebuttal Testimony of Marian Homiak at 7:14-8:14; Ex. A-9, Direct Testimony of Mark Seamans at 3; Ex. S-7, Direct Testimony of Jeffrey M. Michlik at 18:13-15.

[59] Ex. S-7, Direct Testimony (Rate Base) of Jeffrey M. Michlik at 12-17.

[60] Defined as a party that "can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests."

[61] GAAP Accounting Standards Codification 850-10-50-5; *See also*, Direct Testimony of Jeffrey M. Michlik at 16:17-23.

of both the Company and Management Company.[62] Additionally, Deborah Sharpe is the director of MKS Equitas Investment Group, Ltd, the single member of Rancho Sahuarita Management Company.[63] It is clear that there exists a great deal of common control and "power to direct the management policies" between Sahuarita Water Company and Rancho Sahuarita Management Company.[64]

2. THE WATER COMPANY DID NOT PROVIDE ADEQUATE SUPPORT FOR ITS NON-DEDICATED EMPLOYEE SALARIES.

Despite the closely related nature of the Company and the Management Company, the Company did not obtain management services through a competitive bidding process.[65] It would be inappropriate to accept the Company's full $637,012 in requested affiliate management fees without evidence of a competitive bidding process or other assurance that the fees are fair and reasonable. As noted by Mr. Michlik,

> For affiliate or related-party transactions, a mere showing that costs were incurred is not sufficient evidence to demonstrate that the costs are appropriately valued. Such transactions cannot be presumed to be carried out on an arm's length basis, and therefore, give rise to the potential for additional charges. Using a competitive bidding process provides evidence that the best quality service at the lowest price is obtained. Also, a competitive bidding process provides incentive to the outside service to run as efficiently as possible in order to keep costs low.[66]

As explained by Ms. Homiak, the Company uses competitive bidding for construction contracts in order to obtain the highest quality product at the lowest price.[67] Because of the affiliated nature of the Management Company and the Company and because competitive bids (or any other cost management safeguards) were not utilized, the Management Company's non-dedicated affiliate salaries are appropriately excluded from operating expenses.

In addition to its failure to utilize a competitive bidding process for management services, the Company failed to provide an accurate accounting of so called 'non-dedicated' management employees. The Company was unable to provide supporting documentation for the allocated costs of

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[62] Ex. S-7, Direct Testimony of Jeffrey M. Michlik at 15:9-11.
[63] *Id.*, at 14:19-15:11.
[64] *Id.*, at 16:25-17:2.
[65] *Id.*, at 17:20-22.
[66] *Id.*, at 18:17-25.
[67] Tr. at 362:9-19.

the non-dedicated employees to Staff.[68] The Company merely provided percentage estimates of time allocation of non-dedicated employees.[69] In response to Staff's request for time sheets to support the estimated time allocations for each non-dedicated employee, the Company responded with vague descriptions of the type of work conducted by each non-dedicated employee.[70]

Further calling into question the necessity of the non-dedicated employees, the 10 year plan for management of the Company does not take into account Mr. Bowman or Ms. Gauntt's (two 'non-dedicated' employees of the Management Company) positions.[71] The Company has not adequately demonstrated a need for Mr. Bowman's contract oversight services. Mr. Seamans states that Mr. Bowman provides Sahuarita consulting contract oversight.[72] However, as acknowledged by the Company, Mr. Seamans has overlapping job responsibilities and Mr. Bowman's services could be performed by Mr. Seamans.[73] Ms. Homiak also admitted that Mr. Seamans could have performed some of the duties that Mr. Bowman performs for the Company; specifically attending town council meetings.[74] Describing Mr. Bowman's work for the Company, Mr. Seamans stated, "He provides – I would call it a consultant. You know, whenever we have these issues, I run ideas by him, and as a consultant he gives me his ideas."[75]

In addition to providing the Commission with inadequate evidence to support the non-dedicated employee costs, such accounting violates the National Association of Regulatory Utility Commissioners' ("NARUC") requirement that "to the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided."[76] Direct costs,[77] such as those provided by the management company's non-dedicated employees should be supported by detailed time sheets or billing statements describing exactly what tasks were performed and how many hours were dedicated to each task.[78]

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[68] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 10-11.
[69] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 11:14-12:11.
[70] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at11:25-12:11.
[71] Tr. at 317:16-318:12.
[72] Tr. at 313-314.
[73] Tr. at 315:20-316:11 and 361:17-18.
[74] Tr. at 361:7-21.
[75] Tr. at 314:10-12.
[76] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 12:9-16.
[77] Direct Costs: costs which can be specifically identified with a particular service or product.
[78] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 12:-13.

In the following excerpt from the hearings Mr. Seamans acknowledges that he would not accept a bill or invoice from a professional service provider without detailed information or an itemized list of the services provided:

> Q. [i]n your position would you accept a bill from a professional providing services to the water company charging the water company 30 percent of their annual salary?
> . . .
> THE WITNESS: Not without detailed information that goes along with it.
> Q. (BY MS. VOHRA) Okay. And likewise, you wouldn't find it acceptable, an invoice from a vendor charging the water company 30 percent of their annual costs rather than showing the actual costs that were incurred; correct?
> A. Invoices are not processed without itemized detail.

Similarly, Ms. Homiak indicated that it would be inappropriate to pay for services provided to the Company without a detailed invoice establishing exactly what services were performed and the associated costs.[79] Yet the Company is requesting that its customers pay for an estimated percentage of Sahuarita Managements employee salaries.

The salary surveys provided by the Company are not a substitute for a competitive bidding process.[80] The salary surveys from the New York Times are not industry specific and the American Water Works Association ("AWWA") salary survey does not address regional differences.[81] In fact, Sahuarita Management Company did not review or provide any comparative salaries for other similarly situated Arizona water utilities.[82] Further, many of the job descriptions in the salary surveys do not match the job description that the Management Company is purporting to compare.[83] For example, Ms. Homiak described her inability to find 'water company president' in the New York Times salary survey: "I would look and, you know, read down the job description and try to find something as close as possible. Nothing is exact."[84] Further, the total annual salaries and wages as listed in Appendix D of Ex. A-14, Rebuttal Testimony of Marian Homiak, were not verified for accuracy by the Water Company.[85] Staff recommends disallowance of non-dedicated employee

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[79] Tr. at 364:8-365:2.
[80] Tr. at 362:20-23.
[81] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 7:1-12; Ex. A-14, Rebuttal Testimony of Marian Homiak at 7:20-23.
[82] Tr. at 362:5-8.
[83] Tr. at 371-373.
[84] Tr. at 372:22-373:3.
[85] Tr. at 386:19-24.

salaries because of concerns over the accuracy of the company's estimated allocation of time, the complete lack of documentation (in the form of time-sheets, or invoices) of what specific tasks the non-dedicated employees performed for the Company, and the potential for duplication of job duties.[86]

3. STAFF NO LONGER RECOMMENDS DISALLOWANCE OF THE $40,500 PRO-FORMA ADJUSTMENT TO SALARY.

Staff is no longer recommending exclusion of the $40,500 pro-forma adjustment to salary that was originally disallowed in direct testimony.[87] Initially Staff recommended exclusion of the $40,500 because it was unclear why the Customer Service Manager position should be included as the position was vacant through the end of 2007 and most of 2008. However, after (1) receiving the Company's explanation that the position was now filled, (2) the position being identified as a dedicated position in the management service agreement, and (3) the position being included in the 10-year Staffing Plan, Staff agreed to its inclusion in operating expenses.

B. Sahuarita is Not Entitled to Income Tax Expense because it is a Pass-Through Entity.

Sahuarita is seeking a pro forma adjustment to include $104,948 of income tax expense for the calculation of its operating income for rate-making purposes. However, because Sahuarita is classified as an LLC and therefore it neither incurs an income tax liability nor pays income taxes at the company level, Staff is recommending an adjustment that decreases the Company's income tax expense by $104,948, from $104,948 to $0.[88]

The Company acknowledges that it is a "pass-through" entity for tax purposes[89], but incorrectly attributes the income tax liability of its members to the utility.[90] The Company's two overriding arguments in support of the inclusion of income tax expense are: (1) Income taxes payable by the owner-members of the utility are directly attributable to the taxable income generated by the

[86] Tr. at 511:14-512:24.
[87] Ex. S-9, Surrebuttal Testimony of Jeffrey M. Michlik at 15:5-21.
[88] Ex. S-7 at 24.
[89] Ex. A-2 at 16.
[90] Rebuttal at 11.

utility, and (2) Pass-through entities such as LLCs or Subchapter S-Corporations should be given the same treatment as C-Corporations.[91]

The Company also asserts that in this case it has filled in evidentiary "gaps" that were apparently present in the Sunrise Water Company and Farmers Water Co. cases decided by the Commission on December 23, 2009 (Decision No. 71445) and March 17, 2010 (Decision No. 71510).[92] In particular, the Company asserts that in those two cases, the utility in question failed to present any evidence demonstrating (1) that the utility had reported taxable income to the shareholders during the test year, and (2) that the shareholders of the utility actually paid income tax on that income or were subject to the prospect of taxation.[93]

Staff acknowledges that these two decisions indicate that the utilities did not present evidence that the utility reported taxable income or that the shareholders of the utility actually paid income tax on that income; however, Staff does not find that such evidence is instructive on the issue of allowing income tax expense for pass-through entities. Neither is such evidence dispositive on the issue, as those were not the only bases for the Commission's decisions in those cases relating to income tax expense. In the Sunrise Water Decision No. 71445, the Commission indicated as follows:

> Because it has long been our policy not to allow recovery of these hypothetical income tax expenses for non-taxable pass-thru entities, because we recognize that C corporation subsidiaries included in a parent corporation's consolidated income tax return are different than an S corporation because they are actually taxable entities, because we have no documentary evidence before us of Sunrise's income passed through to Mr. Campbell or that Mr. Campbell has actually paid any income taxes on that income, and because Sunrise can easily become a C corporation if it chooses to do so in order to obtain recovery of income tax expenses in future cases, we will not allow Sunrise to recover income tax expenses in this matter.[94]

While Staff does not believe this analysis should go beyond determining whether the utility in question is a taxable entity, Sahuarita has nonetheless failed to overcome the other requirements set forth in the Sunrise Water decision. In particular, the Company provided copies of the 2008 schedule K-1s that are used to report the individual owners' pro rata share of the pass-through entity's taxable

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[91] Ex. A-2 at 16.
[92] Ex. A-15 at 2.
[93] Ex. A-15 at 3.
[94] Decision No. 71445 at 37.

income.[95] However, the Internal Revenue Service ("IRS") requires pass-though entities to file informational returns to report the individual owners' pro-rata shares of the entity's income. This pro-rata share is reported to each owner in the Schedules K-1, which in turn is used by the owner in combination with his other income, deductions, etc., in calculating and reporting his own income tax liability.[96] These K-1s do not reflect taxable income for the regulated utility. Staff does not believe these documents fill any relevant evidentiary gaps.

Further, the Company did not demonstrate that the members of Sahuarita actually paid income taxes or even that the amount of pro forma income tax proposed was based in any way on the amount of the members' actual income tax liabilities. Sahuarita has three members: Interchange Opportunity Fund LLLP, Mission Peaks LLC, and Sharpe and Associates, Inc. While the Company did attempt to provide some evidence regarding the taxes paid by a Taxpayer X, the Company also indicated that the tax rate of 19.60% was abnormally low for Taxpayer X due to the inclusion of long term capital gains.[97] The Company then argues this rate should be increased to be a more accurate predictor rate for federal income taxes.[98] This is the main flaw in the Company's argument. To the extent the Commission is inclined to take into account whether members/shareholders actually paid taxes on income distributed by the pass-through entity, it is difficult to ascertain what that liability will be. Even the Company admits there may be circumstances where a member/shareholder does not pay taxes on any or all of its share of the income from the pass-through entity.[99]

The Company also claims that removing income tax expense from an LLC or S-Corp results in it being treated differently than a C-Corporation.[100] Staff believes any differing treatment has a very sound basis in tax law. Ultimately the Company's position is perplexing. On the one hand, the Company acknowledges there are advantages to a pass-through entity: (1) a shareholder in an S-Corp or member in an LLC avoids double taxation, and (2) a pass-through entity is a particularly attractive form for a start-up company because the tax losses can be taken advantage of immediately by the

[95] Ex.A-15 at 3.
[96] Ex. S-9 at 19.
[97] Ex. A-15 at 5. The Company asserts long term capital gains are taxed at a lower rate.
[98] *Id.*
[99] *Id.* at 6.
[100] Ex. A-4 at 11.

owners.[101] On the other hand the Company is seeking an income tax expense that is associated with being a C-Corporation. It appears the Company is seeking to enjoy the benefits of being an LLC, and the benefits associated with a C-Corporation. If the Company truly believes that the ability to include income tax expense in rates would be a benefit, it has the ability to change from an LLC to a C-Corporation. And while the Company claims that Staff's challenge to the inclusion of income taxes rests merely on a technical distinction rather than reality[102] that is not the case:

> A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return.[103]

The IRS does not seem to consider this a mere technical distinction and neither does Staff. Even the Company admits that by including income taxes in the revenue requirement of an LLC or S-Corp, the ratepayers end up paying the personal income taxes of the owners of the Company.[104]

The Company also tries to liken the inclusion of income tax expense for an LLC/S-Corp with that of a C-Corp whose income is reported on a consolidated tax return with a parent company claiming any classification based on classification under the federal tax law is form over substance.[105] However, Staff believes this argument has both form and substance. As the Company correctly notes, the C-Corp utility calculates its income tax expense on a stand alone basis.[106] In addition, what typically happens is that the utility will book a liability to the parent for the amount of the tax calculated on the stand alone basis. So ultimately the C-Corp pays the tax. There is no ability to calculate the income tax liability for an LLC/S-Corp because it does not have income tax liability, and there is no IRS requirement that an LLC/S-Corp reimburse its members/shareholder for the taxes they may ultimately pay.

Sahuarita also argues that the Company does not make a distribution to the individual members so they can pay their individual tax liability.[107] Instead, the members who ultimately have

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[101] Ex. A-4 at 13.
[102] Ex. A-4 at 12.
[103] Ex. A-6 at 20. (citing to the IRS website).
[104] Ex. A-6 at 20.
[105] *Id.* at 21.
[106] *Id.*
[107] Tr. at 111.

any tax liability pay the tax, and Sahuarita, treats the undistributed income as paid-in capital for the members. However, contrary to the Company's assertion this issue is unrelated to the income tax expense issue. This argument also presupposes that an LLC has the obligation to pay its members' taxes, which it does not. In any event, an LLC/S-Corp either distributes the income it generates to its members, or it retains those earnings and treats them as capital contributions of its members. That is what has occurred in this case. This is completely unrelated to the issue of income tax expense.

Staff does not believe that the Company has met its burden for the inclusion of income tax expense in rates, namely because it is a pass-through entity and does not pay income taxes at the entity level. The Commission, in the recent Johnson Utilities LLC rate case denied the Company's request to recover income tax expense determining that "it is not appropriate or in the public interest to allow pass through entities such as the Company to recover income tax expenses through rates."[108]

C. The Company's Rate Case Expense Should Be Normalized Over a Five-Year Period.

The Company and Staff are in agreement of the amount of rate case expense that the Company is seeking in this matter.[109] Specifically, the Company is seeking $225,000 for rate case expense in this case. The disagreement between the Company and Staff on this issue relates to whether the amount should be amortized or normalized, and over what period of time.[110]

Staff usually normalizes rate case expense over a 3- to 5-year period. However, since the Company has not been in for a rate case in 14 years, Staff believes that normalizing rate case expense over a 5-year period is more appropriate.[111] Staff recommends decreasing annual rate case expense by $30,000, from $75,000 to $45,000, to reflect this more appropriate normalization period. The Company claims that although it has not been in for a rate case in 14 years, the Company expects to file rate cases more often than every 5 years.[112] The Company bases its argument, in part, on the fact that there are expected increases in operating expenses related to arsenic treatment that are not being

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[108] Decision No. 71854 at 47. The Commission making this determination relied on its ruling in Decision No. 71445 Sunrise Water Company.
[109] Ex. A-4 at 15.
[110] *Id.*
[111] Ex. S-7 at 23.
[112] *Id.*

captured in the revenue requirement in the instant case.[113] The Company also indicates that it has completed some capital improvement projects, and will be completing others in the near future, as an additional reason for why it will be filing a rate application more often than every five years. However, the Company only provided rough estimates for the cost and completion dates of these projects. Without this specific information the only known fact is that the Company has not filed an application for a rate increase since receiving its CC&N 14 years ago, wherein its initial rates were set. Ultimately the problem is, and the Company acknowledges, that if the Company does not file a new rate application for more than five years, it could over-recover rate case expense.[114]

The Company argues that rate case should be amortized so that in the event it has not fully recovered the expense, it could seek recovery of the unamortized portion in the new rate case.[115] However, rate case expense is an operating expense to be included in rates at what would be a "normal" level for the test year. It is not a regulatory asset to be recovered over a specific time period. It also encourages the Company to file rate applications at specific intervals since the Company will only be able to recover the normalized amount of rate case expense over a specific period of time. Staff believes its 5-year normalization period is reasonable and should be adopted by the Commission.

IV. RATE DESIGN

Conceptually there are a lot of similarities between the rate design that Staff is recommending and the rate design that the Company is seeking in this case. Both Staff and the Company are proposing an inverted three-tier design for the smaller metered residential customers (5/8 x 3/4-inch and 3/4-inch) and an inverted two-tier design for the small commercial metered customers (5/8 x 3/4-inch and 3/4-inch), as well as for the 1-inch and larger metered customers (all classes), with the exception of the 1-inch residential and construction water customers.[116]

Additionally, the break-over points for both Staff and Company increase with meter size.[117] In particular, the first tier commodity rate of the small commercial metered customers and 1-inch and

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[113] Ex. A-6 at 23.
[114] Ex. A-4 at 16.
[115] Ex. A-4 at 16.
[116] Ex. A-6 at 22.
[117] *Id.*

larger metered customers is the same as the second tier of the small residential metered customers.[118] Further, the second tier of the small commercial metered customers and 1-inch and larger metered customers is the same as the third tier of the small residential metered customers.[119] This is where the similarities end.

Compared to the Company's rate design, Staff's rate design, in general, has lower monthly minimums, lower first tier commodity rates for small residential customers, and higher commodity rates for small commercial and irrigation customers and larger metered customers.[120] The Company astutely points out, and Staff admits, that this rate design shifts the revenue recovery away from the monthly minimum and the 5/8 x 3/4-inch residential class to the small commercial and irrigation customers and the larger metered customers.[121]

The Company appears to base the majority of its criticism of Staff's rate design on the fact that its rate design more closely follows the cost of service study it performed. However, the Company also acknowledges that cost of service is not the only criterion that should be looked at in designing rates.[122] Further the Company admits that the industrial/commercial customers tend to use more water on a per customer basis than do residential customers, and that that high use results in more wear and tear on the system.[123] While the Company qualified its answer indicating that as a customer class, the residential class as a whole would create more wear and tear on the system,[124] this does not change the fact that on the individual customer level the industrial/commercial customers create more wear and tear compared to the individual residential customers. The Company also argues that Staff's rate design increases the risk of revenue instability.[125] However, the rate design that Staff is recommending in this case is very typical of the rate design Staff has recommended in other cases, and the Company did not produce any evidence in this case that Staff's design has caused revenue instability.

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[118] *Id.*
[119] *Id.*
[120] Ex. A-6 at 27.
[121] *Id.*
[122] Tr. at 184.
[123] Tr. at 188-189.
[124] Tr. at 231.
[125] Tr. at 230.

Under the Company-proposed rates, the typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,000 gallons would experience a $16.15 or a 61.52 percent increase in his monthly bill, from $26.25 to $42.40. Under Staff's recommended rates, the typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,000 gallons would experience a $3.63 or a 13.84 percent increase in his monthly bill, from $26.25 to $29.88.[126]

Ultimately, Staff's recommended rates are more reasonable and should be adopted by the Commission.

V. COST OF CAPITAL

Staff is recommending an overall rate of return for the Water Company of 9.2 percent[127] based on a 10.3 percent cost of equity ("COE"), a 4.2 percent cost of debt, and a capital structure consisting of 82.2 percent equity and 17.8 percent debt.[128] The Company is recommending a 10.9 percent COE and a 4.2 percent cost of debt resulting in an overall rate of return of 9.69 percent.[129]

A. The Company and Staff Are Substantially in Agreement Regarding Sahuarita's Capital Structure.

The Company recommends a capital structure of 81.98 percent equity and 18.02 percent debt.[130] Staff's recommended capital structure of 82.2 percent equity and 17.8 percent debt should be adopted by the Commission because it represents the Company's most updated capital structure as of February 23, 2010.[131]

B. The Company and Staff are in Agreement Regarding the Cost of Debt for Sahuarita.

The Staff and Company proposed cost of debt of 4.2 percent should be adopted because it based on the Company's actual cost of debt.[132]

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[126] Ex. S-8 at 4, S-10.
[127] Ex. S-6, Surrebuttal Testimony of Juan C. Manrique at 2:16.
[128] Ex. S-6, Surrebuttal Testimony of Juan C. Manrique at 2:16-18.
[129] Ex. A-5, Rebuttal Testimony on Cost of Capital of Thomas J. Bourassa at 2:20-25; Ex. A-7, Rejoinder Testimony on Cost of Capital of Thomas J. Bourassa at 1:23-2:1.
[130] Ex. A-7, Rejoinder Testimony on Cost of Capital of Thomas J. Bourassa at 1:23-2:1.
[131] Ex. S-5, Direct Testimony of Juan C. Manrique at 6:23-26.
[132] Ex. S-5, Direct Testimony of Juan C. Manrique, Executive Summary.

C. Staff is Recommending a Well Reasoned Cost of Equity Given Recent Recommendations and Adoptions By the Commission.

Staff's recommended 10.3 percent COE should be adopted by the Commission because it is based on sound and well accepted cost of equity estimation methodologies that have been consistently utilized by this Commission. Recent Commission decisions also support Staff's COE recommendation.[133] Because the Water Company is not publicly traded six proxy publicly-traded water utilities were used to determine the appropriate COE in this case.[134] Staff used the Discounted Cash Flow ("DCF") and Capital Asset Pricing Model ("CAPM") in determining the Company's COE.

1. DISCOUNTED CASH FLOW.

Staff utilized both the Constant Growth DCF and Multi-Stage DCF methodologies in determining its DCF estimated cost of equity.[135] Mr. Manrique explained: "The constant-growth DCF model assumes that an entity's dividends will grow indefinitely at the same rate. The multi-stage growth DCF model assumes the dividend growth rate will change at some point in the future."[136]

On behalf of the Company Mr. Bourassa argues that analysts estimates should be given more weight: 75 percent for analysts estimates and only 25 percent for historical data.[137] However, as Mr. Manrique explained:

> Generally, analysts' forecasts are known to be overly optimistic. Heavy use of analysts' forecasts to calculate the growth in dividends (g), will cause inflated growth, and consequently, inflated cost of equity estimates unless investors give the same strong weight to analysts' forecasts. Also, heavy reliance on analysts' forecasts of earnings growth to forecast [dividends per share] is inappropriate because it assumes that investors discount other relevant information such as past dividend and earnings growth.[138]

Staff's estimated DCF cost of equity gives equal weight to historical data and analysts forecasts. Furthermore, Staff's recommendation against heavy reliance on analysts' forecasts is well supported

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[133] Decision No. 71865 at 35:15-26 granting a 10.2% COE; Decision No. 71410 at 45:3 granting a 9.9% COE.
[134] Ex. S-5, Direct Testimony of Juan C. Manrique at 13:3-13.
[135] Ex. S-5, Direct Testimony of Juan C. Manrique at 14:13-17.
[136] Ex. S-5, Direct Testimony of Juan C. Manrique at 14:15-17.
[137] Ex. A-5, Rebuttal Testimony on Cost of Capital of Thomas J. Bourassa at 11-12.
[138] Ex. S-5, Direct Testimony of Juan C. Manrique at 34:21-35:2.

by experts in the financial community and has been consistently adopted by this Commission.[139] Lastly, Mr. Bourassa's use of only five years of historical data in calculating his DCF dividend growth rate does not provide the most accurate projections and as Mr. Manrique explained, "may be too limited to capture a full business cycle, resulting in unnecessary skewing of the outcomes." Staff's DCF methodology presents the most reasonable and accurate alternative.

2. CAPITAL ASSET PRICING MODEL.

Staff's overall CAPM cost of equity estimate of 10.2 percent includes both Staff's CAPM estimate using the historical market risk premium (8.6 percent) and the current market risk premium (11.8 percent).[140] CAPM is reliable, widely used, and has been relied on regularly by the Commission.[141] The Company also uses the CAPM analysis in its cost of equity determination.[142]

3. AS A NON-TAXABLE BUSINESS ENTITY, THE WATER COMPANY IS LESS RISKY THAN A TAXABLE BUSINESS ENTITY.

Mr. Bourassa argues that if the Company, a non-taxable entity, is denied recovery of its individual member income taxes in this rate case, the Company will be at a disadvantage as compared to a tax paying entity.[143] However, this claim ignores the fact that investors in a tax-paying entity, whose income tax is recoverable in rates, also are liable for any individual income attributable to the tax-paying corporation. For an investor looking only at the tax issue, an entity that does not pay taxes, such as the Company, is actually less risky than an entity subject to 'double taxation.'[144] Thus if the Commission were to accept the Company's request to include allowance of an income tax expense for the Sahuarita, the allowed return on equity should be lower than Staff's current recommendation to account for the lower risk faced by the Company.[145] The Company should not receive a higher return on equity merely because its member's personal income tax liability is not recoverable in rates.

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[139] Ex. S-5, Direct Testimony of Juan C. Manrique at 35:4-38:2.
[140] Ex. S-5, Direct Testimony of Juan C. Manrique at 31:7-25 and 32:1-5.
[141] Tr. at 479:2-3; Ex. S-5, Direct Testimony of Juan C. Manrique at 26:4-7.
[142] Tr. at 489:1-3.
[143] Ex. A-5, Rebuttal Testimony on Cost of Capital of Thomas J. Bourassa at 5-9; Ex. A-7, Rejoinder Testimony on Cost of Capital of Thomas J. Bourassa at 5:10-18.
[144] Tr. at 474:3-22, 479:19-22, and 484:21-24, 485:4-6.
[145] Tr. at 489:22-490:5.

4. FIRM-SPECIFIC RISK SHOULD NOT BE CONSIDERED WHEN DETERMINING COST OF EQUITY.

The Company is less risky than the sample water companies used in Staff's analyses.[146] Mr. Bourassa attempts to argue that Arizona is somehow a less favorable regulatory environment to utility investors than other states and that because of this the Company is entitled to an upward 50 basis point adjustment "to account for the Company's extremely small size, lack of investment liquidity, and the additional risk that results from the particular rate-making methods employed in Arizona."[147] However, as explained by Staff Analyst, Juan Manrique,

> The unique regulatory environments of the samples companies and [Sahuarita Water Company] are firm-specific risks for which investors cannot expect compensation. None of Mr. Bourassa's comments demonstrate that Arizona is a less favorable regulatory environment from those of the sample companies. Every regulatory jurisdiction has its own framework with its own specific identifiable advantages and disadvantages; however, it is the overall effect that is relevant.[148]

Further, the mere fact that investors continue to invest capital in Arizona utilities negates Mr. Bourassa's assertion that the Arizona utility regulation is disadvantageous to utilities. Under Mr. Bourassa's logic that the Commission's rejection of income tax expenses for non-tax-paying entities represents a firm specific risk that should be accounted for in the cost of equity analysis, any decision made by any regulatory body would represent a firm-specific risk.[149] Past Commission Decisions support Staff's rejection of Mr. Bourassa's 'small firm risk premium.[150] Such firm-specific risks have no place in the cost of equity determination, as these so-called risks can be diversified away by investors.[151]

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[146] Ex. S-5, Direct Testimony of Juan C. Manrique at 12:1-10.
[147] Ex. A-7, Rejoinder Testimony on Cost of Capital of Thomas J. Bourassa at 2:10-13.
[148] Ex. S-6, Surrebuttal Testimony of Juan C. Manrique at 3:12-18; and Ex. S-5, Direct Testimony of Juan C. Manrique at 41:8-13.
[149] Tr. at 480:22-481:17.
[150] Decision Nos. 64282 and 64727; *See also* Ex. S-5, Direct Testimony of Juan C. Manrique at 42:11-22.
[151] Ex. S-6, Surrebuttal Testimony of Juan C. Manrique at 3:20-22; Ex. S-5, Direct Testimony of Juan C. Manrique at 12:1-17.

VI. ENGINEERING ISSUES

Staff makes the following engineering-related recommendations in this case:

1. Staff recommends that an average annual water testing expense of $10,382 be adopted for this proceeding.[152]
2. Staff recommends the removal of $327,565 from plant-in-service for Wells #12, #17, #19, #20 and those identified plant items related to the Estancia del Corazon Subdivision, because these plant items are not used and useful.[153]
3. Staff recommends that the requested post-test year plant – new Well #23 – not be considered for inclusion in rate base at this time because it is not needed and not used and useful.[154]
4. Staff recommends that the Company use the depreciation rates by individual NARUC category as presented in Table J-1 [of the Staff Engineering Report].[155]
5. Staff recommends a depreciation rate of 67.0% for the arsenic treatment media under Account No. 320.3 – Water Treatment Equipment-Media for Arsenic Treatment.[156]
6. Staff recommends the acceptance of the Company's proposed service line and meter installation charges as presented in Table K-1 [of the Staff Engineering Report].[157]
7. Staff recommends approval of the Arizona Corporation Commission/Arizona Department of Water Resources ("ADWR") Best Management Practice ("BMP") Tariffs with the exception of BMP 7.8. This BMP shall only become effective if and when it is approved by ADWR. If BMP 7.8 is not approved by ADWR by July 1,

[152] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 2.
[153] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 2.
[154] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 2; Ex. S-2 at 2:10-3:10-4:6.
[155] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 2.
[156] Ex. S-2, Surrebuttal Testimony of Marlin Scott, Jr. at 4:8-25.
[157] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 2.

2011, Sahuarita Company shall submit a replacement BMP for Commission Consideration.[158]

With the exception of Staff's recommendation No. 3 (above), that Well No. 23 be excluded from rate base, the Company does not appear to oppose the above recommendations.

Staff is recommending exclusion of Well No. 23 because it will not be needed during the five-year growth period beginning in the test year.[159] Because the Company did not provide any system calculation to support its conclusion that Well No. 23 is used and useful until the rejoinder phase of testimony, Staff was not able to explain why the Company's calculations were incorrect until the hearing.[160] After receiving the Company's rejoinder testimony Staff was able to analyze the Company's system analysis and determine how the Company incorrectly calculated production and storage capacity.[161] In rejoinder testimony the Company also provided updated well production and storage capacity numbers that Staff accepted and incorporated into its updated system analysis.[162] As explained by Staff Engineer Marlin Scott, even accepting the Company's updated rejoinder well production capacity and storage capacity numbers, "the test year well capacity of 2,800 gallons per minute ("GPM") and active storage volume capacity of 1,374,063 gallons is adequate to serve the present customer base and growth within a five year period."[163] Therefore Well No. 23 is not needed at this time. The Staff Engineering Section has utilized the same methodology as that used in this case for calculating necessary storage capacity and well capacity for at least the past 23 years.[164]

Company Engineer Mr. Taylor argues that the Company needs Well No. 23 for purposes of "redundancy."[165] However, the concept of 'well redundancy,' as described by Mr. Taylor, is not a methodology that the Commission or the Commission Staff utilizes to determine system capacity requirements or used and useful plant inside of a rate case.[166]

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[158] Ex. S-2, Surrebuttal Testimony of Marlin Scott, Jr. at 5:16-23.
[159] Ex. S-1, Direct Testimony of Marlin Scott, Jr. at Exhibit MSJ at 10-11; Ex. S-2, Surrebuttal Testimony of Marlin Scott, Jr. at 1:21-4:6; Ex. S-4, Staff's System Analysis Using Company's Rejoinder Numbers; Ex. S-3, R18-5-503.
[160] Ex. S-2, Surrebuttal Testimony of Marlin Scott at 3:19-20; Tr. at 461:9-15.
[161] Tr. at 461:9-15.
[162] Ex. S-4, Staff's System Analysis Using Company's Rejoinder Numbers.
[163] Ex. S-4, Staff's System Analysis Using Company's Rejoinder Numbers.
[164] Tr. at 424:19-22.
[165] Ex. A-12, Rebuttal Testimony of Mark Taylor at 10:15-17.
[166] Tr. at 430:6-432:23.

Staff correctly calculated storage capacity requirements for the Sahuarita system.[167] ADEQ Rule 18-5-503(A) states: "The minimum storage capacity for a CWS or a noncommunity water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year."[168] It appears that Mr. Taylor was either unfamiliar with ADEQ R18-5-503(A) or Staff's use of this rule in calculating storage capacity, as he used the peak day demand during the peak month of the year.[169] Staff correctly calculated Storage capacity using the average daily demand during the peak month.

Likewise, Staff Engineer Mr. Scott correctly included well production capacity in calculating storage capacity requirements.[170] ADEQ Rule 18-5-503(B) states: "The minimum storage capacity for a multiple-well system for a CWS or a noncommunity water system that serves a residential population or a school may be reduced by the amount of the total daily production capacity minus the production from the largest producing well."[171] Mr. Scott correctly considered Well No. 14 to be out of service (as the largest producing well) and included Well No. 18 production capacity when calculating storage capacity.[172] Because Mr. Taylor did not apply ADEQ R18-5-503(B) to reduce the minimum storage capacity by the amount of the total daily production capacity minus the production from the largest producing well, his storage capacity number is incorrect.[173]

Regarding fire flow requirements, Staff recommends a 480,000 gallon fire flow storage requirement.[174] Staff's fire flow calculation of 480,000 gallons per day is based upon the fire flow numbers provided by the Company and confirmed by the Sahuarita Rural Metro Fire Marshal's Office.[175] The Company's proposed fire flow requirement of 660,000 assumes two fires happening simultaneously and thus accounts for twice the necessary fire flow requirement.[176] This assumption is excessive and Staff recommends that the fire flow requirements only be accounted for once.[177]

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[167] Ex. S-3, ADEQ R18-5-503; Ex. S-4, Staff's System Analysis Using Company's Rejoinder Numbers.
[168] Ex. S-3, ADEQ R18-5-503.
[169] Tr. at 74:17-25; Ex. A-13, Rejoinder Testimony of Mark Taylor at 2:6-21.
[170] Tr. at 394:20-396:12.
[171] Ex. S-3, ADEQ R18-5-503.
[172] Tr. at 425:16-426:3; Ex. S-4, Staff's System Analysis Using Company's Rejoinder Numbers.
[173] Tr. at 451:8-20.
[174] Tr. at 441:12-442:7.
[175] Tr. at 400:2-21.
[176] Tr. at 441:12-443:6.
[177] Tr. at 399:17-400:21.

Thus Staff's recommendation that Well No. 23 be excluded from rate base in this proceeding is reasonable and based upon sound engineering methodologies and calculations utilized by this Commission for many years. Furthermore, nothing prevents the Company from seeking inclusion of Well No. 23 into rate base in a subsequent rate case once it becomes necessary.

VII. MISCELLANEOUS ISSUES

A. Central Arizona Groundwater Replenishment District ("CAGRD") Adjustor.

Staff recommends approval of the proposed adjustor mechanism for recovery of the CAGRD fees, but only if all of Staff's recommended conditions are also approved.[178] It appears that the Company is in agreement with all of Staff's proposed conditions with the exception of Condition No. 8. Specifically, Staff has worked with the Company to further refine conditions 1 through 7, and 9 as follows:

> 1. The adjustor fee shall apply to all water sold after October 1, 2010, or shall become effective on the date new rates from this case become effective, whichever is later.
>
> 2. The Company shall, on a monthly basis, place all CAGRD monies collected from customers in a separate, interest-bearing account ("CAGRD Account").
>
> 3. The only time the Company can withdraw money from the CAGRD Account is to pay the annual CAGRD fee to the CAGRD, which is due on October 15th of each year.
>
> 4. The Company must provide to Staff a semi-annual report of the CAGRD Account and CAGRD use fees collected from customers and paid to the CAGRD, with the reports due during the last week of October and the last week of April of each year.
>
> 5. The Company must provide to Staff, every year, by June 30th, the new firm rates set by the CAGRD for the following year.
>
> 6. The total CAGRD fees for the most current year in the Tucson Active Management Area (AMA) shall be divided by the gallons sold in that year to determine a CAGRD fee per 1,000 gallons. This information shall be given to Staff, 60 days prior to when the Company requests the adjustor to take effect. In addition, the Company will provide Staff with supporting documentation from the relevant state agencies, and gallons sold data. Failure to provide this information to Staff shall result in the immediate cessation of the CAGRD adjustor fee.

[178] Ex. S-9 at 22.

7. By August 25th of each year, beginning in 2011, the Company shall submit its proposed CAGRD adjustor fee for the Tucson AMA for review and approval by the Commission, with the Commission-approved amount becoming effective the following October 1st.

8. As a compliance item, the Company shall submit yearly, a new tariff reflecting the reset adjustor amount.

The only condition that the Company takes issue with is Condition No. 8. This condition reads as follows:

If the CAGRD changes its current method of assessing fees, (i.e. based on the current volume of water used by the customers) to some other method, such as, but not limited to, future projection of water usage, or total water allocated to the Company, the Company's collection from customers of CAGRD shall cease.

The Company claims this condition is "too rigid." The Company's concern, simply put, is that the Company's ability to recover CAGRD fees paid by it would cease immediately if and when CAGRD altered its current procedure and criteria for calculating and assessing CAGRD fees.[179] The Company would like to be able to continue collecting CAGRD fees under any old methodology until such time as the Commission approves a new methodology for collecting the fees through the adjustor.[180]

The Company's concern is unfounded, and in fact the Company acknowledges that CAGRD probably would not implement an "abrupt change" of that nature.[181] Staff's rationale for this condition is that this is a new adjustor mechanism with which Staff has no experience. As such, there is no track record or history of how this adjustor will operate. If the CAGRD were to change the way it calculates its fees, Staff would have to analyze any change and recommend any new changes to the adjustor mechanism.[182] In the meantime, under the Company's methodology, it would continue to collect these fees using the then existing adjustor. The problem with the Company's request is that if the CAGRD does make a drastic change to its fee structure, the amount of fees that the Company would continue to collect from ratepayers under the old adjustor may not be representative of the new fees imposed by the CAGRD. However, like the Company, Staff does not believe the CAGRD

[179] Ex. A-10 at 3.
[180] Tr. at 303.
[181] Ex. A-11 at 3.
[182] Ex. S-9 at 21.

would make any abrupt changes in the way it assesses fees, and in the extremely unlikely event that were to occur, Staff would endeavor to accommodate the Company. Staff recommends approval of the proposed adjustor mechanism for recovery of the CAGRD fees, but only if all of Staff's recommended conditions are also approved.[183] The Commission, in the recent Johnson Utilities case approved Staff's recommend CAGRD adjustor mechanism inclusive of all conditions.[184]

B. Contributions In Aid of Construction ("CIAC") Amortization Rate.

Staff and the Company are in agreement regarding the CIAC balance of $4,314,264, and the accumulated amortization balance of $251,796.[185] The dispute between Staff and the Company relates to the amortization of CIAC on a going forward basis. The Company and Staff are in agreement that the use of a composite CIAC amortization rate is appropriate when the exact amount of CIAC associated with each plant account is not known.[186] Further, it is not in dispute that the Company does not track the exact amount of CIAC associated with each plant account.

It is Staff's position however that when the exact amount of CIAC associated with each plant account is not known, the proper method for calculating a composite depreciation rate is to divide depreciation expense by depreciable plant.[187]

The Company argues that non-depreciable plant items should be included in the composite rate calculated for the amortization of CIAC because non-depreciable plant items can be funded by CIAC.[188] However, the Company is incorrect for two reasons. The NARUC USOA instruction for CIAC amortization is as follows:

> Amortization of contributions in aid of construction (CIAC), if recognized by the Commission, shall be credited to account 403 – Depreciation Expense. The concurrent debit is to account 272 – Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, whichever is applicable, may be used for CIAC that can not be directly related to a particular plant asset.

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[183] Ex. S-9 at 22.
[184] Decision No. 71854 at 44. The Decision only references the approval of conditions 1 through 8. However Condition 9 merely relates to the filing of a tariff.
[185] Ex. A-6 at 5.
[186] Ex. S-9 at 16, Ex. A-6 at 6.
[187] Ex. S-9 at 16.
[188] *Id.*, Ex. A-6 at 6.

In this case, the Company is claiming that Land, Organizational and Franchise Costs should be included. Specifically, the Company witness indicated he has seen instances where a developer contributed land and reimbursed a utility for the costs of obtaining extension of a certificate of convenience and necessity . . . .[189] While this may indeed be the case, the NARUC instruction indicates that the composite rate is used for CIAC that can not be directly related to a particular plant asset. In this case, Staff determined that there was no CIAC associated with non-depreciable plant accounts.[190] Therefore it is proper to exclude those accounts from the determination of the amortization rate.

The NARUC USOA directive that "CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset" further supports the exclusion of land value from the calculation. Since land has an infinite service life, the related CIAC amortization rate for that account is essentially zero (one divided by infinity). Either way, the Company's argument is improper and should not be adopted by the Commission.

C. Best Management Practices.

Staff recommends approval of the Company's proposed BMPs. However Staff also recommends that, if the company does not obtain ADWR approval of BMP 7.8 within one year, the Company be required to select a replacement BMP, as there are approximately 50 others from which to choose.[191]

VIII. CONCLUSION

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

RESPECTFULLY SUBMITTED this 15th day of September, 2010.

Wesley C. Van Cleve, Attorney
Ayesha Vohra, Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

[189] Ex. A-6 at 6.
[190] Ex. S-9 at 18.
[191] Tr. at 419:15-421:2; S-2, Surrebuttal Testimony of Marlin Scott, Jr. at 5:1-26.

Original and thirteen (13) copies of the foregoing filed this 15th day of September, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed this 15th day of September, 2010, to:

Lawrence V. Robertson, Jr.
Attorney at Law
P.O. Box 1448
Tubac, Arizona 85646

Roseann Osorio

EXHIBIT A

Sahuarita Water Company, LLC
Docket No. W-03718A-09-0359
Test Year Ended December 31, 2008

Final Schedule JMM-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		(A) COMPANY FAIR VALUE		(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$	7,418,410	$	8,709,357
2	Adjusted Operating Income (Loss)	$	170,618	$	408,215
3	Current Rate of Return (L2 / L1)		2.30%		4.69%
4	Required Rate of Return		12.00%		9.20%
5	Required Operating Income (L4 * L1)	$	890,209	$	801,261
6	Operating Income Deficiency (L5 - L2)	$	719,591	$	393,046
7	Gross Revenue Conversion Factor		1.6151		1.0000
8	Required Revenue Increase (L7 * L6)	$	1,162,216	$	**393,046**
9	Adjusted Test Year Revenue	$	2,215,143	$	2,215,143
10	Proposed Annual Revenue (L8 + L9)	$	3,377,359	$	2,608,189
11	Required Increase in Revenue (%)		52.47%		17.74%

References:
Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-2 and JMM-9

Sahuarita Water Company, LLC
Docket No. W-03718A-09-0359
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Final Schedule JMM-2

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 20,957,540	$ 2,522,688	1,2	$ 23,480,228
2	Less: Accumulated Depreciation	1,680,847	(327,565)	3	1,353,282
3	Net Plant in Service	$ 19,276,693	$ 2,850,253		$ 22,126,946
	LESS:				
4	Contributions in Aid of Construction (CIAC)	$ 2,436,455	$ 1,877,809		$ 4,314,264
5	Less: Accumulated Amortization	251,796	-		$ 251,796
6	Net CIAC	2,184,659	1,877,809		$ 4,062,468
7	Advances in Aid of Construction (AIAC)	9,334,999	(76,082)	1	9,258,917
8	Customer Deposits	-	96,204	4	96,204
9	Deferred Income Tax Credits	338,625	(338,625)	5	-
	ADD:				
9	Unamortized Debt Issuance Costs	-	-		-
10	Deffered Regulatory Assets	-	-		-
11	**Original Cost Rate Base**	$ 7,418,410	$ 1,290,947		$ 8,709,357

References:
Column [A]: Company as Filed
Column [B]: Schedule JMM-3
Column (C): Column (A) + Column (B)

Sahuarita Water Company, LLC
Docket No. W-03718A-09-0359
Test Year Ended December 31, 2008

Final Schedule JMM-3

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Post-Test Year Plant (Ref: Sch JMM-4)	[C] ADJ #2 Plant Not Used And Useful (Ref: Sch JMM-5)	[D] ADJ #3 Accumulated Depreciation (Ref: Sch JMM-6)	[E] ADJ #4 Customer Deposits (Ref: Sch JMM-7)	[F] ADJ #5 Deferred Income Taxes (Ref: Sch JMM-8)	[G] STAFF ADJUSTED
		PLANT IN SERVICE:							
1									
2	301	Organization Cost	$ 7,541	$ -	$ -	$ -	$ -	$ -	$ 7,541
3	302	Franchise Cost	350,861	-	-	-	-	-	350,861
4	303	Land and Land Rights	13,636	-	-	-	-	-	13,636
5	304	Structures and Improvements	171,671	-	-	-	-	-	171,671
6	305	Collecting and Impounding Res.	-	-	-	-	-	-	-
7	306	Lake River and Other Intakes	-	-	-	-	-	-	-
8	307	Wells and Springs	800,396	-	(251,483)	-	-	-	548,913
9	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-
10	309	Supply Mains	-	-	-	-	-	-	-
11	310	Power Generation Equipment	335,668	-	-	-	-	-	335,668
12	311	Electric Pumping Equipment	43,912	-	-	-	-	-	43,912
13	320	Water Treatment Equipment	18,694	-	-	-	-	-	18,694
14	320	Water Treatment Plant	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipe	1,811,998	-	-	-	-	-	1,811,998
16	331	Transmission and Distribution Mains	10,162,557	-	(30,250)	-	-	-	10,132,307
17	333	Services	2,081,553	-	(30,159)	-	-	-	2,051,394
18	334	Meters	1,222,335	-	-	-	-	-	1,222,335
19	335	Hydrants	672,037	-	(15,673)	-	-	-	656,364
20	336	Backflow Prevention Devices	816	-	-	-	-	-	816
21	339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-
22	340	Office Furniture and Fixtures	283,991	-	-	-	-	-	283,991
23	341	Transportation Equipment	146,129	-	-	-	-	-	146,129
24	342	Stores Equipment	-	-	-	-	-	-	-
25	343	Tools and Work Equipment	13,856	-	-	-	-	-	13,856
26	344	Laboratory Equipment	132	-	-	-	-	-	132
27	345	Power Operated Equipment	-	-	-	-	-	-	-
28	346	Communications Equipment	11,818	-	-	-	-	-	11,818
29	347	Miscellaneous Equipment	695	-	-	-	-	-	695
30	348	Other Tangible Plant	962,974	-	-	-	-	-	962,974
31		Total Plant in Service - Actual	19,113,270	-	-	-	-	-	18,785,705
32		Post Test-Year Plant	1,844,270	2,850,253					4,694,523
33		Total Plant in Service	$ 20,957,540	$ -	$ (327,565)	$ -	$ -	$ -	$ 23,480,228
34		Less: Accumulated Depreciation	1,680,847	-	-	(327,565)	-	-	1,353,282
35			-	-	-	-		-	-
36		Net Plant in Service	$ 19,276,693	$ -	$ (327,565)	$ 327,565	$ -	$ -	$ 22,126,946
37									
38		*LESS:*							
39		Contributions in Aid of Construction (CIAC)	$ 2,436,455	$ 1,877,809	$ -	$ -	$ -	$ -	$ 4,314,264
40		Less: Accumulated Amortization	251,796	-	-	-	-	-	251,796
41		Net CIAC (L25 - L26)	2,184,659	1,877,809	-	-	-	-	4,062,468
42		Advances in Aid of Construction (AIAC)	9,334,999	-	(76,082)	-	-	-	9,258,917
43		Customer Deposits	-	-	-	-	96,204	-	96,204
44		Deferred Income Taxes	338,625	-	-	-	-	(338,625)	-
45			-	-					-
46									
47		*ADD:*							
48		Unamortized Debt Issuance Costs	-	-	-	-	-	-	-
49		Deffered Regulatory Assets	-	-	-	-	-	-	-
50									
51		**Original Cost Rate Base**	$ 7,418,409	$ (1,877,809)	$ (251,483)	$ 327,565	$ (96,204)	$ 338,625	$ 8,709,357

Sahuarita Water Company, LLC
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Final Schedule JMM-4

RATE BASE ADJUSTMENT NO. 1 - POST-TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Post-Test Year Plant	$ 1,844,270	$ 2,850,253	$ 4,694,523

Based on Staff Engineering Report Table I-1.

Remove Post-Test Year Plant (Based on Staff Engineering Report Table I-1)	$ (1,844,270)
Add Post-Test Year Plant (Arsenic Treatment Facility)	$ 4,694,523
	$ 2,850,253

DESCRIPTION	[A] COMPANY AIAC AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
Contributions in Aid of Construction	$ 2,436,455	$ 1,877,809	$ 4,314,264

Loan forgiveness amount 40% of $4,694,523 = $1,877,809

REFERENCES:
Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Sahuarita Water Company, LLC
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Final Schedule JMM-5

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	307	Wells & Springs	$ 800,396	$ (251,483)	$ 548,913
2	331	Transmission & Distribution Mains	$ 10,162,557	$ (30,250)	$ 10,132,307
3	333	Services	$ 2,081,553	$ (30,159)	$ 2,051,394
4	335	Hydrants	$ 672,037	$ (15,673)	$ 656,364
5			$ 13,716,543	$ (327,565)	$ 13,388,978
6					
7	Based on Staff Engineering Report Table H-1.				
8					

LINE NO.	DESCRIPTION	[A] COMPANY AIAC AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
13	Advances in Aid of Construction (AIAC)	$ 9,334,999	$ (76,082)	$ 9,258,917
14				

REFERENCES:
Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Sahuarita Water Company, LLC
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Final Schedule JMM-6

RATE BASE ADJUSTMENT NO. 3 - ACCUMULATED DEPRECIATION

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY AS FILED**	**STAFF ADJUSTMENTS**	**STAFF AS ADJUSTED**
1	Accumulated Depreciation	$ 1,680,847	$ (327,565)	$ 1,353,282

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

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Final Schedule JMM-7

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Customer Deposits	$ -	$ 96,204	$ 96,204

REFERENCES:
Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Sahuarita Water Company, LLC
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Final Schedule JMM-8

RATE BASE ADJUSTMENT NO. 5 - DEFERRED INCOME TAXES

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Deferred Income Taxes	$ 338,625	$ (338,625)	$ -

To Remove Deferred Income Taxes

<u>REFERENCES:</u>
Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Sahuarita Water Company, LLC
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Final Schedule JMM-9

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES		[E] STAFF RECOMMENDED
1	*REVENUES:*							
2	Metered Water Sales	$ 2,057,901	$ -		$ 2,057,901	$ 393,046		$ 2,450,947
3	Water Sales-Unmetered	-	-		-	-		-
4	Other Operating Revenue	157,242	-		157,242	-		157,242
5	Intentionally Left Blank	-	-		-	-		-
6	**Total Operating Revenues**	$ 2,215,143	$ -		$ 2,215,143	$ 393,046		$ 2,608,189
7								
8	*OPERATING EXPENSES:*							
9	Salaries and Wages	$ -	$ -		$ -	$ -		$ -
10	Purchased Wastewater Treatment	4,256	-		4,256	-		4,256
11	Sludge Removal Expense	147,364	-		147,364	-		147,364
12	Purchased Power	-	-		-	-		-
13	Fuel for Power Production	11,866	-		11,866	-		11,866
14	Chemicals	75,423	-		75,423	-		75,423
15	Materials & Supplies	30,131	-		30,131	-		30,131
16	Contractural Services, Legal&Engr	770,603	(135,161)	1 & 2	635,442	-		635,442
17	Contractural Sevices - Other	-	-		-	-		-
18	Contractural Services - Testing	-	-		-	-		-
19	Equipment Rental	8,750	1,632	3	10,382	-		10,382
20	Rents - Building	13,195	(11,299)	4	1,896	-		1,896
21	Transportation	22,358	-		22,358	-		22,358
22	General Liability Insurance	21,111	-		21,111	-		21,111
23	Insurance - Other	-	-		-	-		-
24	Regulatory Commission Expense	-	-		-	-		-
25	Regulatory Commission Expense - Rate Case	75,000	(30,000)	5	45,000	-		45,000
26	Misceallenous Exp	14,724	-		14,724	-		14,724
27	Bad Debt Expense	109	-		109	-		109
28	Depreciation Expense	610,853	60,547	6	671,400	-		671,400
29	Depreciation	-	-		-	-		-
30	Taxes other than Income	11,602	-		11,602	-		11,602
31	Property Taxes	122,230	(18,366)	7	103,864	6,211	7	110,075
32	Income Taxes	104,948	(104,948)	8	-	-		-
33	Intentionally Left Blank	-	-		-	-		-
34	**Total Operating Expenses**	$ 2,044,524	$ (237,595)		$ 1,806,928	$ 6,211		$ 1,813,139
35	**Operating Income (Loss)**	$ 170,618	$ 237,595		$ 408,215	$ 386,834		$ 795,050

References:
Column (A): Company Schedule C-1
Column (B): Schedule JMM-10
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-1
Column (E): Column (C) + Column (D)

Sahuarita Water Company, LLC
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Final Schedule JMM-10

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Affiliate Management Fee ADJ #1 Ref: Sch JMM-11	[C] Beverage Expense ADJ #2 Ref: Sch JMM-12	[D] Water Testing Expense ADJ #3 Ref: Sch JMM-13	[E] Rent Expense ADJ #4 Ref: Sch JMM-14	[F] Rate Case Expense ADJ #5 Ref: Sch JMM-15	[G] Depreciation Expense ADJ #6 Ref: Sch JMM-16	[H] Property Tax Expense ADJ #7 Ref: Sch JMM-17	[I] Income Tax Expense ADJ #8 Ref: Sch JMM-18	[J] STAFF ADJUSTED
1	*REVENUES:*										
2	Metered Water Sales	$2,057,901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,057,901
3	Water Sales-Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	157,242	-	-	-	-	-	-	-	-	157,242
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-
6	**Total Operating Revenues**	$2,215,143	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,215,143
7											
8	*OPERATING EXPENSES:*										
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Water	4,256	-	-	-	-	-	-	-	-	4,256
11	Purchased Power	147,364	-	-	-	-	-	-	-	-	147,364
12	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	Chemicals	11,866	-	-	-	-	-	-	-	-	11,866
14	Repairs and Maintenance	75,423	-	-	-	-	-	-	-	-	75,423
15	Materials and Supplies	30,131	-	-	-	-	-	-	-	-	30,131
16	Outside Services	770,603	(134,410)	(751)	-	-	-	-	-	-	635,442
17	Outside Services - Other	-	-	-	-	-	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-	-	-	-	-	-
19	Water Testing	8,750	-	-	1,632	-	-	-	-	-	10,382
20	Rents	13,195	-	-	-	(11,299)	-	-	-	-	1,896
21	Transportation Expenses	22,358	-	-	-	-	-	-	-	-	22,358
22	Insurance - General Liability	21,111	-	-	-	-	-	-	-	-	21,111
23	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
24	Regulatory Commission Expenese	-	-	-	-	-	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	75,000	-	-	-	-	(30,000)	-	-	-	45,000
26	Miscellaneous Expense	14,724	-	-	-	-	-	-	-	-	14,724
27	Bad Debt Expense	109	-	-	-	-	-	-	-	-	109
28	Depreciation Expense	610,853	-	-	-	-	-	60,547	-	-	671,400
29	Amortization of CIAC	-	-	-	-	-	-	-	-	-	-
30	Taxes Other than Income	11,602	-	-	-	-	-	-	-	-	11,602
31	Property Taxes	122,230	-	-	-	-	-	-	(18,366)	-	103,864
32	Income Taxes	104,948	-	-	-	-	-	-	-	(104,948)	-
33	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-
34	**Total Operating Expenses**	$2,044,524	$ (134,410)	$ (751)	$ 1,632	$ (11,299)	$ (30,000)	$ 60,547	$ (18,366)	$ (104,948)	$ 1,806,930
35	**Operating Income (Loss)**	$ 170,618	$ 134,410	$ 751	$ (1,632)	$ 11,299	$ 30,000	$ (60,547)	$ 18,366	$ 104,948	$ 408,213

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Final Schedule JMM-11

OPERATING INCOME ADJUSTMENT NO. 1 - MANAGEMENT FEES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Outside Service	$ 770,603	$ (134,410)	$ 636,193
2				
3	Staff Calculation:			
4	Remove "Not Dedicated" Salary Expense	$ 100,831		
5	Remove Bonuses	33,579		
6	Adjustment	$ 134,410		
7				
8	Remove Pro-forma Adjustment	$ -		
9				
10	Total Adjustment lines 6 and 8	$ 134,410		

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

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Final Schedule JMM-12

OPERATING INCOME ADJUSTMENT NO. 2 - BEVERAGE EXPENSES

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY PROPOSED**	**STAFF ADJUSTMENTS**	**STAFF RECOMMENDED**
1	Outside Service	$ 636,193	$ (751)	$ 635,442

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

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Final Schedule JMM-13

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSE

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY PROPOSED**	**STAFF ADJUSTMENTS**	**STAFF RECOMMENDED**
1	Water Testing Expense	$ 8,750	$ 1,632	$ 10,382

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

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Final Schedule JMM-14

OPERATING INCOME ADJUSTMENT NO. 4 - RENT EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Rents	$ 13,195	$ (11,299)	$ 1,896

Staff Calculation:	
Remove Rental Expense of RR HOA	
8 months x $1,530	$ 12,240
Remove Temporary Fence Rental	$ 84
Plus 8 months of Rent at New Facility	
8 months x $128.13	$ (1,025)
Adjustment	$ 11,299

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

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Final Schedule JMM-15

OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY PROPOSED**	**STAFF ADJUSTMENTS**	**STAFF RECOMMENDED**
1	Rate Case Expense	$ 75,000	$ (30,000)	$ 45,000

Staff Calculation:

Estimated Rate Case Cost	$	225,000
Normalized Over Five Years		5
		45,000

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

Sahuarita Water Company, LLC
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Final Schedule JMM-16

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

			[A]	[B]	[C]	[D]	[E]
LINE NO.	ACCT NO.	DESCRIPTION	PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	$ 7,541	$ 7,541	$ -	0.00%	$ -
2	302	Franchise Cost	$ 350,861	$ 350,861	$ -	0.00%	$ -
3	303	Land and Land Rights	$ 13,636	$ 13,636	$ -	0.00%	$ -
4	304	Structures and Improvements	$ 171,671	$ -	$ 171,671	3.33%	$ 5,717
5	305	Collecting and Impounding Res.	$ -	$ -	$ -	2.50%	$ -
6	306	Lake River and Other Intakes	$ -	$ -	$ -	2.50%	$ -
7	307	Wells and Springs	$ 548,913	$ -	$ 548,913	3.33%	$ 18,279
8	308	Infiltration Galleries and Tunnels	$ -	$ -	$ -	6.67%	$ -
9	309	Supply Mains	$ -	$ -	$ -	2.00%	$ -
10	310	Power Generation Equipment	$ 335,668	$ -	$ 335,668	5.00%	$ 16,783
11	311	Electric Pumping Equipment	$ 43,912	$ -	$ 43,912	12.50%	$ 5,489
12	320	Water Treatment Equipment	$ 18,694	$ -	$ 18,694	3.33%	$ 623
13	320	Water Treatment Plant	$ -	$ -	$ -	3.33%	$ -
14	330	Distribution Reservoirs & Standpipe	$ 1,811,998	$ -	$ 1,811,998	2.22%	$ 40,226
15	331	Transmission and Distribution Mains	$ 10,132,307	$ -	$ 10,132,307	2.00%	$ 202,646
16	333	Services	$ 2,051,394	$ -	$ 2,051,394	3.33%	$ 68,311
17	334	Meters	$ 1,222,335	$ -	$ 1,222,335	8.33%	$ 101,821
18	335	Hydrants	$ 656,364	$ -	$ 656,364	2.00%	$ 13,127
19	336	Backflow Prevention Devices	$ 816	$ -	$ 816	6.67%	$ 54
20	339	Other Plant and Miscellaneous Equipment	$ -	$ -	$ -	6.67%	$ -
21	340	Office Furniture and Fixtures	$ 283,991	$ -	$ 283,991	6.67%	$ 18,942
22	341	Transportation Equipment	$ 146,129	$ -	$ 146,129	20.00%	$ 29,226
23	342	Stores Equipment	$ -	$ -	$ -	4.00%	$ -
24	343	Tools and Work Equipment	$ 13,856	$ -	$ 13,856	5.00%	$ 693
25	344	Laboratory Equipment	$ 132	$ -	$ 132	10.00%	$ 13
26	345	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
27	346	Communications Equipment	$ 11,818	$ -	$ 11,818	10.00%	$ 1,182
28	347	Miscellaneous Equipment	$ 695	$ -	$ 695	10.00%	$ 70
29	348	Other Tangible Plant	$ 962,974	$ -	$ 962,974	10.00%	$ 96,297
30		Sub Total	$ 18,785,705	$ 372,038	$ 18,413,667		$ 619,499
31							
32	Post Test Year Plant						
33	320	Water Treatment Plant	$ 2,566,523	$ -	$ 2,566,523	3.33%	$ 85,465
	320.3	Media for Arsenic Treatment	$ 120,000	$ -	$ 120,000	67.00%	$ 80,400
34	331	Transmission and Distribution Mains	$ 2,008,000	$ -	$ 2,008,000	2.00%	$ 40,160
35		Total Plant	$ 23,480,228		$ 23,108,190		$ 825,524
36							
37		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.57%				
38		CIAC:	$ 4,314,264				
39		Amortization of CIAC (Line 32 x Line 33):	$ 154,124				
40							
41		Depreciation Expense Before Amortization of CIAC:	$ 825,524				
42		Less Amortization of CIAC:	$ 154,124				
43		**Test Year Depreciation Expense - Staff:**	**$ 671,400**				
44		Depreciation Expense - Company:	$ 610,853				
44		**Staff's Total Adjustment:**	**$ 60,547**				

References:
Column [A]: Schedule JMM-3
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

Sahuarita Water Company, LLC
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Final Schedule JMM-17

OPERATING INCOME ADJUSTMENT NO. 7 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 2,215,143	$ 2,215,143
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	4,430,286	$ 4,430,286
4	Staff Recommended Revenue, Per Schedule JMM-1	2,215,143	$ 2,608,189
5	Subtotal (Line 4 + Line 5)	6,645,429	7,038,475
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,215,143	$ 2,346,158
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	4,430,286	$ 4,692,316
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	48,652	$ 48,652
12	Full Cash Value (Line 9 + Line 10 - Line 11)	4,381,634	$ 4,643,664
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	876,327	$ 928,733
15	Composite Property Tax Rate (Per Company Schedule)	11.8522%	11.8522%
16			
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 103,864	
18	Company Proposed Property Tax	122,230	
19			
20	Staff Test Year Adjustment (Line 17 -Line 18)	$ (18,366)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 110,075
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		$ 103,864
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 6,211
24			
25	Increase to Property Tax Expense		$ 6,211
26	Increase in Revenue Requirement		393,046
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.580293%

Sahuarita Water Company, LLC
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Final Schedule JMM-18

OPERATING INCOME ADJUSTMENT NO. 8 - INCOME TAX EXPENSE

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY PROPOSED**	**STAFF ADJUSTMENTS**	**STAFF RECOMMENDED**
1	Income Tax Expense	$ 104,948	$ (104,948)	$ -

References:
Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	$ 16.00	$ 24.75	$ 16.00
3/4 Inch	25.00	37.13	25.00
1 Inch	40.00	61.88	40.00
1 1/2 Inch	75.00	123.76	80.00
2 Inch	120.00	198.02	128.00
3 Inch	225.00	396.03	256.00
4 Inch	375.00	618.80	400.00
6 Inch	750.00	1,237.60	800.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (All Classes, Except Standpipe/Contruction)			
First 6,000 gallons	$ 2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
5/8" x 3/4" Meter (Residential)			
First 4,000 gallons	N/A	$ 3.3400	N/A
4,001 to 10,000 gallons	N/A	4.2900	N/A
Over 10,000 gallons	N/A	5.0400	N/A
First 3,000 gallons	N/A	N/A	$ 2.3100
3,001 to 9,000 gallons	N/A	N/A	3.4760
Over 9,000 gallons	N/A	N/A	4.1660
5/8" x 3/4" Meter (Commerical/Irrigation)			
First 10,000 gallons	N/A	4.2900	N/A
Over 10,000 gallons	N/A	5.0400	N/A
First 9,000 gallons	N/A	N/A	3.4760
Over 9,000 gallons	N/A	N/A	4.1660
3/4" Meter (Residential)			
First 6,000 gallons	N/A	3.3400	N/A
6,001 to 15,000 gallons	N/A	4.2900	N/A
Over 15,000 gallons	N/A	5.0400	N/A
First 3,000 gallons	N/A	N/A	2.3100
3,001 to 9,000 gallons	N/A	N/A	3.4760
Over 9,000 gallons	N/A	N/A	4.1660
3/4" Meter (Commerical/Irrigation)			
First 15,000 gallons	N/A	4.2900	N/A
Over 15,000 gallons	N/A	5.0400	N/A
First 9,000 gallons	N/A	N/A	3.4760
Over 9,000 gallons	N/A	N/A	4.1660
1" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
1" Meter (Residential)			
First 10,000 gallons	N/A	3.3400	N/A
10,001 to 25,000 gallons	N/A	4.2900	N/A
Over 25,000 gallons	N/A	5.0400	N/A
First 20,000 gallons	N/A	N/A	3.4760
Over 20,000 gallons	N/A	N/A	4.1660
1" Meter (Commercial)			
First 25,000 gallons	N/A	N/A	N/A
Over 25,000 gallons	N/A	N/A	N/A
First 20,000 gallons	N/A	N/A	3.4760
Over 20,000 gallons	N/A	N/A	4.1660
1" Meter (Commercial/Irrigation)			
First 10,000 gallons	N/A	3.0400	N/A
10,001 to 25,000 gallons	N/A	3.9900	N/A
First 20,000 gallons	N/A	N/A	3.4760
Over 20,000 gallons	N/A	N/A	4.1660
1.5" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
First 50,000 gallons	N/A	3.0400	N/A
Over 50,000 gallons	N/A	3.9900	N/A

First 55,000 gallons	N/A	N/A	3.4760
Over 55,000 gallons	N/A	N/A	4.1660
2" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
First 80,000 gallons	N/A	3.0400	N/A
Over 80,000 gallons	N/A	3.9900	N/A
First 90,000 gallons	N/A	N/A	3.4760
Over 90,000 gallons	N/A	N/A	4.1660
3" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
First 160,000 gallons	N/A	3.0400	N/A
Over 160,000 gallons	N/A	3.9900	N/A
First 200,000 gallons	N/A	N/A	3.4760
Over 200,000 gallons	N/A	N/A	4.1660
4" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
First 250,000 gallons	N/A	3.0400	N/A
Over 250,000 gallons	N/A	3.9900	N/A
First 350,000 gallons	N/A	N/A	3.4760
Over 350,000 gallons	N/A	N/A	4.1660
6" Meter (All Classes, Except Standpipe/Construction)			
First 6,000 gallons	2.0500	N/A	N/A
Over 6,000 gallons	2.7500	N/A	N/A
First 500,000 gallons	N/A	3.0400	N/A
Over 500,000 gallons	N/A	3.9900	N/A
First 750,000 gallons	N/A	N/A	3.4760
Over 750,000 gallons	N/A	N/A	4.1660
Standpipe (Construction)			
All Usage	4.5000	5.0400	4.1660

Other Service Charges

Establishment	$ 25.00	$ 25.00	$ 25.00
Establishment (After Hours)	$ 40.00	$ 40.00	$ 40.00
Reconnection (Delinquent)	$ 25.00	$ 25.00	$ 25.00
Reconnection (Delinquent) - After Hours	$ -	$ 40.00	$ 40.00
NSF Check	$ 15.00	$ 15.00	$ 15.00
Meter Test (If Correct)	$ 25.00	$ 25.00	$ 25.00
Deposit	*	*	*
Deposit Interest**	6 percent	1 percent	6 percent
Reestablishment (within 12 months)	***	***	***
Late Payment Penalty	$ 5.00	$5.00 or 1.50 percent per month	$5.00 or 1.50 percent per month
Deferred Payment	1.5 percent per month	1.5 percent per month	1.5 percent per month
Moving Meter at Customer Request	At Cost	At Cost	At Cost
Main Extenstion and Additional Facilities	At Cost	At Cost	At Cost

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
Service Size 5/8"	$ 317.50	$ 445.00	$ 155.00	$ 600.00	$ 445.00	$ 155.00	$ 600.00
3/4"	$ 352.50	$ 445.00	$ 255.00	$ 700.00	$ 445.00	$ 255.00	$ 700.00
1"	$ 402.50	$ 495.00	$ 315.00	$ 810.00	$ 495.00	$ 315.00	$ 810.00
1-1/2"	$ 597.50	$ 550.00	$ 525.00	$ 1,075.00	$ 550.00	$ 525.00	$ 1,075.00
2" Turbine	$ 997.50	$ 830.00	$ 1,045.00	$ 1,875.00	$ 830.00	$ 1,045.00	$ 1,875.00
2" Compound	$ 1,487.50	$ 830.00	$ 1,890.00	$ 2,720.00	$ 830.00	$ 1,890.00	$ 2,720.00
3" Turbine	$ 1,377.50	$ 1,045.00	$ 1,670.00	$ 2,715.00	$ 1,045.00	$ 1,670.00	$ 2,715.00
3" Compound	$ 1,927.50	$ 1,165.00	$ 2,545.00	$ 3,710.00	$ 1,165.00	$ 2,545.00	$ 3,710.00
4" Turbine	$ 2,207.50	$ 1,490.00	$ 2,670.00	$ 4,160.00	$ 1,490.00	$ 2,670.00	$ 4,160.00
4" Compound	$ 2,822.50	$ 1,670.00	$ 3,645.00	$ 5,315.00	$ 1,670.00	$ 3,645.00	$ 5,315.00
6" Turbine	$ 4,217.50	$ 2,210.00	$ 5,025.00	$ 7,235.00	$ 2,210.00	$ 5,025.00	$ 7,235.00
6" Compound	$ 5,497.50	$ 2,330.00	$ 6,920.00	$ 9,250.00	$ 2,330.00	$ 6,920.00	$ 9,250.00
Over 6"	N/A	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

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Final Schedule JMM-20

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,424	$ 27.12	$ 44.22	$ 17.10	63.05%
Median Usage	5,000	26.25	42.40	$ 16.15	61.52%
Staff Recommended					
Average Usage	5,424	$ 27.12	$ 31.36	$ 4.24	15.62%
Median Usage	5,000	26.25	29.88	$ 3.63	13.84%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 16.00	$ 24.75	54.69%	$ 16.00	0.00%
1,000	18.05	28.09	55.62%	18.31	1.44%
2,000	20.10	31.43	56.37%	20.62	2.59%
3,000	22.15	34.77	56.98%	22.93	3.52%
4,000	24.20	38.11	57.48%	26.41	9.12%
5,000	26.25	42.40	61.52%	29.88	13.84%
6,000	28.30	46.69	64.98%	33.36	17.87%
7,000	31.05	50.98	64.19%	36.83	18.63%
8,000	33.80	55.27	63.52%	40.31	19.26%
9,000	36.55	59.56	62.95%	43.79	19.80%
10,000	39.30	63.85	62.47%	47.95	22.02%
11,000	42.05	68.89	63.83%	52.12	23.94%
12,000	44.80	73.93	65.02%	56.28	25.63%
13,000	47.55	78.97	66.08%	60.45	27.13%
14,000	50.30	84.01	67.02%	64.62	28.46%
15,000	53.05	89.05	67.86%	68.78	29.66%
16,000	55.80	94.09	68.62%	72.95	30.73%
17,000	58.55	99.13	69.31%	77.11	31.71%
18,000	61.30	104.17	69.93%	81.28	32.59%
19,000	64.05	109.21	70.51%	85.45	33.41%
20,000	66.80	114.25	71.03%	89.61	34.15%
25,000	80.55	139.45	73.12%	110.44	37.11%
30,000	94.30	164.65	74.60%	131.27	39.21%
35,000	108.05	189.85	75.71%	152.10	40.77%
40,000	121.80	215.05	76.56%	172.93	41.98%
45,000	135.55	240.25	77.24%	193.76	42.95%
50,000	149.30	265.45	77.80%	214.59	43.73%
75,000	218.05	391.45	79.52%	318.74	46.18%
100,000	286.80	517.45	80.42%	422.89	47.45%