ORIGINAL

0000125717

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: February 5, 2007

RE: STAFF REPORT FOR AUBREY WATER COMPANY'S FILING FOR A PERMANENT RATE INCREASE (DOCKET NO. W-03476A-06-0425)

Attached is the Staff Report for Aubrey Water Company's application for a permanent rate increase. Staff recommends approval of Staff's rates and charges.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before February 19, 2007.

EGJ:DWC:red

Originator: Darron Carlson

Attachment: Original and sixteen copies

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Docket No. W-03476A-06-0425

Service List for: Aubrey Water Company
Docket No. W-03476A-06-0425

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

AUBREY WATER COMPANY

DOCKET NO. W-03476A-06-0425

APPLICATION FOR A PERMANENT RATE INCREASE

FEBRUARY 5, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Aubrey Water Company, Docket No. W-03476A-06-0425 was the responsibility of the Staff members listed below. Darron Carlson was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Katrin Stukov was responsible for the engineering and technical analysis. Carmen Madrid was responsible for reviewing customer complaints filed with the Commission.

Darron Carlson
Public Utilities Analyst Manager

Katrin Stukov
Katrin Stukov
Utilities Engineer – Water/Wastewater

Carmen Madrid

Carmen Madrid
Public Utilities Consumer Analyst I

TABLE OF CONTENTS

SCHEDULES

ATTACHMENTS

Fact Sheet

Company Statistics:

Current rates: Decision No. 59107 dated June 7, 1995.
Type of ownership: Arizona type "C" corporation.

Location: The Company is located in the town of Seligman, Arizona in Yavapai County, along I-40 halfway between Kingman and Flagstaff. The Company is not located in any Active Management Area ("AMA").

Rates:

Permanent rate increase application filed: June 30, 2006.
Current test year ended: December 31, 2005.
Prior test year ended: December 31, 1993.

Monthly Charges:

	Current	Company Proposed	Staff Recommended
Minimum monthly charge:	Rates	Rates	Rates
5/8 x ¾ inch meter	$12.50	$21.00	$12.50
Gallons in minimum:	0	0	0
Commodity charge:			
0 to 3000 gallons (per 1000 gallons)	$1.75	$2.00	$1.75
3001 to10,000 gallons (per 1000 gallons)	1.75	2.50	2.25
10,000 and over (per 1000 gallons)	1.75	3.00	2.70
Typical 5/8 inch meter residential bill:			
Average use (7674 gallons)	$25.93	$38.68	$28.27
Median use (2700 gallons)	17.22	26.40	17.22

Customers:

Number of customers in prior test year (12/31/93)	251
Number of customers in current test year (12/31/05)	279

Current test year customers by meter size:

5/8 x ¾ inch	260
¾ inch	1
1 inch	4
1 ½ inch	7
2 inch	6
3 inch	1

Seasonal customers	N/A
Customer notification filed	June 30, 2006

Notifications:

6, consisting of 4 opinions and 2 inquiries

Percentage of opinions:

1.1 percent

Complaints:

None

Summary of Filing

The test year results, as adjusted by Utilities Division Staff ("Staff"), for Aubrey Water Company ("Aubrey" or "Company") show total operating revenue of $112,303 and an operating loss of $2,147 on an original cost rate base ("OCRB") of $125,405 for no rate of return as shown on Schedule DWC - 1.

Aubrey's proposed rates, as filed, would produce total operating revenue of $191,961 and an operating income of $24,276, for a 12.65 percent operating margin. The Company's proposed rates would increase the typical 5/8 inch meter residential bill, with a median usage of 2,700 gallons from $17.22 to $26.40 for an increase of $9.18 or 53.3 percent as shown on Schedule DWC - 5.

Staff's recommended rates would produce total operating revenue of $140,702 and operating income of $20,799, for a 14.78 percent operating margin. Staff utilized an operating margin target as the Company's plant values and rate base were unreliable and estimated. Staff recommends an estimated OCRB of $125,405. Staff's recommended rates would have no effect on a typical 5/8 inch meter residential bill, with a median usage of 2,700 gallons as shown on Schedule DWC - 5.

Company Background

The Aubrey Certificate of Convenience and Necessity ("CC&N") was granted to the Atchison Topeka Santa Fe Railway Corporation ("Santa Fe") in Decision No. 58172, dated February 4, 1993. The CC&N was transferred to the Burlington Northern Santa Fe Railway Corporation (also "Santa Fe") in Decision No. 61843 dated July 21, 1999.

Aubrey is an abandoned portion of a Santa Fe-owned water system created to serve its Seligman operation and the surrounding support infrastructure. When Santa Fe abandoned the Seligman operation, the water system continued to operate, but fell into a state of disrepair due to age and inattention. Eventually, the water operation was spun off to a subsidiary corporation, Aubrey, and since then Santa Fe has expressed a desire to sell Aubrey, seeking bids periodically.

On December 30, 2004, the Company filed a rate application using a 2003 test year. On January 28, 2005, Staff filed its first letter of deficiency. On May 20, 2005, Staff filed a second letter of deficiency. Staff found that the Company was not maintaining its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA") and other events that suggested mismanagement. On August 2, 2004, the Company filed a letter to withdraw the application.

On June 30, 2006, Aubrey filed an application for a permanent rate increase. On July 30, 2006, Staff filed a letter of deficiency. On August 22, 2006, the Company filed responses to the letter of deficiency. On September 21, 2006, Staff filed the letter of sufficiency.

During the test year ended December 31, 2005, Aubrey provided water service to an average of 279 metered customers. Two hundred and sixty of these customers are served by 5/8 x ¾ inch meters, one by a ¾ inch meter, four by 1 inch meters, seven by 1½ inch meters, six by 2 inch meters, and one by a 3 inch meter.

Consumer Services

Staff reviewed the Arizona Corporation Commission's ("Commission") records, and there were four opinions opposing the rate increase filed between July 2006 to September 2006. One opinion also indicated that the water is undrinkable and that the system suffers from neglect. Another opinion from the local school administrator indicated an increase would not fit within their budget.

Compliance

Decision No. 59107 dated June 7, 1995, ordered[1] the Company to maintain its books and records in accordance with the NARUC USOA.

Staff noted during the course of its audit in this proceeding, that the Company did not consistently follow the NARUC USOA as mandated by the Commission. Additionally, the Company did not consistently follow Generally Accepted Accounting Principles ("GAAP") which is the basis of the NARUC USOA.

When accounting transactions are not consistently recorded in accordance to GAAP and the NARUC USOA, the financial information provided by the Company cannot be relied upon for ratemaking or any other purposes. Inconsistent application of recognized accounting principles renders the resulting financial statements unreliable for decision making by the Company or other interested parties.

Staff reported errors in the Company's accounting in the Staff Reports of the 1995[2] and the 2005[3] rate cases. The same or similar errors continue to exist in the Company's records relevant to the current rate case. Rather than describe the numerous egregious errors Staff identified in the operation of this system, Staff will only point out that this system has been managed and operated by Mr. Richard Williamson, since within one year of the issuance of the CC&N in 1993. The Company has totally relied on Mr. Richard Williamson and did not utilize an independent accountant.

Staff recommends that the Company be ordered to comply with Commission Decision No. 58172, dated February 4, 1993, which ordered the Company to maintain its records in accordance with the NARUC USOA.

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[1] Findings of Fact 16 Paragraph c and d
[2] Docket No. U-2690-95-001
[3] Docket No. W-03476A-04-0944, withdrawn

In order to address the Company's noncompliance with Decision No. 58172 and the recurring accounting deficiencies that have resulted from the noncompliance, Staff further recommends that the Company be ordered to file with Docket Control a plan, acceptable to Staff, describing the actions it will take to maintain its books and records in compliance with the NARUC USOA within 60 days of the date of the Decision resulting from this proceeding.

Santa Fe is currently in discussions with Southwest Utilities Management in order to replace Mr. Williamson as operator of the system.

Engineering Analysis

Staff inspected the Company's plant facilities on September 27, 2006. The system consists of two wells, two storage tanks, two booster systems, a pressure tank, a chlorinator and a distribution system, spread over 4 sites represented graphically by Figure 3 in the Staff Engineering Report. A complete discussion of Staff's technical findings and recommendations and a description of the water system are provided in the attached Staff Engineering Report.

Staff recommends using the depreciation rates shown on Table B of the Staff Engineering Report.

A major concern of Staff is the non-account water loss of 43.1 percent which is well above the recommended level of 10 percent. More information on this is available in the Staff Engineering Report.

Please refer to the Engineering Report discussing water loss issues and pertinent recommendations.

Rate Base

Staff's adjustments increased the Company's proposed Rate Base by $9,312, from $116,093 to $125,405 as shown on Schedule DWC - 2, page 1. Details of Staff's adjustments are presented below.

Plant in Service – Staff's adjustments to plant in service resulted in a net decrease of $210,062, from $381,282 to $171,220 as shown on Schedule DWC - 2, page 2. Staff made several adjustments to plant to reclassify plant costs that were erroneously recorded as operating expenses.

Structures and Improvements – Adjustment A increases this account $3,640, from $20,153 to $23,793 as shown on Schedule DWC – 2, page 2. Staff capitalized costs to improve Wellfield Road.

Wells – Adjustment B decreases this account $10,183, from $110,626 to $100,443 as seen on Schedule DWC – 2, page 2. Staff's adjusted amount reflects the removal of double billings from Del Rio Pump for improvements on the pumping equipment performed in 2000.

Pumping Equipment – Adjustment C increases this account by $357, from $14,587 to $14,944 as shown on Schedule DWC - 2, page 2. Staff's adjusted amount reflects the $257 in batteries and rechargers plus $100 in labor and overhead costs to install the equipment that was purchased and placed in service during the subject test year.

Meters and Meter Installation – Adjustment D increases this account by $2,200, from $3,224 to $5,424 as shown on Schedule DWC - 2, page 2. Staff's adjusted amount reflects the $2,200 in labor and overhead charges used to install 44 meters during the test year.

Other Tangible Plant – Adjustment E decreases this account by $206,076 from $206,076 to zero as shown on schedule DWC – 2, page 2. This adjustment reflects the removal of fully depreciated plant and equipment that the Company cannot substantiate.

Accumulated Depreciation – Staff removed $208,721 in accumulated depreciation. This represents the removal of $206,076 from accumulated depreciation that correlates to the unsubstantiated plant removed in adjustment E on Schedule DWC – 2, page 2. Additionally, $2,800 represents removal of depreciation taken on plant that was double counted in wells removed in adjustment B on Schedule DWC – 2, page 2. Depreciation of $91 was added for the capitalized labor in Adjustment A on Schedule DWC - 2, page 2. Depreciation of $9 was added for the batteries and rechargers recognized in Adjustment C on Schedule DWC – 2, page 2. Depreciation of $55 was added for the capitalized labor in Adjustment D on Schedule DWC – 2, page 2.

Working Capital – The Company failed to claim a cash working capital need in its application, therefore Staff's adjustments to cash working capital resulted in an increase of $10,652, from $0 to $10,652 as shown on Schedule DWC - 2, page 1. This adjustment was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses, plus one twenty-fourth of purchased power and purchased water expenses.

Operating Income Statement

Staff's adjustments resulted in a decrease in net loss of $53,235 from a loss of $55,382 to a loss of $2,147.

Operating Revenue – Staff concurs with the Company's operating revenue and made no adjustment.

Operating Expenses – Staff's adjustments to operating expenses resulted in a net decrease of $53,235 as shown on Schedule DWC - 3, page 1. Details of Staff's adjustments are presented below.

Staff considers many of the Company's costs to be excessive and/or unsubstantiated, especially for a Company of this small size. Therefore, Staff developed a reasonable average for these expenses by comparing statements of operating income and expense for several class D water utilities and averaging expenses as a percentage of operating revenue. Staff imputed these averages into operating expense Adjustments B, D, E, G, and H.

Purchased Power – Adjustment A decreases this account by $958 from $25,169 to $24,211 as shown on schedule DWC – 3, page 2. The Company proposed an adjustment of $1,202 claiming that an October power bill was artificially low and was done to normalize electric charges.

Chemicals Expense – Adjustment B decreases this account by $5,850, from $6,350 to $500. Staff arrived at the final figure by taking 12 class D water utilities and averaging the percentage of operating revenue each spent on chemicals in the test year and then applying that percentage to Aubrey, as a more normal level of expense.

Repairs and Maintenance – Adjustment C decreases this account by $6,198, from $48,850 to $42,652, as shown on Schedule DWC – 3, page 2, to remove items which had been expensed in repair bills but should have been capitalized.

Office Supplies – Adjustment D decreases this account by $850, from $3,250 to $2,400, as shown on Schedule DWC – 3, page 2. Staff used the same methodology here as it did with chemicals expense, to reflect a more normal level of expense.

Outside Services Expense – Adjustment E decreases this account by $11,100 from $30,300 to $19,200, as shown on Schedule DWC - 3, page 2. Staff used the same methodology here as it did with chemicals expense, to reflect a more normal level of expense.

Water Testing – Adjustment F increases this account by $201, from $1,624 to $1,825, as shown on Schedule DWC – 3, page 2, to reflect Staff's recommended expense level (see Engineering Report).

Rents Expense – Adjustment G decreases this account $22,050, from $24,750 to $2,700, as shown on Schedule DWC – 3, page 2. Staff used the same methodology here as it did with chemicals expense, to reflect a more normal level of expense.

Transportation Expense – Adjustment H decreases this account by $6,150, from $7,350 to $1,200, as shown on Schedule DWC – 3, page 2. Staff used the same methodology here as it did with chemicals expense, to reflect a more normal level of expense.

Depreciation Expense – Adjustment I increases this account by $45, from $7,032 to $7,077, as shown on Schedule DWC – 3, page 3, to reflect application of Staff's recommended depreciation rates[4] to Staff's recommended plant balances.[5] The rates used by Staff are shown on Table B of the Engineering Report.

Property Tax Expense – Adjustment J decreases this account by $375, from $6,343 to $5,968, as shown on Schedule DWC – 3, page 3, to reflect the Company's most recent property tax bill for 2005.

Income Tax Expense – Staff's Adjustment K increases this account by $50, from $0 to $50, as shown on Schedule DWC – 3, page 3, to reflect calculation of Arizona's minimum corporate income tax expense on Staff's adjusted test year taxable income.

Operating Margin

Since the Company had incomplete records regarding plant, a rate base analysis is not reliable. Instead, the revenue requirement is being determined based on an operating margin approach. Staff adjustments led to no operating margin in the test year. Staff concludes that revenue based on a 14.78 percent operating margin represents a fair return under the circumstances.

Revenue Requirement

Staff's recommended revenue requirement of $140,702 provides the Company a 14.78 percent operating margin.

Rate Design

Customer class is distinguished by meter size. The monthly minimum charges vary by meter size and include no gallons. The commodity rates are based on an inverted tier rate design that includes three tiers with break-over points at 3,000 and 10,000 gallons. The three-tier rate structure applies to all metered customers and is designed to promote conservation.

Staff Recommendations

Staff recommends adoption of the Staff recommended rates and charges as shown in Schedule DWC - 4. Staff further recommends that the Company be ordered to file with Docket Control a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

[4] Shown on Table B of the attached Engineering Report
[5] Shown on Schedule DWC - 2, page 2

Staff further recommends that the Company be ordered to comply with Commission Decision No. 58172, dated February 4, 1993, which ordered the Company to maintain its records in accordance with the NARUC USOA.

Staff further recommends that the new rates and charges become effective the first day of the month after both of the following occur:

a). The Company files with Docket Control, as a compliance item in this docket, Arizona Department of Environmental Quality documentation reporting no compliance deficiencies and that the Company is delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

b). Staff files in Docket Control a memorandum stating that the Company has submitted a plan, acceptable to Staff, describing all the actions the Company will take to set up and maintain its books and records in compliance with the NARUC USOA.

Staff further recommends that the Company submit a Water Loss Analysis Program ("Program"). The Program recommends that the Company implement old meters replacement, place a water meter on the 8-mile transmission line and determine location of the leaks, hire a water detection firm that uses specialized equipment to isolate distribution system leaks. Staff recommends the following:

a). The Company shall implement the Program's recommendations and prepare a Progress Report indicating the implementation status of each recommendation. The Company shall file its first Progress Report with Docket Control, as a compliance item in the same docket, each January and July beginning January, 2008. All program recommendations that are needed to bring the water loss to less than 10 percent shall be implemented within 18 months of the effective date of the order.

b). After the effective date of the order the Company shall monitor its system and prepare a Monitoring Report indicating the quantity of water pumped, gallons sold and water loss percentage for each month during the year. Each Monitoring report shall be filed with Docket Control, as a compliance item in the same docket, each January and July beginning January, 2008.

c). If the Monitoring Report should indicate that reduction of water loss to less than 10 percent is not achieved by December 31, 2008, the Company shall prepare a Revised Program which outlines procedures, steps, and time frames to achieve acceptable water losses. The Company shall file the Revised Program with Docket Control, as a compliance item in the same docket, by February 29, 2008.

d). The Program Progress Reports and Monitoring Reports shall continue to be filed until two consecutive Monitoring Reports show a water loss less than 10 percent.

Staff further recommends the Company adopt the depreciation rates delineated in Engineering Report Table B.

Staff further recommends the Company adopt Service Line and Meter Installation charges delineated in the Engineering Report Table C, plus road crossing costs when road crossing is required.

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

Schedule DWC - 1

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	$103,601	$103,601	$182,439	$132,000
Unmetered Water Revenue	8,202	8,202	0	8,202
Other Water Revenues	500	500	9,522	500
Total Operating Revenue	$112,303	**$112,303**	$191,961	**$140,702**
Operating Expenses:				
Operation and Maintenance	$154,310	$101,355	$154,310	$101,355
Depreciation	7,032	7,077	7,032	7,077
Property & Other Taxes	6,343	5,968	6,343	5,968
Income Tax	0	50	0	5,503
Total Operating Expense	$167,685	**$114,450**	$167,685	**$119,903**
Operating Income/(Loss)	($55,382)	**($2,147)**	$24,276	**$20,799**
Rate Base O.C.L.D. (ESTIMATE)	$116,093	$125,405	$116,093	$125,405
Operating Margin	N/M	N/M	12.65%	14.78%

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

N/M - Not Meaningful

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

Schedule DWC - 2

RATE BASE

	----------- Original Cost --------------						
		Company		Adjustment			Staff
Plant in Service	$	381,282	$	(210,062)	A	$	171,220
Less:							
Accum. Depreciation	$	262,564	$	(208,721)	B	$	53,843
Net Plant	$	118,718	$	(1,340)		**$**	**117,378**
Less:							
Plant Advances	$	-	$	-		$	-
Customer Deposits	$	2,625	$	-		$	2,625
Total Advances & Customer Deposits	$	2,625	$	-		$	2,625
Contributions Gross	$	-	$	-		$	-
Less:							
Amortization of CIAC	$	-	$	-		$	-
Net CIAC	$	-	$	-		$	-
Total Deductions	$	2,625	$	-		**$**	**2,625**
Plus:							
1/24 Power	$	-	$	1,009	C	$	1,009
1/8 Operation & Maint.	$	-	$	9,643	C	$	9,643
Inventory	$	-	$	-		$	-
Prepayments	$	-	$	-		$	-
Total Additions	$	-	$	10,652		**$**	**10,652**
Rate Base	**$**	**116,093**	**$**	**9,312**		**$**	**125,405**

Explanation of Adjustment:

A - See Schedule 2, Page 2

B - See Schedule 2, Page 3

C - Company failed to request cash working capital. Staff used the formula method to determine the cash working capital allowance

PLANT ADJUSTMENT

	Company Exhibit	Adjustment		Staff Adjusted
301 Organization	$0	$0		$0
302 Franchises	0	0		0
303 Land & Land Rights	0	0		0
304 Structures & Improvements	20,153	3,640	A	23,793
307 Wells & Springs	110,626	(10,183)	B	100,443
311 Pumping Equipment	14,587	357	C	14,944
320 Water Treatment Equipment	1,055	0		1,055
330 Distribution Reservoirs & Star	19,595	0		19,595
331 Transmission & Distribution M	3,680	0		3,680
333 Services	2,286	0		2,286
334 Meters & Meter Installations	3,224	2,200	D	5,424
335 Hydrants	0	0		0
336 Backflow Prevention Devices	0	0		0
339 Other Plant and Misc. Equipm	0	0		0
340 Office Furniture & Equipment	0	0		0
341 Transportation Equipment	0	0		0
343 Tools Shop & Garage Equipm	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	206,076	(206,076)	E	0
105 C.W.I.P.	0	0		0
TOTALS	$381,282	($210,062)		$171,220

Explanation of Adjustment:

A - To reflect cost of repairs to Wellfield Road, $3,640, capitalizing an item which had previously been expensed in error in repairs and maintenance

B - To deduct double counted items on 2000 Del Rio invoices, $10,183

C - To reflect $357 cost of a battery pack installation and charger on pressure pump in October, $257 for the pump, $100 for the labor to install, capitalizing an item which had previously been expensed in error in repairs and maintenance

D - To reflect labor cost of installing 44 meters during the test year, calculated at one hour labor per meter installed at $50 per hour, capitalizing an item which had previously been expensed in error in repairs and maintenance

E - Per Company data response to Staff data request MEB 7.5, Company provided no evidence to support other tangible plant and to remove unsubstantiated other tangible plant

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

ACCUMULATED DEPRECIATION ADJUSTMENT

	Amount
Accumulated Depreciation - Per Company	$262,564
Accumulated Depreciation - Per Staff	53,843
Total Adjustment	**($208,721)** A

Explanation of Adjustment:

A -	Unsupported fully depreciated plant (DR MEB 7.5)	($206,076)
	Depreciation effect of double counted plant in 2000 (-10183*5.5*.05)	($2,800)
	Depreciation on capitalized labor to repair wellfield road (3640*.5*.05)	$91
	Depreciation on installed battery pack, charger, and capitalized labor (357*.5*.05)	$9
	Depreciation on capitalized labor to install meters (2200*.5*.05)	$55
		($208,721)

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	$103,601	$0		$103,601
460 Unmetered Water Revenue	8,202	0		8,202
474 Other Water Revenues	500	0		500
Total Operating Revenue	$112,303	$0		**$112,303**
Operating Expenses:				
601 Salaries and Wages	$0	$0		$0
610 Purchased Water	0	0		0
615 Purchased Power	25,169	(958)	A	24,211
618 Chemicals	6,350	(5,850)	B	500
620 Repairs and Maintenance	48,850	(6,198)	C	42,652
621 Office Supplies & Expense	3,250	(850)	D	2,400
630 Outside Services	30,300	(11,100)	E	19,200
635 Water Testing	1,624	201	F	1,825
641 Rents	24,750	(22,050)	G	2,700
650 Transportation Expenses	7,350	(6,150)	H	1,200
657 Insurance - General Liability	0	0		0
659 Insurance - Health and Life	0	0		0
666 Regulatory Commisssion Expense - Rate Case	6,667	0		6,667
675 Miscellaneous Expense	0	0		0
403 Depreciation Expense	7,032	45	I	7,077
408 Taxes Other Than Income	0	0		0
408.11 Property Taxes	6,343	(375)	J	5,968
409 Income Tax	0	50	K	50
Total Operating Expenses	$167,685	($53,235)		**$114,450**
OPERATING INCOME/(LOSS)	**($55,382)**	**$53,235**		**($2,147)**
Other Income/(Expense):				
419 Interest and Dividend Income	$0	$0		$0
421 Non-Utility Income	0	0		0
427 Interest Expense	0	0		0
4XX Reserve/Replacement Fund Deposit	0	0		0
426 Miscellaneous Non-Utility Expense	0	0		0
Total Other Income/(Expense)	$0	$0		$0
NET INCOME/(LOSS)	**($55,382)**	**$53,235**		**($2,147)**

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

STAFF ADJUSTMENTS

A	-	PURCHASED POWER - Per Company	$25,169	
		Per Staff	$24,211	($958)

To remove $878 from the April bill that was a duplicate of the February bill. To remove $80 (1202-1122=80) resulting from a recalculation of eleven-month average using the adjusted bills for a total of $958 (878+80=958)

B	-	CHEMICALS EXPENSE - Per Company	$6,350	
		Per Staff	$500	($5,850)

Adjusted to normalize allowance for chemicals

C	-	REPAIRS AND MAINTENANCE - Per Company	$48,850	
		Per Staff	$42,652	($6,198)

Capitalized expenses

$	3,640	Capitalizing two maintenance bills as flood protection improvements for $3,640
$	357	Aubrey installed a battery pack and charger on pressure pump in October, $257 for the pump, $100 for the labor to install; total $357
$	2,200	In test year, Aubrey replaced 44 meters but did not capitalize the labor used to install them, 1 hour per meter billed at $50 per hour (44x$50=$2,200)
$	6,197	

D	-	OFFICE SUPPLIES & EXPENSE - Per Company	$3,250	
		Per Staff	$2,400	($850)

Adjusted to normalize allowance for office supplies

E	-	OUTSIDE SERVICES - Per Company	$30,300	
		Per Staff	$19,200	($11,100)

Adjusted to normalize allowance for outside services

F	-	WATER TESTING - Per Company	$1,624	
		Per Staff	$1,825	$201

Per Engineering Report, recommended water testing expense is $1825

G	-	RENTS - Per Company	$24,750	
		Per Staff	$2,700	($22,050)

Adjusted to normalize allowance for rents

H	-	TRANSPORTATION EXPENSE - Per Company	$7,350	
		Per Staff	$1,200	($6,150)

Adjusted to normalize allowance for transportation expense

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

STAFF ADJUSTMENTS (Cont.)

I	-	DEPRECIATION - Per Company	$7,032	
		Per Staff	$7,077	$45

Explanation of Adjustment:

Depreciation Expense Calculation

LINE NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] onDepreciabl r Fully Depreciate PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301 Organization Cost	$ -	$ -	$ -	0.00%	$ -
2	302 Franchise Cost	$ -	$ -	$ -	0.00%	$ -
3	303 Land & Land Rights	$ -	$ -	$ -	0.00%	$ -
4	304 Structures & Improv	$ 23,793	$ -	$ 23,793	3.33%	$ 792
5	307 Wells & Springs	$ 100,443	$ -	$ 100,443	3.33%	$ 3,345
6	311 Electric Pumping Equip	$ 14,944	$ -	$ 14,944	12.50%	$ 1,868
7	320 Water Treatment Equip	$ 1,055	$ -	$ 1,055	3.33%	$ 35
8	330 Dist. Resrvr & Stndpipe	$ 19,595	$ -	$ 19,595	2.22%	$ 435
9	331 Trans. & Distr. Mains	$ 3,680	$ -	$ 3,680	2.00%	$ 74
10	333 Services	$ 2,286	$ -	$ 2,286	3.33%	$ 76
11	334 Meters	$ 5,424	$ -	$ 5,424	8.33%	$ 452
12	335 Hydrants	$ -	$ -	$ -	5.00%	$ -
13	339 Plant Structures & Imprv	$ -	$ -	$ -	5.00%	$ -
14	340 Office Furniture & Fixt	$ -	$ -	$ -	6.67%	$ -
15	341 Transportation Equip	$ -	$ -	$ -	6.67%	$ -
16	343 Tools & Work Equip	$ -	$ -	$ -	20.00%	$ -
17	345 Power Operated Equip	$ -	$ -	$ -	10.00%	$ -
18	348 Other Tangible Plant	$ -	$ -	$ -	0.00%	$ -
		$ 171,220	$ -	$ 171,220		$ 7,077
25						
26	Composite Depreciation Rate (Depr Exp / Depreciable Plant):				4.13%	
27	CIAC:				$ -	
	Amortization of CIAC (Line 25 x Line 26):				$ -	
28						
29	Depreciation Expense Before Amortization of CIAC:				$ 7,077	
30	Less Amortization of CIAC:				$ -	
31	**Test Year Depreciation Expense - Staff:**				**$ 7,077**	

J	-	PROPERTY TAXES - Per Company	$6,343	
		Per Staff	$5,968	($375)

To reflect most current tax bill (2005)

K	-	INCOME TAX - Per Company	$0	
		Per Staff	$50	$50

To reflect state minimum corporate income tax

Aubrey Water Company
Docket No. W-03476A-06-0425 Schedule DWC - 4
Test Year Ended December 31, 2005

RATE DESIGN

	Present	-Proposed Rates-	
Monthly Usage Charge	Rates	Company	Staff
5/8" x 3/4" Meter	$12.50	$21.00	$12.50
3/4" Meter	13.50	22.00	16.00
1" Meter	15.50	52.50	30.00
1½" Meter	25.50	105.00	50.00
2" Meter	40.50	168.00	80.00
3" Meter	60.50	336.00	160.00
4" Meter	100.50	525.00	300.00
6" Meter	200.50	1,050.00	500.00
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons	1.75	N/A	N/A
Excess of Minimum - 0 to 3,000 Gallons	1.75	2.00	1.75
Excess of Minimum - 3,001 to 10,000 Gallons	1.75	2.50	2.25
Excess of Minimum - over 10,000 Gallons	1.75	3.00	2.70
Bulk Water Rate - Standpipe per 1,000 Gallons	5.00	5.50	5.00
Service Line and Meter Installation Charges			
5/8" x 3/4" Meter	$290.00	Cost	$440.00
3/4" Meter	325.00	Cost	520.00
1" Meter	375.00	Cost	610.00
1½" Meter	570.00	Cost	855.00
2" Meter	970.00	Cost	1,515.00
3" Meter	1,350.00	Cost	2,195.00
4" Meter	2,155.00	Cost	3,360.00
6" Meter	4,165.00	Cost	6,115.00
Service Charges			
Establishment	$25.00	$30.00	$25.00
Establishment (After Hours)	35.00	40.00	35.00
Reconnection (Delinquent)	25.00	40.00	25.00
Meter Test (If Correct)	25.00	30.00	25.00
Deposit	0.00	0.00	*
Deposit Interest	0.00%	2.00%	*
Re-Establishment (Within 12 Months)	0.00	**	**
NSF Check	15.00	25.00	25.00
Deferred Payment	1.00%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	15.00	10.00

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)

Engineering Report
For
Aubrey Water Company

Docket No. W-03476A-06-0425 (Rates)

By: Katrin Stukov
Utilities Engineer

October 30, 2006

Aubrey Water Company
Docket No. W-03476A-06-0425
Test Year Ended December 31, 2005

Schedule DWC - 5

TYPICAL BILL ANALYSIS

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 260

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,674	$25.93	$38.68	$12.75	49.2%
Median Usage	2,700	$17.22	$26.40	$9.18	53.3%
Staff Recommend					
Average Usage	7,674	$25.93	$28.27	$2.34	9.0%
Median Usage	2,700	$17.22	$17.22	$0.00	0.0%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$12.50	$21.00	68.0%	$12.50	0.0%
1,000	14.25	23.00	61.4%	14.25	0.0%
2,000	16.00	25.00	56.3%	16.00	0.0%
3,000	17.75	27.00	52.1%	17.75	0.0%
4,000	19.50	29.50	51.3%	20.00	2.6%
5,000	21.25	32.00	50.6%	22.25	4.7%
6,000	23.00	34.50	50.0%	24.50	6.5%
7,000	24.75	37.00	49.5%	26.75	8.1%
8,000	26.50	39.50	49.1%	29.00	9.4%
9,000	28.25	42.00	48.7%	31.25	10.6%
10,000	30.00	44.50	48.3%	33.50	11.7%
15,000	38.75	59.50	53.5%	47.00	21.3%
20,000	47.50	74.50	56.8%	60.50	27.4%
25,000	56.25	89.50	59.1%	74.00	31.6%
50,000	100.00	164.50	64.5%	141.50	41.5%
75,000	143.75	239.50	66.6%	209.00	45.4%
100,000	187.50	314.50	67.7%	276.50	47.5%
125,000	231.25	389.50	68.4%	344.00	48.8%
150,000	275.00	464.50	68.9%	411.50	49.6%
175,000	318.75	539.50	69.3%	479.00	50.3%
200,000	362.50	614.50	69.5%	546.50	50.8%

TABLE OF CONTENTS

CONCLUSIONS

1. The Arizona Department of Environmental Quality has reported major deficiencies in monitoring and reporting requirements for consumer confidence reports, total coliform, disinfection by-products & maximum residual disinfection levels. Because of the compliance monitoring deficiencies, ADEQ cannot determine if the Company's system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

2. The Company's water system has a water loss of 43.1 percent.

3. The Company water system's current well and storage capacities are adequate to serve the present customer base and a reasonable growth.

4. The Company reported arsenic concentration for its two wells at 2 ppb. Based on this information, the water system is in compliance with the new arsenic standard of 10 ppb.

5. The Company is not located in an Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

6. The Company has a curtailment plan tariff that became effective on 2/23/2005.

7. The Company has a backflow prevention tariff that became effective on 2/23/2005.

RECOMMENDATIONS

1. Staff recommends that any permanent rates and charges in this matter shall become effective on the first day of the month after the Company files with Docket Control, as a compliance item in the same docket, ADEQ documentation reporting that there are no compliance deficiencies and the Company is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

2. The Company submitted a Water Loss Analysis Program ("Program"). The Program recommends that the Company implement old meters replacement, place a water meter on the 8-mile transmission line and determine location of the leaks, hire a water detection firm that uses specialized equipment to isolate distribution system leaks. Staff recommends the following:

   a). The Company shall implement the Program's recommendations and prepare a Progress Report indicating the implementation status of each recommendation. The Company shall file its first Progress Report with Docket Control, as a compliance item in the same docket, each January and July beginning January, 2008. All program recommendations that are needed to bring the water loss to less than 10 percent shall be implemented within 18 months of the effective date of the order.

b). After the effective date of the order the Company shall monitor its system and prepare a Monitoring Report indicating the quantity of water pumped, gallons sold and water loss percentage for each month during the year. Each Monitoring report shall be filed with Docket Control, as a compliance item in the same docket, each January and July beginning January, 2008.

c). If the Monitoring Report should indicate that reduction of water loss to less than 10 percent is not achieved by December 31, 2008, the Company shall prepare a Revised Program which outlines procedures, steps, and time frames to achieve acceptable water losses. The Company shall file the Revised Program with Docket Control, as a compliance item in the same docket, by February 29, 2008.

d). The Program Progress Reports and Monitoring Reports shall continue to be filed until two consecutive Monitoring Reports show a water loss less than 10 percent.

3. Staff recommends its annual water testing expense of $1,825 be used for this proceeding.

4. Staff recommends that the Company adopt the depreciation rates delineated in Table B.

5. Staff recommends that the Company adopt Service Line and Meter Installation Charges as delineated in Table C, plus road crossing cost when road crossing is required.

A. LOCATION OF THE WATER SYSTEM

Aubrey Water Company ("Company") is owned by BN Leasing, a subsidiary of the Burlington Northern Santa Fe Corporation ("BNSF"). The Company serves the town of Seligman, located in Yavapai County near Interstate Highway 40, and along old Historic Highway 66. Figure 1 shows the location of the Company within Yavapai County and Figure 2 shows the certificated area.

The water system was visited on September 27, 2006, by Katrin Stukov and Marlin Scott, Jr., Staff Utilities Engineers, in the accompaniment of Richard Williamson, P.E., Manager for the Company Water Operation; John L. Kennedy, system onsite representative; Dean C. Forshee, BNSF Facilities Supervisor; Blaine E. Bilderback, BNSF Director-Acquisition & Development; Luddy Hilburn, BNSF Acquisition & Development; Kimberly A. Gross, Snell & Wilmer L.L.P.

B. DESCRIPTION OF THE WATER SYSTEM

The current system consists of two wells, two storage tanks, two booster systems, pressure tank, chlorinator and a distribution system serving approximately 279 customers. The major system components are located at four (4) sites:

Site No. 1 is located approximately 8 miles southwest of Seligman and contains two wells which are approximately 100 feet apart. Each well is equipped with a 20 horsepower submersible pump.

Site No. 2 is approximately ¼ mile from the wells and contains three booster pumps within a pump building and a 30,000 gallon water storage tank.

Site No. 3 is in Seligman and near the old Santa Fe depot. The fenced site contains a 210,000 gallon storage tank which receives the booster pump discharge from the well field.

Site No. 4 is located approximately 300 feet from Site No. 3 and contains a chlorinator and two booster pumps within a pump building. The booster pumps discharge to a pressure tank, within a fenced site.

Two standpipes are located near the old Santa Fe depot and supply water to haulers. A two inch supply is equipped with an automatic vending machine. A larger six inch supply is metered but locked. Large volume users apply for a key and are then billed by the Company.

Figure 3 provides a simple process schematic of the water system. A detailed plant facility listing is as follows:

Table1. Wells (Site No. 1)

Plant Items	North Well	South Well
Pump	20-Hp	20-Hp
Pumping Rate	* 200 GPM	* 200 GPM
Casing Size	16”	16”
Casing Depth	400 ft	400 ft
Year Drilled	1940	1940
Meter Size	3”	3”

* Note: Pumping rates per Company Plant Description.

Table2. Water Tanks and Components

Location	Water Tanks	Components	Structures
Site#2	30,000 gallons storage tank	(2)-25Hp booster pumps, (1)-50Hp booster pump	Pump building
Site#3	210,000 gallons storage tank		Fence (50’x 50’)
Site#4	2,500 gallons pressure tank	(1)-30Hp booster pump (1)-15Hp booster pump (1)chlorine injection pump and chlorine tank	Pump building Fence (50’x 50’)

Table3. Water Mains

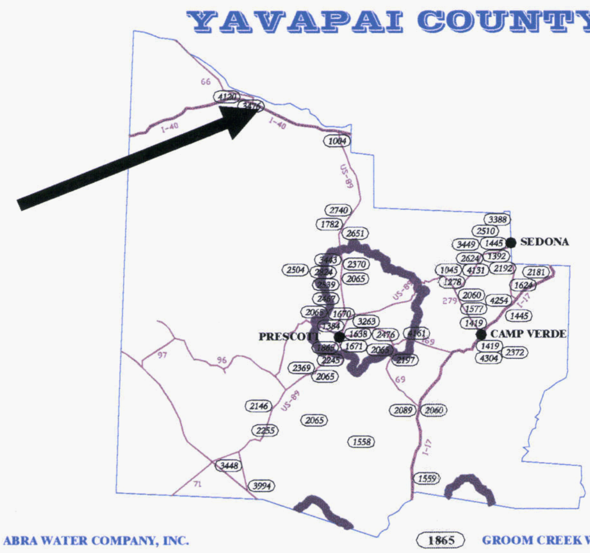
Diameter(inches)	Material	Length (feet)
2	PVC	3,560
4	PVC	9,600
6	PVC	4,800
1-2 1/2	Galv	14,580
4-6	CIP	15,600
8 (Transmission)	CIP	40,000

Table4. Customer Meters

Size	Quantity
5/8 x 3/4-inch	262
3/4-inch	1
1- inch	12
1-1/2-inch	21
2-inch	18
Comp.3	1

Table5. Fire Hydrants

Size	Quantity
Standard	15
Other	5



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

Figure1. Yavapai County Map

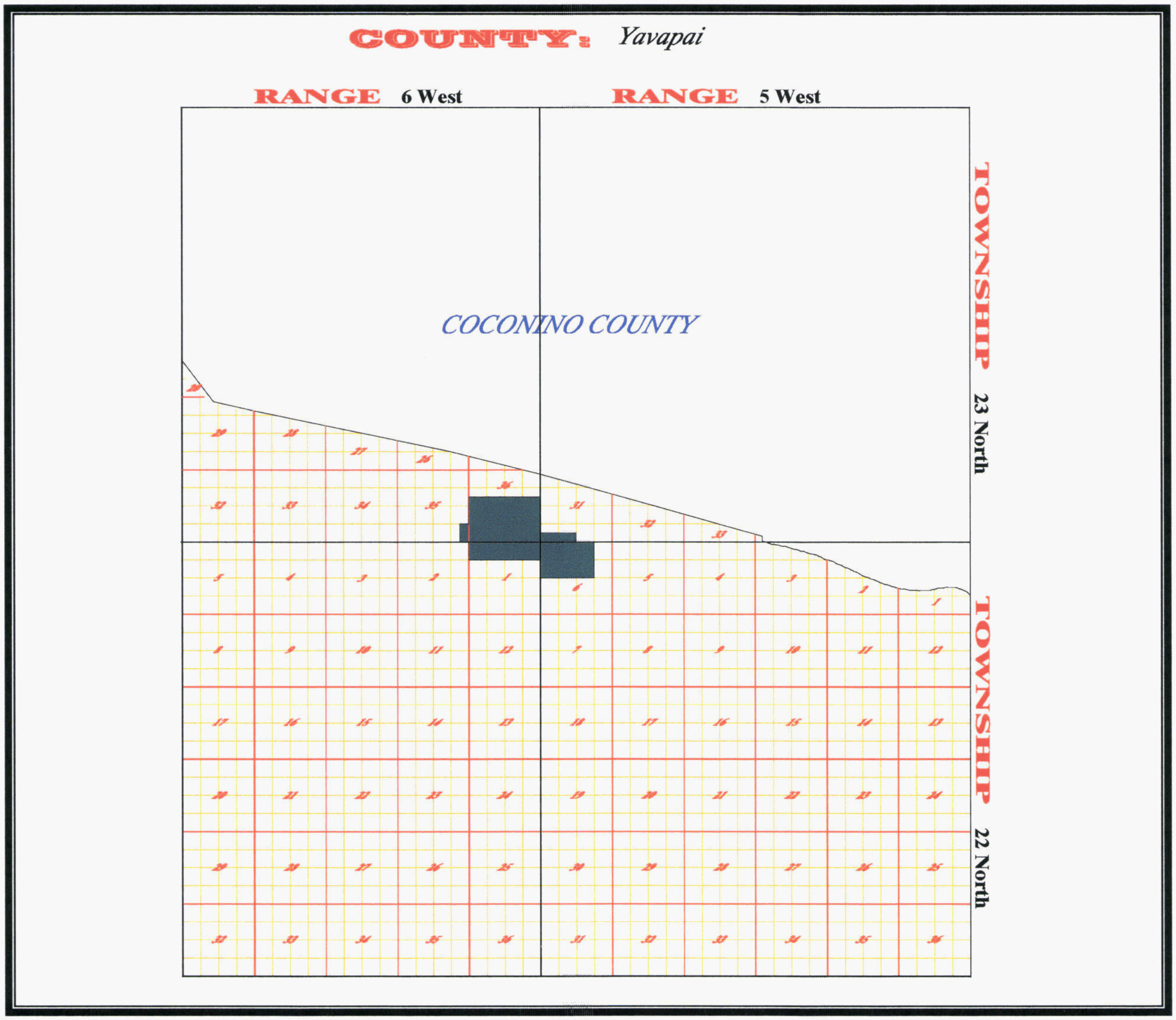


Figure2. Certificated Area

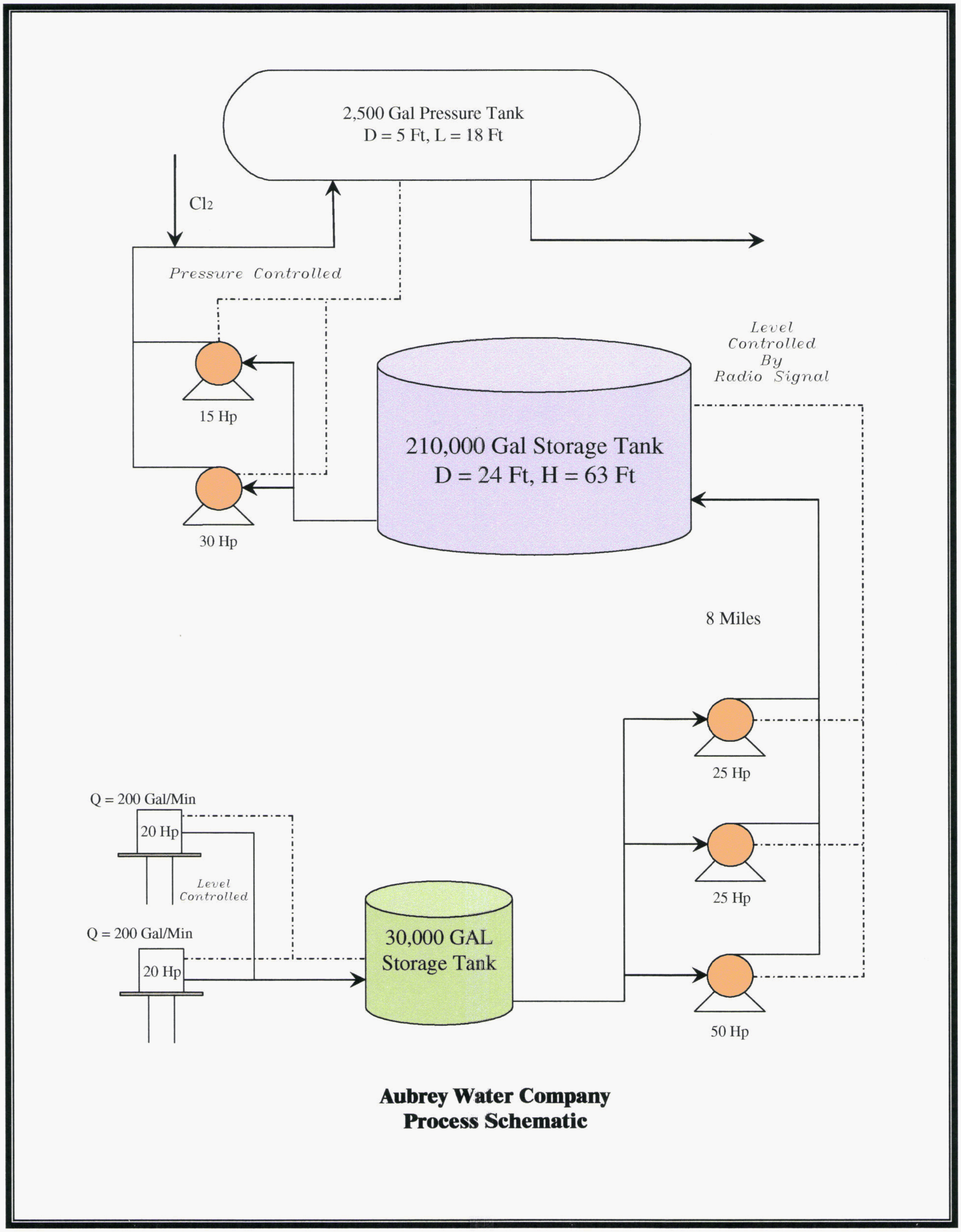


Figure3. System Schematic

C. WATER USE

Water Sold

Figure 4 represents the water consumption data for 2005 provided by the Company in its water use data sheet. Customer consumption experienced a high water use of 461 gallons per day ("GPD") per connection in September and a low water use of 192 GPD per connection in January. The average annual usage was 321 GPD per connection.

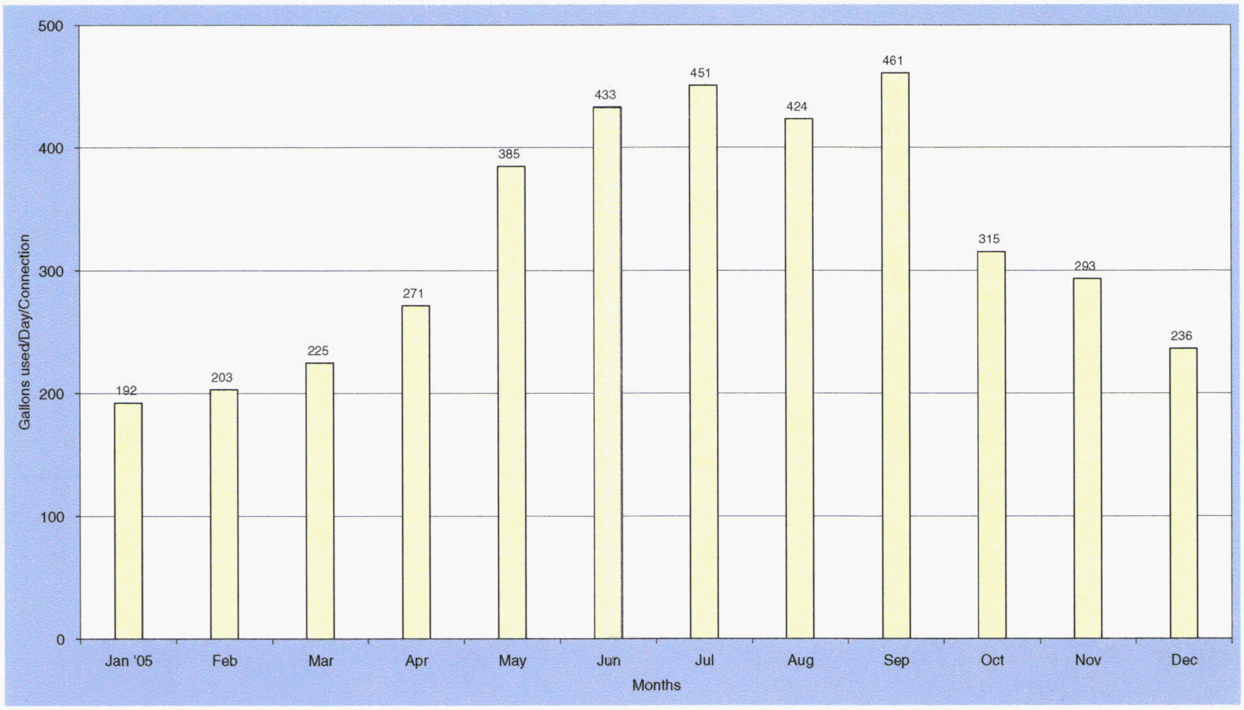


Figure4. Water Use

Non-Account Water

Non-account water should be 10% or less and never more than 15%. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported the well meter at South Well out of service from January to April in 2005. For the remaining eight month in the test year, the Company reported 44,984,000 gallons pumped and 25,608,000 gallons sold, resulting in a water loss of 43.1 percent.

After the visit to the water company by Staff, the Company submitted a Water Loss Analysis Program ("Program"), prepared by Mr. Williamson. The Program tentatively attributed much of the loss to the three possible areas:

1. Old water meters.
2. The 8-mile transmission line from Site No. 2 to Site No. 3.
3. Distribution system numerous small leaks.

Furthermore, the Program recommended that the Company undertake the following actions:

1. Implement a meter replacement program.
2. Place a water meter on the 8-mile transmission line and determine location of the leaks.
3. Hire a water leak detection firm that uses specialized equipment to isolate distribution system leaks.

System Analysis

Based on the data provided by the Company, the system's current well capacity of 400 GPM and storage capacity of 240,000 gallons could adequately serve approximately 905 service connections. The system had 279 connections as of December 2005. Staff concludes that the Company's current well and storage capacities are adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data obtained from the Company's Annual Reports, it is projected that the Company could have approximately 313 customers by 2010. Figure 5 depicts actual growth from 2000 to 2005 and projects an estimated growth for the next five years using linear regression analysis.

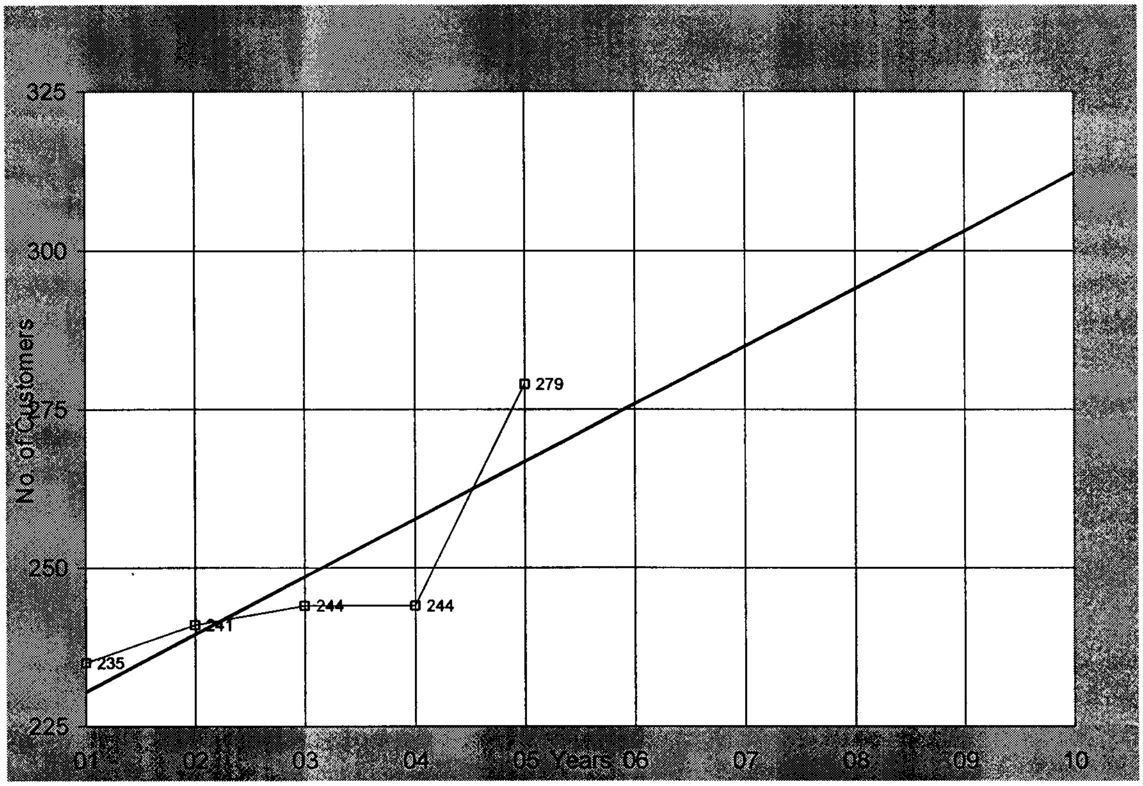


Figure5. Growth Projection

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

Compliance

The ADEQ has reported major deficiencies in monitoring and reporting requirements for consumer confidence reports, total coliform, disinfection by-products & maximum residual disinfection levels. Because of the compliance monitoring deficiencies, ADEQ cannot determine if the Company's system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic MCL in drinking water from 50 parts per billion ("ppb") to 10 ppb. The Company reported its arsenic concentration for its two wells at 2 ppb. Based on this arsenic concentration, the Company is in compliance with the new arsenic standard of 10 ppb.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its water testing expense at $1,624 during the test year. Staff has reviewed the Company's testing expense and has recalculated the testing costs based on the Company's new laboratory costs and additional monitoring requirements by ADEQ for Disinfection/Disinfection By-Product ("D/DBP"). D/DBP monitoring applies to any public water system that adds a halogenated disinfectant during the treatment process and is required to monitor annually.

Table 'A' below shows Staff's annual monitoring expense estimate of $1,825 with participation in the MAP.

Table A. Water Testing Cost

Monitoring – 1 POE	Cost per test	No. of tests per year	Annual Cost
Total coliform – monthly	$17	12	$204
Inorganics – Priority Pollutants	MAP	MAP	MAP
Radiochemical – per 4 years	MAP	MAP	MAP
Phase II and V:			
Nitrate – annual	$25	1	$25
Nitrite – once per period	MAP	MAP	MAP
Asbestos – per 9 years	MAP	MAP	MAP
MAP – IOCs, SOCs, & VOCs	MAP	MAP	*$1,021
Lead & Copper – per 3 years	$30	5/3-yrs.	$50
D/DBP:			
TTHM – annual	$150	1	$150
HAAs - annual	$375	1	$375
Total			**1,825**

*Note: ADEQ - MAP invoice for the 2006 Calendar Year is $1,021.

F. ARIZONA DEPARTMENT OF WATER RESOURCES COMPLIANCE

The Company is not located in an Active Management Area ("AMA") and therefore, is not subject to any AMA reporting and conservation requirements.

G. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life per National Association of Regulatory Utility Commissioners ("NARUC") plant category. These rates are presented in Table B and it is recommended that the Company use these depreciation rates by individual NARUC category.

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
348	Other Tangible Plant	----	----

NOTES:
1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

H. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances. The Company proposes to charge rates that are based on the actual costs incurred for installing the service line, the meter and the road crossing costs if required.

Staff has developed customary range of charges for the meter and service line installation and it is recommended that the Company adapt these charges as shown in Table C. Only the road crossing costs, if required, would be determined on a case-by-case basis.

Table C. Service Line and Meter Installation Charges

Meter Size	Company Current Charges	*Company Requested Charges	*Staff's Recommendation
5/8 x 3/4-inch	$290	Actual Coast	$440
3/4-inch	$325	Actual Coast	$520
1-inch	$375	Actual Coast	$610
1-1/2-inch	$570	Actual Coast	$855
2-inch	$970	Actual Coast	$1,515
3-inch	$1,350	Actual Coast	$2,195
4-inch	$2,155	Actual Coast	$3,360
6-inch	$4,165	Actual Coast	$6,115

* Note: Road crossing costs would be added to this amount when a road crossing was required.

2. Curtailment Plan Tariff

The Company has a curtailment plan tariff on file with the Commission. This tariff became effective on 2/23/2005.

3. Backflow Prevention Tariff

The Company has a backflow prevention tariff on file with the Commission. This tariff became effective on 2/23/2005.