

ORIGINAL

HEARING DIVISION PROPOSED AMENDMENT #1



0000124043

TIME/DATE PREPARED: March 28, 2011/10:05 A.M.

COMPANY: Bella Vista Water Company,  
Northern Sunrise Water  
Company and Southern Sunrise  
Water Company

AGENDA ITEM NO.: U-14

DOCKET NOS.: W-02465A-09-0411, W-  
20453A-09-0412, W-20454A-09-0413, W-  
02465A-09-0414, W-20453A-09-0414, and  
W-20454A-09-0414

OPEN MEETING DATE: March 29 and 30,  
2011

Page 10, line 27.5:(footnote 32)

DELETE: "\$2.78"

INSERT "\$2.96"

Page 12, line 20:

INSERT new Footnote after "Plant in Service."

Arizona Corporation Commission

DOCKETED

MAR 28 2011

|             |                    |
|-------------|--------------------|
| DOCKETED BY | <i>[Signature]</i> |
|-------------|--------------------|

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

2011 MAR 28 A 10:24

RECEIVED

"We also adopt Staff's accumulated depreciation balance because Staff's methodology of depreciation, that recognizes vintage groups, is generally more accurate. As will be discussed later, because the Company appears to have improved its record keeping with respect to asset retirements, on a going-forward basis, we do not require the Company to utilize the individual asset depreciation methodology."

Page 16, lines 18-22:

DELETE: "As long as the Company properly accounts for plant retirements, the group depreciation methodology . . . on a going-forward basis."

INSERT: "As long as the Company properly accounts for plant retirements, and recognizes vintage year plant groups and ceases depreciation expense when the original cost of the plant composing the vintage year plant group has been fully recovered, the group depreciation methodology appears to be an acceptable methodology for use by the Company. Accordingly, we will not require the Company to use the individual asset depreciation methodology on a going-forward basis."

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|------------------------|----------------------------|-----------------------|--|
| <b>THIS AMENDMENT:</b> |                            |                       |  |
| _____ Passed _____     | Passed as amended by _____ |                       |  |
| _____ Failed _____     | _____ Not Offered _____    | _____ Withdrawn _____ |  |

**Page 29, line 14:**

INSERT: New heading “**C. Liberty Water Outside Services**” and re-letter existing paragraph.

“Staff reduced Outside Services expense by \$36,038 related to the Company’s adjustment to annualize increased employee costs at Liberty Water. (FN Ex A-13 Bourassa Consolidated Dir at 11 and Sch C-2 at 8; Ex S-6 at 39.) Staff averaged the Liberty Water Outside Services expense for 2008 and 2009 to mitigate the effect of the Company not using competitive bids. (FN Ex S-7 at 27-30).

The Company does not believe that a “competitive bid” standard is the measure by which these costs should be determined to be reasonable, but rather asserts that the standard should be whether Liberty Water unreasonably compensates its employees. (FN Ex A-14 Bourassa Rb at 29)

Ms. Brown testified that the Companies did not present Staff with sufficient evidence for Staff to determine if the increased costs were justified or market based. (FN Ex S-6 at 39.) Neither party addressed this issue in their closing briefs, although the issue was discussed in written testimony and the Company raised the issue in its “Request for Corrections to Recommended Opinion and Order” filed on March 24, 2011. For the purposes of this rate case, we adopt Staff’s adjustment. Staff averaged the 2008 and 2009 Liberty Water Outside Services expense to determine an appropriate expense level. Based on the record in this proceeding, Staff’s adjustment is reasonable.”

**Page 33, line 23:**

DELETE: “\$545,124” and “13.1”

INSERT: “\$580,569” and “13.95”

**Page 33, line 26:**

DELETE “\$368,886”

INSERT “\$347,426”

|                        |                            |                 |
|------------------------|----------------------------|-----------------|
| <b>THIS AMENDMENT:</b> |                            |                 |
| _____ Passed           | _____ Passed as amended by | _____           |
| _____ Failed           | _____ Not Offered          | _____ Withdrawn |

**Page 34, line 3:**

DELETE "\$330,039"

INSERT "\$351,499"

**Page 34, line 4:**

DELETE "1.65170"

INSERT "1.651696"

**Page 34, line 5:**

DELETE: "\$545,125"

INSERT "\$580,569"

**Page 34, line 7:**

DELETE: "\$4,707,261"

INSERT: "\$4,742,705"

**Page 34, line 8:**

DELETE "13.1%"

INSERT "13.95%"

**Page 40, line 5 – Page 41, line 3.5:**

ADJUST all commodity rates as follows:

"\$1.35" should be "\$1.37"

"2.02" should be "2.06"

"2.48" should be "2.514"

(Note page 40, line 6: "3.48" in the ROO should have been "2.48" and under these revisions should be 2.514)

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| <b>THIS AMENDMENT:</b> |                            |                 |
| _____ Passed _____     | Passed as amended by _____ |                 |
| _____ Failed _____     | Not Offered _____          | _____ Withdrawn |

**Page 42, line 8.5:**

DELETE: “(d)”

**Page 42, line 15.5:**

DELETE: “(d) Commission Rules provide for recovery of damage to meter.”

**Page 42, line 18- Page 43, line 4:**

DELETE: Paragraphs concerning bill analyses

INSERT: “Under these authorized rates, the average 5/8 inch residential Bella Vista ratepayer using 6,612 gallons per month would experience a monthly increase of \$2.96 or 12.95 percent, from \$22.90 to \$25.86. The median residential 5/8 inch meter Bella Vista customer using 4,500 gallons per month would see an increase of \$2.14, or 11.08 percent, from \$19.37 to \$21.51.

The average residential 5/8 inch meter NSWC ratepayer using 5,755 gallons per month would experience a monthly decrease of \$18.98 or 44.06 percent, from \$43.08 to \$24.10; the median 5/8 inch meter NSWC residential customer using 4,500 gallons per month would see a decrease of \$18.49, or 46.23 percent, from \$40.00 to \$21.51. (FN The majority of the decrease is attributable to the reduction in the monthly customer charge after consolidation. The current NSWC customer charge is \$31.00, thus of the \$18.98 total decrease for the average NSWC customer, \$16.00, or 84 percent, is due to the decrease in the monthly customer charge.)

The average residential 5/8 inch meter SSWC ratepayer using 5,581 gallons per month would experience a monthly decrease of \$18.86 or 44.28 percent, from \$42.60 to \$23.74; the median 5/8 inch residential SSWC customer using 4,500 gallons would see a decrease of \$18.49, or 46.23 percent, from \$40.00 to \$21.51. (FN The SSWC monthly customer charge also decreases from \$31.00 to \$15.00, thus accounting for 85 percent of the \$18.86 average decrease.)”

**Page 51, line 8:**

DELETE: “\$368,886” and “4.6”

INSERT: “\$347,426” and “4.4”

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| <b>THIS AMENDMENT:</b> |                            |                       |
| _____ Passed _____     | Passed as amended by _____ |                       |
| _____ Failed _____     | _____ Not Offered _____    | _____ Withdrawn _____ |

**Page 51, line 11:**

DELETE: "\$545,125"

INSERT: "\$580,569"

**Page 51, line 12:**

DELETE: "13.1"

INSERT: "13.95"

**Page 51, lines 15-26:**

DELETE Findings of Fact Nos. 38-40

INSERT New Findings of Fact Nos. 38-40

38. Under these authorized rates, the average 5/8 inch residential Bella Vista ratepayer using 6,612 gallons per month would experience a monthly increase of \$2.96 or 12.95 percent, from \$22.90 to \$25.86. The median residential 5/8 inch meter Bella Vista customer using 4,500 gallons per month would see an increase of \$2.14, or 11.08 percent, from \$19.37 to \$21.51.

39. The average residential 5/8 inch meter NSWC ratepayer using 5,755 gallons per month would experience a monthly decrease of \$18.98 or 44.06 percent, from \$43.08 to \$24.10; the median 5/8 inch meter NSWC residential customer using 4,500 gallons per month would see a decrease of \$18.49, or 46.23 percent, from \$40.00 to \$21.51.

40. The average residential 5/8 inch meter SSWC ratepayer using 5,581 gallons per month would experience a monthly decrease of \$18.86 or 44.28 percent, from \$42.60 to \$23.74; the median 5/8 inch residential SSWC customer using 4,500 gallons would see a decrease of \$18.49, or 46.23 percent, from \$40.00 to \$21.51."

**Page 54, line 3:**

INSERT: after "monthly meter readings"

"in a manner that yields information necessary to monitor non-account water with reasonable accuracy"

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| <b>THIS AMENDMENT:</b> |                            |                       |
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| _____ Failed _____     | _____ Not Offered _____    | _____ Withdrawn _____ |