

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION  
RECEIVED

**COMMISSIONERS**

GARY PIERCE, Chairman  
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2011 MAY 12 A 10:13

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
THE LINKS AT COYOTE WASH UTILITIES,  
LLC FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. SW-04210A-10-0392

**STAFF NOTICE OF FILING  
REVISED SCHEDULES AS A LATE-  
FILED EXHIBIT**

The Arizona Corporation Commission ("Commission") Utilities Division Staff ("Staff") hereby files revised schedules as discussed at the May 9, 2011 hearing in this matter. Staff has conferred with The Links at Coyote Wash Utilities ("Company") and the Company is in agreement with the attached schedules.

RESPECTFULLY SUBMITTED this 12th day of May, 2011.

Arizona Corporation Commission

**DOCKETED**

MAY 12 2011

DOCKETED BY 

Ayesha K. Vohra  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
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Original and thirteen (13) copies  
of the foregoing were filed this 12th  
day of May, 2011 with:

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

1 Copies of the foregoing were mailed  
2 this 12th day of May, 2011 to:

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6 Phoenix, Arizona 85012  
7 Attorney for The Links at Coyote Wash Utilities, LLC

8 Jason Williamson  
9 THE LINKS AT COYOTE WASH UTILITIES, LLC  
10 C/O PIVOTAL UTILITY MANAGEMENT  
11 6825 East Tennessee Avenue, Suite 547  
12 Denver, Colorado 80224

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# **ATTACHMENT 1**

Staff conferred with the Company and determined the net impacts of the \$653 increase to test year revenues, as discussed at the hearing of May 9, 2011. Staff and the Company note the following changes which have no impact on Staff's total recommended revenues of \$214,719.

Schedule GWB-1, Present Rates, Measured Revenues, Staff as Adjusted, increase by \$653 from \$12,638 to \$13,291

Schedule GWB-1, Present Rates, Total Operating Revenue, Staff as Adjusted, increase by \$653 from \$163,448 to \$164,101

Schedule GWB-1, Present Rates, Operating Income, Staff as Adjusted, increase by \$653 from \$1,293 to \$1,946

Schedule GWB-1, Present Rates, Rate of Return - O.C.L.D., Staff as Adjusted, increase by 0.12 percent from 0.25 percent to 0.37 percent.

The associated increase in Staff Recommended Revenue would be reduced by \$653 from \$51,271, or 31.36 percent, to \$50,618, or 30.85 percent.

Schedule GWB-4, Rate Design, Staff Recommended Rates, Residential - All, decrease by \$.12 from \$38.99 to \$38.87. Staff's recommended increase for residential customers is decreased by \$.12 from \$8.99, or 30.0 percent, to \$8.87, or 29.6 percent.

Schedule GWB-4, Rate Design, Staff Recommended Rates, Sales of Effluent, per thousand gallons, is decreased by \$.01 per thousand gallons, from \$2.60 to \$2.59.

Subsequent to the hearing, Staff noticed that the footnotes on Schedule GWB-2, page 1 needed some clarification. Staff has made those clarifications.

In support of the above, Staff is filing a set of revised schedules, as attached.

**The Links at Coyote Wash Utilities, LLC**

Docket No. SW-04210A-10-0392

Test Year Ended December 31, 2009

Schedule GWB-1

REV 5/9/11

FINAL

**SUMMARY OF FILING**

	-- Present Rates --		-- Proposed Rates --	
	Company as Amended	Staff as Adjusted	Company as Amended	Staff as Adjusted
<b>Revenues:</b>				
Flat Rate Revenue	\$115,769	\$124,289	\$160,604	\$162,627
Measured Revenues	12,638	13,291	\$17,532	\$17,391
Other Wastewater Revenues	26,521	26,521	36,792	34,702
<b>Total Operating Revenue</b>	<b>\$154,928</b>	<b>\$164,101</b>	<b>\$214,928</b>	<b>\$214,719</b>
<b>Operating Expenses:</b>				
Operation and Maintenance	\$138,824	\$141,994	\$138,824	\$141,994
Depreciation	19,506	17,357	19,506	17,357
Property & Other Taxes	2,804	2,804	2,804	2,804
Income Tax	0	0	0	0
<b>Total Operating Expense</b>	<b>\$161,134</b>	<b>\$162,155</b>	<b>\$161,134</b>	<b>\$162,155</b>
<b>Operating Income/(Loss)</b>	<b>(\$6,206)</b>	<b>\$1,946</b>	<b>\$53,794</b>	<b>\$52,564</b>
<b>Rate Base O.C.L.D.</b>	<b>\$514,731</b>	<b>\$525,640</b>	<b>\$514,731</b>	<b>\$525,640</b>
<b>Rate of Return - O.C.L.D.</b>	<b>-1.21%</b>	<b>0.37%</b>	<b>10.45%</b>	<b>10.00%</b>
<b>Times Interest Earned Ratio (Pre-Tax)</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>
<b>Debt Service Coverage Ratio (Pre-Tax)</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>
<b>Operating Margin</b>	<b>-4.01%</b>	<b>1.19%</b>	<b>25.03%</b>	<b>24.48%</b>

NOTE Test Year Revenues are increased by \$653 for rebilling the Club House at Coyote Wash on a volumetric basis.

**RATE BASE**

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$647,724	(\$30,009)	A	\$617,715
Less:				
Accum. Depreciation	114,100	(24,209)	B	89,891
<b>Net Plant</b>	<b>\$533,624</b>	<b>(\$5,800)</b>		<b>\$527,824</b>
Less:				
Plant Advances	\$15,000	(\$15,000)	C	\$0
Customer Deposits	3,893	0		3,893
<b>Total Advances</b>	<b>\$18,893</b>	<b>(\$15,000)</b>		<b>\$3,893</b>
Contributions Gross	\$0	\$15,000	C	\$15,000
Less:				
Accumulated Amortization of CIAC	0	\$882	D	882
<b>Net CIAC</b>	<b>\$0</b>	<b>\$14,118</b>		<b>\$14,118</b>
<b>Total Deductions</b>	<b>\$18,893</b>	<b>(\$882)</b>		<b>\$18,011</b>
Plus:				
1/24 Power	\$0	\$961	E	\$961
1/8 Operation & Maint.	\$0	14,866	E	14,866
Inventory	0	0		0
Prepayments	0	0		0
<b>Total Additions</b>	<b>\$0</b>	<b>\$15,827</b>		<b>\$15,827</b>
<b>Rate Base</b>	<b>\$514,731</b>	<b>\$10,909</b>		<b>\$525,640</b>

*Explanation of Adjustments:*

A To adjust:

- \$17,394 of legal expenses incorrectly capitalized.
- \$10,000 of paid in capital erroneously capitalized.
- \$1,484 of unsupported costs in 2007.
- \$1,131 of unsupported costs in 2009.

B To restate accumulated depreciation to reflect the balance as identified by the Co. and Staff.

C To transfer AIAC received for projects that have been cancelled to CIAC.

D To record accumulated amortization-CIAC for amounts transferred in Adjustment C.

E To record adjustment for working capital.

**PLANT ADJUSTMENT**

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$0	\$0	\$0
352 Franchises	8,370	0	\$8,370
353 Land & Land Rights	4,271	0	\$4,271
354 Structures & Improvements	2,136	0	\$2,136
361 Collection Sewers-Gravity	428,351	(17,394) A	\$410,957
370 Receiving Wells	7,500	0	\$7,500
380 Treatment & Disposal Equipment	197,096	(12,615) B	\$184,481
320.1 Water Treatment Plants	0	0	\$0
320.2 Solution Chemical Feeders	0	0	\$0
330 Distribution Reservoirs & Standpipes	0	0	\$0
330.1 Storage Tanks	0	0	\$0
330.2 Pressure Tanks	0	0	\$0
331 Transmission & Distribution Mains	0	0	\$0
333 Services	0	0	\$0
334 Meters & Meter Installations	0	0	\$0
335 Hydrants	0	0	\$0
336 Backflow Prevention Devices	0	0	\$0
339 Other Plant and Misc. Equipment	0	0	\$0
340 Office Furniture & Equipment	0	0	\$0
341 Transportation Equipment	0	0	\$0
343 Tools Shop & Garage Equipment	0	0	\$0
344 Laboratory Equipment	0	0	\$0
345 Power Operated Equipment	0	0	\$0
346 Communication Equipment	0	0	\$0
347 Miscellaneous Equipment	0	0	\$0
348 Other Tangible Plant	0	0	\$0
105 C.W.I.P.	0	0	\$0
<b>TOTALS</b>	<b>\$647,724</b>	<b>(\$30,009)</b>	<b>\$617,715</b>

A To remove \$17,394 of legal expenses inappropriately capitalized in 2006 in Account 361, Collection Sewers, Gravity

B To remove from Account 380, Treatment & Disposal Equipment:  
\$10,000 of paid in capital erroneously capitalized.  
\$1,484 of unsupported costs in 2007.  
\$1,131 of unsupported costs in 2009.

**ACCUMULATED DEPRECIATION ADJUSTMENT**

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$114,100
Accumulated Depreciation - Per Staff	<u>\$89,891</u>
<b>Total Adjustment</b>	<b><u>(\$24,209)</u></b>

To restate Accumulated Depreciation using the rates approved in Decision No 67157 and applied to Staff recommended balances in the Company's Plant in Service

**STATEMENT OF OPERATING INCOME**

	Company as Amended	Staff Adjustments		Staff Adjusted
<b>Revenues:</b>				
521 Flat Rate Revenue	\$115,769	\$8,520	A	\$124,289
522 Measured Revenue	12,638	653		13,291
536 Other Wastewater Revenues	26,521	0		26,521
<b>Total Operating Revenue</b>	<b>\$154,928</b>	<b>\$9,173</b>		<b>\$164,101</b>
<b>Operating Expenses:</b>				
701 Salaries and Wages	\$0	\$0		\$0
710 Purchased Wastewater Treatment	5,075	0		5,075
715 Purchased Power	17,990	0		17,990
718 Chemicals	18,960	0		18,960
720 Materials & Supplies	1,917	0		1,917
721 Office Supplies & Expense	0	0		0
731 Outside Services-Professional	46,985	(5,691)	B	41,294
735 Outside Services-Testing	11,026	514	C	11,540
731 Outside Services-Other	33,225	0		33,225
750 Transportation Expenses	0	0		0
757 Insurance - General Liability	0	0		0
770 Bad Debt Expense	0	8,347	D	8,347
766 Regulatory Commission Expense - Rate Case	0	0		0
775 Miscellaneous Expense	3,646			3,646
403 Depreciation Expense	19,506	(2,149)	E	17,357
408 Taxes Other Than Income	0	0		0
408.11 Property Taxes	2,804	0		2,804
409 Income Tax	0	0		0
<b>Total Operating Expenses</b>	<b>\$161,134</b>	<b>\$1,021</b>		<b>\$162,155</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(\$6,206)</b>	<b>\$8,152</b>		<b>\$1,946</b>

**STAFF ADJUSTMENTS**

A	Flat Rate Revenue - Per Company	115,769	
	Per Staff	<u>124,289</u>	<u>\$8,520</u>
	To adjust for customer annualization and non recurrent activity		
B	OUTSIDE SERVICES - Per Company	46,985	
	Per Staff	<u>41,294</u>	<u>(\$5,691)</u>
	To reflect normalized expenses.		
C -	WATER TESTING - Per Company	11,026	
	Per Staff	<u>11,540</u>	<u>\$514</u>
	To reflect normalized annual water testing cost		
D	BAD DEBT EXPENSE - Per Company ('above the line')	\$0	
	Per Staff	<u>8,347</u>	<u>\$8,347</u>
	To record bad debt expense 'above the line', or to be included in operating expenses and operating income.		

**STAFF ADJUSTMENTS (Cont.)**

E To recalculate depreciation expense at Staff recommended rates

**Pro Forma Annual Depreciation Expense:**

Plant in Service	\$617,715
Less: Non Depreciable Plant	12,641
Fully Depreciated Plant	0
Depreciable Plant	<u>\$605,074</u>
Times: Staff Proposed Average Depreciation Rate	<u>2.94%</u>
Credit to Accumulated Depreciation	\$17,798
Less: Amort. of CIAC* @ 2.94%	441 *
<b>Pro Forma Annual Depreciation Expense</b>	<b><u><u>\$17,357</u></u></b>

**\* Amortization of CIAC:**

Contribution(s) in Aid of Construction (Gross)	\$15,000
Less: Non Amortizable Contribution(s)	0
Fully Amortized Contribution(s)	0
Amortizable Contribution(s)	<u>\$15,000</u>
Times: Staff Proposed Amortization Rate	<u>2.94%</u>
<b>Amortization of CIAC</b>	<b><u><u>\$441</u></u></b>

**RATE DESIGN**

	Present Rates	Proposed Rates- Co.	Staff Recommended Rates
Monthly Usage Charge- Residential - ALL Commercial - ALL ex. Coyote Wash Clubhouse	\$30.00 \$0.00	\$ \$	\$ 38.87 \$
Commodity Rates Residential Commercial - ALL ex. Coyote Wash Clubhouse	N/A The commercial rate will be calculated for each commercial customer by dividing one single family equivalent (SFE) into the average daily flow rate of the commercial customer. One SFE is equal to 262 gallons per day. The resulting factor will be multipl	N/A The commercial rate will be calculated for each commercial customer by dividing one single family equivalent (SFE) into the average daily flow rate (as determined by the metered water use times a factor of .85) of the commercial customer. One SFE is equal	N/A The commercial rate will be calculated for each commercial customer by dividing one single family equivalent (SFE) into the average daily flow rate (as determined by the metered water use times a factor of .85) of the commercial customer. One SFE is equal
Sale of Effluent, per thousand gallons	\$2.00	\$2.77	\$2.59
Service Charges Flow Meter Installation Charge Establishment Disconnect/Reconnect (Delinquent) Reconnection (Delinquent) after hours Deposit Deposit Interest Re-Establishment (Within 12 Months) NSF Check Late Payment Penalty Deferred Payment	100.00 25.00 N/A 30.00 N/A Per Rule* Per Rule* Per Rule** 25.00 1.5% / Mo. N/A	N/A 30.00 N/A Cost N/A Per Rule* Per Rule* Per Rule** 25.00 1.5% / Mo. N/A	N/A 30.00 N/A Cost*** N/A Per Rule* Per Rule* Per Rule** 25.00 Per Rule*** 1.5% / Mo.
Service Lateral Installation Charges Per Service Line 4" Meter 6" Meter 8" Meter 12" Meter	N/A N/A N/A N/A	N/A N/A N/A N/A	N/A N/A N/A N/A
UNAUTHORIZED RATES Commercial- Coyote Wash Clubhouse	\$125 per month	\$179.33 per month	Bill on Commercial Rate

\* Per Commission Rules (R14-2-603.B)  
\*\* Months off system times the minimum (R14-2-603.D.1)  
\*\*\* Per Commission Rules (R14-2-608.F)  
\*\*\*\* Actual Cost of physical disconnection and reconnection (if same customer) and there shall be no charge if there is no physical work performed.