

OPEN MEETING ITEM



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

ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
DOCKETED

NOV 23 2010

DATE: NOVEMBER 23, 2010  
DOCKET NOS.: W-02355A-09-0275 and W-02355A-10-0330

DOCKETED BY

TO ALL PARTIES:

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

HEART CAB CO., DBA SULGER WATER COMPANY #2  
(RATES/FINANCE)

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

DECEMBER 2, 2010

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

DECEMBER 14, 2010 and DECEMBER 15, 2010

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

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DOCKET CONTROL

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF  
HEART CAB CO., DBA SULGER WATER  
COMPANY #2 FOR A PERMANENT RATE  
INCREASE.

DOCKET NO. W-02355A-09-0275

IN THE MATTER OF THE APPLICATION OF  
HEART CAB CO., DBA SULGER WATER  
COMPANY #2 FOR APPROVAL OF FINANCING.

DOCKET NO. W-02355A-10-0330

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

**ORDER**

Open Meeting  
December 14 and 15, 2010  
Phoenix, Arizona

**BY THE COMMISSION:**

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

**PROCEDURAL HISTORY**

1. Pursuant to authority granted by the Commission, Heart Cab Co., d/b/a Sulger Water Company #2 ("Sulger" or "Company") is an Arizona non-profit corporation engaged in the business of providing water utility service to 18 customers near Huachuca City, Cochise County, Arizona. Sulger's present emergency rates were approved in Decision No. 70619 (September 22, 2008).

2. On June 1, 2009, Sulger filed with the Commission an application for a permanent rate increase in Docket No. W-02355A-09-0275, as required in Decision No. 70619. As part of the application, the Company provided Staff with a copy of the application notice Sulger provided to its customers.

3. On July 1, 2009, the Commission's Utilities Division Staff ("Staff") notified the Company that application was insufficient under Arizona Administrative Code ("A.A.C.") R14-2-

1 103, and provided the Company with Staff's first set of data requests.

2 4. On May 5, 2010, Sulger filed an amended application using a 2009 test year ("Rate  
3 Application").

4 5. On June 4, 2010, Staff provided the Company with additional data requests and on  
5 July 21, 2010, Sulger filed its responses.

6 6. On July 28, 2010, Sulger filed with the Commission an application for approval of  
7 financing from the Water Infrastructure Finance Authority ("WIFA") for certain capital  
8 improvements in Docket No. W-02355A-10-0330("Finance Application").

9 7. On August 3, 2010, the Company filed correspondence stating that it had provided  
10 notice of the Finance Application to its customers.

11 8. On August 23, 2010, pursuant to A.A.C. R14-2-103, Staff issued a Letter of  
12 Sufficiency finding Sulger's Rate Application sufficient, and classifying the Company as a Class E  
13 utility.

14 9. On August 31, 2010, Staff filed a Motion to Consolidate, requesting consolidation of  
15 the Rate Application docket and the Finance Application docket and on September 8, 2010, a  
16 Procedural Order was issued consolidating the two dockets.

17 10. On October 22, 2010, Staff filed its Staff Report in the consolidated dockets,  
18 recommending approval of the Rate Application using Staff's recommended rates and charges, and  
19 also recommending approval of the Finance Application, both subject to certain terms and conditions.

20 11. Sulger filed no objections to the Staff Report.

21 **FINDINGS OF FACT**

22 **Rate Application**

23 12. During the test year ended December 31, 2009, Sulger served 17 customers on 5/8" x  
24 3/4" meters and one customer on a 1-inch meter. Average and median water usage by customers  
25 during the test year were 4,936 gallons and 3,600 gallons per month, respectively.

26 13. The water rates and charges for Sulger at present, as proposed by Sulger in its May 5,  
27 2010, Rate Application, and as recommended by Staff in its Staff Report, are as follows:

28

	<b>Present Rates</b>	<b>Proposed Rates</b>	
		<b>Company</b>	<b>Staff</b>
1	<b><u>MONTHLY USAGE CHARGE:</u></b>		
2	5/8" x 3/4" Meter	\$31.00	\$31.00
3	3/4" Meter	31.00	46.50
4	1" Meter	31.00	77.50
5	1 1/2" Meter	31.00	155.00
6	2" Meter	31.00	248.00
7	3" Meter	31.00	496.00
8	4" Meter	31.00	775.00
9	6" Meter	31.00	1,550.00
10	<b><u>COMMODITY CHARGE:</u></b>		
11	(Per 1,000 Gallons)		
12	<u>All Customer Classes</u>		
13	0 - 5,000 gallons	\$2.00	N/A
14	5,001 - 10,000 gallons	2.75	N/A
15	Over 10,000 gallons	3.90	N/A
16	<u>5/8" x 3/4" Meter and 3/4" Meter (Residential)</u>		
17	0 - 3,000 gallons	N/A	\$1.80
18	3,001 - 10,000 gallons	N/A	3.00
19	Over 10,000 gallons	N/A	4.54
20	<u>5/8" x 3/4" Meter and 3/4" Meter (Industrial &amp; Commercial)</u>		
21	0 - 10,000 gallons	N/A	3.00
22	Over 10,000 gallons	N/A	4.54
23	<u>1" Meter (Residential, Industrial &amp; Commercial)</u>		
24	0 - 28,000 gallons	NA/	3.00
25	Over 28,000 gallons	N/A	4.54
26	<u>1-1/2" Meter (Residential, Industrial &amp; Commercial)</u>		
27	0 - 75,000 gallons	N/A	3.00
28	Over 75,000 gallons	N/A	4.54
29	<u>2" Meter (Residential, Industrial &amp; Commercial)</u>		
30	0 - 130,000 gallons	N/A	3.00
31	Over 130,000 gallons	N/A	4.54
32	<u>3" Meter (Residential, Industrial &amp; Commercial)</u>		
33	0 - 290,000 gallons	N/A	3.00
34	Over 290,000 gallons	N/A	4.54
35	<u>4" Meter (Residential, Industrial &amp; Commercial)</u>		
36	0 - 450,000 gallons	N/A	3.00
37	Over 450,000 gallons	N/A	4.54
38	<u>6" Meter (Residential, Industrial &amp; Commercial)</u>		
39	0 - 1,500,000 gallons	N/A	3.00
40	Over 1,500,000 gallons	N/A	4.54

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Current Charges</u>	<u>Company's Proposed Charges</u>	<u>Staff Recommended Service Line Charges</u>	<u>Staff Recommended Meter Charges</u>	<u>Staff Recommended Total Charges</u>
5/8" x 3/4" Meter	\$100.00	\$520.00	\$415.00	\$105.00	\$520.00
3/4" Meter	120.00	620.00	415.00	205.00	620.00
1" Meter	160.00	730.00	465.00	265.00	730.00
1-1/2" Meter	300.00	995.00	520.00	475.00	995.00
2" Meter	400.00	1,795.00	800.00	995.00	1,795.00
3" Meter	N/A	2,635.00	1,015.00	1,620.00	2,635.00
4" Meter	N/A	4,000.00	1,430.00	2,570.00	4,000.00
6" Meter	N/A	7,075.00	2,150.00	4,925.00	7,075.00

**SERVICE CHARGE:**

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Staff</u>
Establishment	N/A	\$40.00	\$35.00
Establishment (After Hours)	N/A	50.00	50.00
Reconnection (Delinquent)	15.00	50.00	35.00
Reconnection (Delinquent) after hours	N/A	70.00	65.00
Meter Test (If Correct)	N/A	35.00	35.00
Deposit	60.00	***	*
Deposit Interest	N/A	*	*
Reestablishment (Within 12 Months)	25.00	40.00	**
NSF Check	N/A	****	30.00
Deferred Payment (Per Month)	N/A	10.00%	18.00%
Meter Reread (If Correct)	2.50	25.00	15.00
Late Payment Charge-Per Month	N/A	30.00	1.50%

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

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

\*\*\* \$75.00 minimum or 2 times last two months or whichever is higher.

\*\*\*\* \$45.00 minimum or current banking fee.

14. According to the Staff Report, Staff determined Sulger's original cost rate base ("OCRB") to be \$889, which is the same as its fair value rate base ("FVRB"). This is a \$112,257 decrease to Sulger's proposed OCRB of \$113,146, due to Staff's adjustments to accumulated depreciation, contributions-in-aid-of-construction ("CIAC"), amortization of CIAC and working capital.

15. Staff made several adjustments to Sulger's proposed test year operating income, resulting in an increase of \$7,492, from (\$6,678) to \$814. The increase to Sulger's test year operating income is due to a number of expense adjustments to office supplies and expense, water testing expense, rate case expense, miscellaneous expense and taxes other than income tax, depreciation expense and income tax expense.

1           16.     Based on Staff's analysis, Sulger's present water rates and charges produced operating  
2 revenues of \$8,866 and adjusted operating expenses of \$8,072, which resulted in operating income of  
3 \$814, for an operating margin of 9.16 percent during the test year.

4           17.     The rates and charges proposed by Sulger would produce operating revenues of  
5 \$8,886, and operating expenses of \$15,564, resulting in an operating income of (\$6,678), for no rate  
6 of return.

7           18.     The water rates and charges Staff recommended would produce operating revenues of  
8 \$9,183 and adjusted operating expenses of \$8,256, resulting in operating income of \$918, or an  
9 operating margin of 10 percent and 100 percent rate of return on FVRB. Staff believes its  
10 recommendation provides an adequate level of revenue to cover operating expenses and other  
11 contingencies.

12           19.     Sulger's proposed rate schedules would not increase their customers' monthly bills.

13           20.     Staff's proposed rate schedules would increase the average monthly 5/8" x 3/4" meter  
14 water bill by \$1.34, or 3.28 percent, from \$40.87 to \$42.21, and no increase to the median monthly  
15 water bill.

16           21.     Sulger did not object to Staff's recommended rates and charges. Accordingly, we find  
17 that Staff's recommended rates and charges are reasonable and shall adopt them.

18           22.     In the Staff Report, Staff noted that the Company did not provide Staff with invoices  
19 to support its plant-in-service costs. Staff noted that:

20                   Staff Engineer, Mr. Marlin Scott, Jr., examined the plant-in-service, and has  
21 verified that the Company does indeed have the plant-in-service. [Mr. Scott] did  
22 not conduct a reconstructive cost analysis; however, Mr. Scott believes the  
23 Company's plant-in-service amount of \$151,458 to be reasonable... Staff  
recommends that, in the future, the Company be required to maintain plant  
documentation for all plant-in-service.<sup>1</sup>

24           23.     In addition to the above recommendations, Staff also made the following  
25 recommendations regarding the Rate Application:

26                   (a)    Sulger shall file with Docket Control, as a compliance item in this docket, a  
27 schedule of its approved rates and charges within 30 days after the Decision in  
this matter is issued.

28 <sup>1</sup> Staff Report, page 4.

1 (b) Sulger should collect from its customers a proportionate share of any privilege,  
sales or use tax as provided for in A.A.C. R14-2-409(D).

2 (c) Sulger be ordered to utilize the depreciation rates delineated in the attached  
3 Exhibit 'A,' on a going-forward basis.

4 24. During Staff's review of the Company's financial records, Staff found that Sulger was  
not following the National Association of Regulatory Utility Commissioners' Uniform System of  
5 Accounts ("NARUC USOA"). Staff recommended that:

6  
7 (a) Sulger should immediately begin keeping all of its plant-in-service and  
expense information in accordance with the NARUC USOA.

8 (b) Sulger should file as a compliance item, within 30 days of this Decision, a plan  
9 for Staff approval that describes how the Company intends to bring its books  
and records into conformance with the NARUC USOA.

10 (c) Sulger should file as a compliance item, within 120 days of this Decision, an  
11 affidavit confirming that its accounting system has been updated to comply  
with the NARUC USOA.

12 25. Sulger's current water system consists of two wells, each pumping 35 gallons per  
13 minute, a 5,000 gallon pressure tank and a distribution system. There is also a 4,500 gallon storage  
14 tank this is being by-passed but will be placed back in operation as part of the capital improvements.

15 26. According to Staff, Sulger's current system can adequately serve its present customer  
16 base, and there is currently very minimal growth.

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

20 28. Sulger is not within an active management area, and is not subject to the Arizona  
21 Department of Water Resources monitoring and reporting requirements.

22 29. According to Staff, Sulger is in compliance with Commission filing requirements and  
23 is in good standing with the Commission's Corporations Division.

24 30. The Company provided a Certificate of Good Standing dated June 3, 2009, from the  
25 Arizona Department of Revenue indicating that Sulger is current on its property taxes.

26 31. Sulger has Commission-approved Backflow and Curtailment tariffs.

27 32. Staff reviewed the Commission's Consumer Services records from January 1, 2007  
28

1 through September 10, 2010. Staff notes that in 2009 there was one complaint, no inquiries and one  
2 opinion opposing the emergency rate increase. In 2010, Staff states that there was one billing  
3 complaint and no inquiries. Two opinions were filed opposing the Company's requested rate  
4 increase.

5 33. Because an allowance for the property tax expense is included in Sulger's rates and  
6 will be collected from its customers, the Commission seeks assurances from Sulger that any taxes  
7 collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the  
8 Commission's attention that a number of water companies have been unwilling or unable to fulfill  
9 their obligation to pay the taxes that were collected from its ratepayers, some for as many as twenty  
10 years. It is reasonable, therefore, that as a preventive measure Sulger shall annually file, as part of its  
11 annual report, an affidavit with the Commission's Utilities Division attesting that the company is  
12 current in paying its property taxes in Arizona.

### 13 Financing Application

14 34. Sulger's Finance Application requests Commission approval of a \$115,000 WIFA  
15 loan to fund capital improvement projects indentified in a Water System Evaluation ("WSE")  
16 conducted by the ADEQ in July 2009.

17 35. The recommended improvements stated in the WSE include, among other things, the  
18 installation of flow meters and check valves, refurbishment or installation of a used 1,500 gallon  
19 pressure tank, installation of a 50,000 gallon storage tank with a booster system and construction of  
20 new fencing and concrete slabs. The improvement projects identified by the WSE have an estimated  
21 cost of \$128,000, not including engineering costs. Under the Company's proposal, it would be  
22 responsible for the difference between the estimated cost and the requested authorization amount.

23 36. Staff reviewed the proposed projects and associated costs and found them to be  
24 appropriate with one exception: the WSE included the purchase and installation of a 50,000 gallon  
25 storage tank. After engineering Staff's inspection of the system and review of system requirements,  
26 Staff instead recommended the installation of a 5,000 storage tank, resulting in substantial savings  
27 and dropping the needed loan amount from \$115,000 to \$56,120.

28 37. In order to cover the debt service on a \$56,120 WIFA loan, Staff recommends that

1 Sulger be permitted to assess an infrastructure surcharge.

2 38. Using a loan amount of \$56,120 amortized over 20 years at an anticipated WIFA  
3 interest rate of five percent, Staff calculated a monthly infrastructure surcharge amount per customer  
4 of \$20.57. Staff noted that the actual surcharge amount may be more or less depending on the  
5 prevailing WIFA interest rate at the time the loan is closed.

6 39. Staff examined the effects of the proposed financing on Sulger's debt service coverage  
7 ("DSC") and times interest earned ratios ("TIER").<sup>2</sup> Fully drawing on Staff's recommended loan  
8 amount of \$56,120 loan results in pro forma DSC and TIER of 1.24 and 2.03, respectively. These  
9 ratios show that Sulger would have adequate cash flow to meet all obligations, including the  
10 proposed debt.

11 40. Engineering Staff determined that the construction of the new well and the associated  
12 costs are reasonable and appropriate, however, Staff made no "used and useful" determination of the  
13 proposed plant, and no particular treatment should be inferred for rate-making or rate-base purposes.

14 41. Staff concludes that the proposed loan is appropriate to finance the proposed plans.  
15 Staff further concludes that issuance of a long-term amortizing loan of approximately 20 years for the  
16 \$56,120 estimated cost of the capital improvements, is within Sulger's corporate powers, is  
17 compatible with the public interest, would not impair its ability to provide services and would be  
18 consistent with sound financial practices.

19 42. Staff recommends Commission authorization for Sulger to obtain a 20-year amortizing  
20 loan at the prevailing WIFA interest rate determined by WIFA for an amount not to exceed \$56,120  
21 to finance the construction of proposed capital improvements.

22 43. Staff further recommends authorizing Sulger to engage in any transactions and to  
23 execute any documents necessary to effectuate the authorizations granted.

24 44. Staff further recommends that Sulger file with Docket Control, as a compliance item  
25 in this docket, within 30 days of the transaction's closing, copies of the executed loan documents.

26 \_\_\_\_\_  
27 <sup>2</sup> DSC represents the number of times internally generated cash covers required principal and interest payments on debt.  
28 A DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations. TIER represents the number of  
times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating  
income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily  
mean that debt obligations cannot be met in the short term.



1 approved without a hearing.

2 5. The financing approved herein is for lawful purposes within Sulger's corporate  
3 powers, is compatible with the public interest, with sound financial practices, and with the proper  
4 performance by Sulger of service as a public service corporation, and will not impair its ability to  
5 perform the service.

6 6. The financing approved herein is for the purposes stated in the Finance Application, is  
7 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably  
8 chargeable to operating expenses or to income.

9 7. Staff's recommendations as set forth herein, as well as the recommendation in Finding  
10 of Fact No. 33, are reasonable and should be adopted.

### 11 ORDER

12 IT IS THEREFORE ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 is  
13 hereby directed to file with Docket Control, as a compliance item in this docket, within 30 days of the  
14 effective date of this Decision, revised rate schedules setting forth the following rates and charges:

#### 15 MONTHLY USAGE CHARGE:

16	5/8" x 3/4" Meter	\$31.00
	3/4" Meter	46.50
	1" Meter	77.50
17	1 1/2" Meter	155.00
	2" Meter	248.00
18	3" Meter	496.00
	4" Meter	775.00
19	6" Meter	1,550.00

#### 20 COMMODITY CHARGE:

(Per 1,000 Gallons)

21	<u>5/8" x 3/4" Meter and 3/4" Meter (Residential)</u>	
22	0 - 3,000 gallons	\$1.80
	3,001 - 10,000 gallons	3.00
23	Over 10,000 gallons	4.54
24	<u>5/8" x 3/4" Meter and 3/4" Meter (Industrial &amp; Commercial)</u>	
25	0 - 10,000 gallons	3.00
	Over 10,000 gallons	4.54
26	<u>1" Meter (Residential, Industrial &amp; Commercial)</u>	
27	0 - 28,000 gallons	3.00
28	Over 28,000 gallons	4.54

1-1/2" Meter (Residential, Industrial & Commercial)

0 -75,000 gallons 3.00  
Over 75,000 gallons 4.54

2" Meter (Residential, Industrial & Commercial)

0 -130,000 gallons 3.00  
Over 130,000 gallons 4.54

3" Meter (Residential, Industrial & Commercial)

0 -290,000 gallons 3.00  
Over 290,000 gallons 4.54

4" Meter (Residential, Industrial & Commercial)

0 -450,000 gallons 3.00  
Over 450,000 gallons 4.54

6" Meter (Residential, Industrial & Commercial)

0 - 1,500,000 gallons 3.00  
Over 1,500,000 gallons 4.54

SERVICE LINE AND METER INSTALLATION CHARGES:  
(Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$415.00	\$105.00	\$520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	465.00	265.00	730.00
1-1/2" Meter	520.00	475.00	995.00
2" Meter	800.00	995.00	1,795.00
3" Meter	1,015.00	1,620.00	2,635.00
4" Meter	1,430.00	2,570.00	4,000.00
6" Meter	2,150.00	4,925.00	7,075.00

SERVICE CHARGE:

Establishment	\$35.00
Establishment (After Hours)	50.00
Reconnection (Delinquent)	35.00
Reconnection (Delinquent) after hours	65.00
Meter Test (If Correct)	35.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	30.00
Deferred Payment (Per Month)	18.00%
Meter Reread (If Correct)	15.00
Late Payment Charge-Per Month	1.50%

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

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

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after January 1, 2011.

1 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
2 notify their customers of the rates and charges authorized herein, and their effective date, in a form  
3 acceptable to the Commission's Utilities Division Staff, by means of an insert in their next regularly  
4 scheduled billing.

5 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,  
6 Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall collect from its customers a proportionate  
7 share of any privilege, sales or use tax per A.A.C. R14-2-409(D).

8 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
9 annually file, as part of its annual report, an affidavit with the Commission's Utilities Division  
10 attesting that it is current in paying its property taxes in Arizona.

11 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
12 use the depreciation rates by individual NARUC USOA category shown in the attached Exhibit 'A,'  
13 on a going-forward basis.

14 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
15 maintain its plant-in-service and expense records in accordance with the NARUC USOA.

16 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
17 file with Docket Control, as a compliance item in this docket, within 30 days of the effective date of  
18 this Decision, a plan for Staff approval describing how Heart Cab Co., Inc., d/b/a Sulger Water  
19 Company #2 intends to bring its books and records into conformance with the NARUC USOA.

20 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
21 file with Docket Control, as a compliance item in this docket, within 120 days of the effective date of  
22 this Decision, an affidavit confirming that its accounting system has been updated to comply with the  
23 NARUC USOA.

24 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 is  
25 hereby authorized to obtain from WIFA a twenty-year amortizing loan in an amount not to exceed  
26 \$56,120, and at the prevailing WIFA interest rate, to finance the capital improvement discussed  
27 herein.

28 IT IS FURTHER ORDERED that such financing authority shall be expressly contingent upon

1 Heart Cab Co., Inc., d/b/a Sulger Water Company #2's use of the proceeds for the purposes stated in  
2 the Finance Application and approved herein.

3 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 is  
4 authorized to engage in any transactions and to execute any documents necessary to effectuate the  
5 authorization granted herein.

6 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
7 file with Docket Control, as a compliance item in this docket, copies of its executed financing  
8 documents within 30 days after the transaction is closed.

9 IT IS FURTHER ORDERED that within 30 days of the Company's filing of the executed  
10 loan documents, Staff will calculate the actual infrastructure surcharge and prepare a memorandum  
11 and proposed order for the Commission's consideration.

12 IT IS FURTHER ORDERED that, upon Commission approval of the infrastructure surcharge,  
13 Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall open an interest-bearing account in which  
14 all surcharge funds collected from customers will be deposited.

15 IT IS FURTHER ORDERED that the only disbursement of funds from this interest-bearing  
16 account will be for the purpose of debt service payments to WIFA.

17 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
18 file with the Docket Control, as a compliance item in this docket, no later than January 30<sup>th</sup> of each  
19 year, beginning in January 2012, copies of the prior year's monthly bank statements for the dedicated  
20 account.

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

24 IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall  
25 file with Docket Control, as a compliance item in this docket, no later December 31, 2011,  
26 documentation demonstrating that well-head meters have been installed.

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IT IS FURTHER ORDERED that Heart Cab Co., Inc., d/b/a Sulger Water Company #2 shall file with Docket Control, as a compliance item in this docket, no later than December 31, 2011, a copy of the ADEQ Certificate of Approval of Construction for the installation of the 1,500 gallon pressure tank and the 5,000 gallon storage tank.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN	COMMISSIONER	COMMISSIONER
COMMISSIONER	COMMISSIONER	COMMISSIONER

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

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

1 SERVICE LIST FOR: HEART CAB CO., DBA SULGER WATER COMPANY #2

2 DOCKET NOS.: W-02355A-09-0275 and W-02355A-10-0330

3  
4 Valerie Betts, President  
HEART CAB CO., DBA  
SULGER WATER COMPANY #2  
5 1380 West Caroline Lane  
6 Tempe, AZ 85284

7 Janice Alward, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
8 1200 W. Washington Street  
9 Phoenix, AZ 85007

10 Steven M. Olea, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
11 1200 W. Washington Street  
12 Phoenix, AZ 85007

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## EXHIBIT A

Table B. Depreciation Rates

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