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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

SEP 15 2011

DOCKETED BY	ne
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IN THE MATTER OF THE APPLICATION OF
SUNIZONA WATER COMPANY FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-03912A-11-0014

DECISION NO. 72586

ORDER

Open Meeting
September 6 and 7, 2011
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. In Decision No. 35150 (April 2, 1964), the Commission granted a Certificate of Convenience and Necessity ("CC&N") to Willen Corporation d/b/a Sunizona Water Company, for provision of water service to the community of Sunizona, which is located approximately 30 miles south of Wilcox, Arizona. In Decision No. 62578 (May 16, 2000), the Commission approved a transfer of the CC&N from Willen Corporation d/b/a Sunizona Water Company to Charlotte Erickson d/b/a Sunizona Water Company. In Decision No. 63154 (November 16, 2000), the Commission approved a transfer of the CC&N from Charlotte Erickson d/b/a Sunizona Water Company to Narvol D. Bales. Sunizona's present rates and charges for water were approved in Decision No. 62578 (May 16, 2000).

2. On January 10, 2011, Narvol D. Bales d/b/a Sunizona Water Company ("Sunizona") filed an application for a permanent rate increase with the Commission. As part of the application, Sunizona filed its Affidavit of Customer Notification indicating that on January 7, 2011, Sunizona mailed notice of the application to its customers.

1 3. January 19, 2011, Sunizona filed a certificate from the Arizona Department of
2 Revenue stating that Sunizona is current on payment of its taxes.

3 4. On February 15, 2011, Sunizona filed an amendment to the application (the original
4 application and the amended application shall be collectively referred to as the "Application").

5 5. On February 16, 2011, the Commission's Utilities Division Staff ("Staff") filed its
6 Sufficiency Letter stating the Application was sufficient pursuant to Arizona Administrative Code
7 ("A.A.C. R14-2-103"), and classifying Sunizona as a Class E utility.

8 6. On February 17, 2011, Sunizona filed corrections to the Amended Application.

9 7. On April 1, 2011, Sunizona sent a letter requesting a 15-day extension of time to file
10 information requested by Staff.

11 8. On May 3, 2011, Staff filed its Staff Report, recommending approval of the Amended
12 Application using Staff's recommended rates and charges.

13 **FINDINGS OF FACT**

14 9. During the test year ended December 31, 2009, Sunizona served 36 residential
15 customers and three commercial customers. Average and median water usage by residential
16 customers on a 5/8 x 3/4-inch meter during the test year were 7,162 gallons and 3,361 gallons per
17 month, respectively. Average and median water usage by residential customers on a 3/4-inch meter
18 during the test year were 8,760 gallons and 4,667 gallons per month, respectively.

19 10. The water rates and charges for Sunizona at present, as proposed by Sunizona in its
20 Application, and as recommended by Staff in its Staff Report, are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$11.00	\$16.50	\$13.75
3/4" Meter	16.50	27.50	20.63
1" Meter	27.50	55.00	34.38
1-1/2" Meter	55.00	88.00	68.75
2" Meter	88.00	165.00	110.00
3" Meter	165.00	275.00	220.00
4" Meter	275.00	395.00	343.75
6" Meter	N/A	N/A	687.50

COMMODITY RATE CHARGE:

1	Gallons Included in Minimum	0	0	0
2	Charge per 1,000 gallons (All Gallons)	\$2.96	\$6.00	N/A
3	<u>Residential</u>			
	<u>5/8" x 3/4" Meter</u>			
4	1 gallon to 2,000 gallons	N/A	N/A	\$2.00
	2,001 gallons to 4,000 gallons	N/A	N/A	4.00
5	4,001 gallons to 9,000 gallons	N/A	N/A	6.00
6	Over 9,000 gallons	N/A	N/A	8.25
	<u>3/4" Meter</u>			
7	1gallon to 2,000 gallons	N/A	N/A	2.00
	2,001 gallons to 4,000 gallons	N/A	N/A	4.00
8	4,001 gallons to 9,000 gallons	N/A	N/A	6.00
9	Over 9,000 gallons	N/A	N/A	8.25
	<u>1" Meter</u>			
10	1 gallon to 9,000 gallons	N/A	N/A	6.00
11	Over 9,000 gallons	N/A	N/A	8.25
	<u>1-1/2" Meter</u>			
12	1 gallon to 9,000 gallons	N/A	N/A	6.00
13	Over 9,000 gallons	N/A	N/A	8.25
	<u>2" Meter</u>			
14	1 gallon to 9,000 gallons	N/A	N/A	6.00
15	Over 9,000 gallons	N/A	N/A	8.25
	<u>3" Meter</u>			
16	1 gallon to 9,000 gallons	N/A	N/A	6.00
17	Over 9,000 gallons	N/A	N/A	8.25
	<u>4" Meter</u>			
18	1 gallon to 9,000 gallons	N/A	N/A	6.00
19	Over 9,000 gallons	N/A	N/A	8.25
	<u>6" Meter</u>			
20	1 gallon to 9,000 gallons	N/A	N/A	6.00
21	Over 9,000 gallons	N/A	N/A	8.25
	<u>Commercial</u>			
22	<u>5/8" x 3/4" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
23	Over 9,000 gallons	N/A	N/A	8.25
	<u>3/4" Meter</u>			
24	1 gallon to 9,000 gallons	N/A	N/A	6.00
25	Over 9,000 gallons	N/A	N/A	8.25
	<u>1" Meter</u>			
26	1 gallon to 9,000 gallons	N/A	N/A	6.00
27	Over 9,000 gallons	N/A	N/A	8.25
28				

1	<u>1-1/2" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
2	Over 9,000 gallons	N/A	N/A	8.25
3	<u>2" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
4	Over 9,000 gallons	N/A	N/A	8.25
5	<u>3" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
6	Over 9,000 gallons	N/A	N/A	8.25
7	<u>4" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
8	Over 9,000 gallons	N/A	N/A	8.25
9	<u>6" Meter</u>			
	1 gallon to 9,000 gallons	N/A	N/A	6.00
10	Over 9,000 gallons	N/A	N/A	8.25

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

	Current Charges	Company's Proposed Charges	Staff Recommended Service Line	Staff Recommended Meter	Staff Recommended Total Charges	
13	5/8" x 3/4" Meter	\$278.00	\$309.00	\$247.00	\$62.00	\$309.00
14	3/4" Meter	309.00	360.00	241.00	119.00	360.00
15	1" Meter	360.00	552.00	352.00	200.00	552.00
16	1-1/2" Meter	552.00	779.00	408.00	371.00	779.00
17	2" Meter	779.00	1,010.00	450.00	560.00	1,010.00
18	3" Meter	1,010.00	1,703.00	656.00	1,047.00	1,703.00
19	4" Meter	1,703.00	3,769.00	1,347.00	2,422.00	3,769.00
20	6" Meter	3,769.00	5,629.00	1,711.00	3,918.00	5,629.00

SERVICE CHARGES:

	Present Rates	Proposed Rates Company	Proposed Rates Staff	
19	Establishment	\$15.00	\$20.00	\$20.00
20	Establishment (After Hours)	20.00	25.00	N/A
21	Reconnection (Delinquent)	20.00	30.00	30.00
22	Reconnection (Delinquent-After Hours)	20.00	35.00	N/A
23	Service Charge (After Hours)	N/A	N/A	\$25.00
24	Meter Test (If Correct)	\$10.00	\$10.00	\$10.00
25	Deposit	Per Rule*	Per Rule*	Per Rule*
26	Deposit Interest	Per Rule*	Per Rule*	Per Rule*
27	Re-establishment (Within 12 months)	Per Rule**	Per Rule**	Per Rule**
28	NSF Check	\$20.00	\$35.00	\$25.00
29	Deferred Payment	1% per month	1% per month	1.5% per month
30	Meter Re-Read (If Correct)	\$5.00	\$15.00	\$15.00
31	Late Fee	0.00	\$15.00	1.5% per month

MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:

1	4" or Smaller	N/A	****	****
2	6"	N/A	****	****
	8"	N/A	****	****
3	10"	N/A	****	****
4	Larger than 10"	NA/	****	****

* Per Commission Rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

**** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

7 11. Staff determined Sunizona's original cost rate base ("OCRB") to be \$56,331, which is
8 the same as its fair value rate base ("FVRB"). This is a \$95,070 decrease to Sunizona's proposed
9 OCRB of \$151,401, due to Staff's adjustments to plant-in-service, accumulated depreciation, and
10 working capital.

11 12. Staff made an adjustment to Sunizona's proposed test year operating revenues,
12 resulting in a \$1,826 increase in revenues, from \$19,573 to \$21,399.

13 13. Staff made several adjustments to Sunizona's proposed test year operating expenses,
14 resulting in a decrease of \$19,696, from \$50,966 to \$31,270. The decrease to Sunizona's test year
15 operating expenses is due to Staff's adjustments to repairs and maintenance, outside services, water
16 testing, miscellaneous expense, depreciation expense and taxes other than income taxes.

17 14. Based on Staff's analysis, Sunizona's present water rates and charges produced
18 operating revenues of \$21,399 and adjusted operating expenses of \$31,270, resulting in operating
19 income of (\$9,871), for no return on its FVRB during the test year.

20 15. The rates and charges proposed by Sunizona would produce operating revenues of
21 \$40,638 and operating expenses of \$50,966, resulting in operating income of (\$10,328), for no return
22 on its proposed \$151,401 FVRB.

23 16. The water rates and charges Staff recommended would produce adjusted operating
24 revenues of \$37,745 and adjusted operating expenses of \$31,270, resulting in operating income of
25 \$6,475, or an 11.49 percent rate of return on Staff's recommended \$56,331 FVRB and an operating
26 margin of 17.15 percent.

27 17. Sunizona's proposed rates would increase the average monthly residential customer
28

1 water bill, on a 5/8 x 3/4-inch meter, by \$27.27, or 84.70 percent, from \$32.20 to \$59.47, and
2 increase the median monthly residential customer water bill by \$15.72, or 75.02 percent, from \$20.95
3 to \$36.67. Sunizona's proposed rates would increase the average monthly residential customer water
4 bill, on a 3/4-inch meter, by \$37.63, or 88.69 percent, from \$42.43 to \$80.06, and increase the median
5 monthly residential customer water bill by \$25.19, or 83.09 percent, from \$30.31 to \$55.50.

6 18. Staff's proposed rates would increase the average monthly residential customer water
7 bill, on a 5/8 x 3/4-inch meter, by \$12.52, or 38.89 percent, from \$32.20 to \$44.72, and increase the
8 median monthly residential customer water bill by \$2.24, or 10.71 percent, from \$20.95 to \$23.19.
9 Staff's proposed rates would increase the average monthly residential customer water bill, on a 3/4-
10 inch meter, by \$18.76, or 44.20 percent, from \$42.43 to \$61.19, and increase the median monthly
11 residential customer water bill by \$6.31, or 20.82 percent, from \$30.31 to \$36.62.

12 19. In its Application, Sunizona proposed increases to its Establishment (After Hours)
13 charge from \$20 to \$25 and its Reconnection (Delinquent-after hours) charge from \$20 to \$35.

14 20. Staff recommends eliminating these two charges and replacing them with a general
15 \$25 after-hours service charge. Staff believes it is reasonable for Sunizona to charge an additional
16 fee for service provided after normal business hours, in addition to the charge for the service
17 rendered. In order to compensate Sunizona for the extra costs associated with after-hours service.
18 Staff explains, "under [Staff's] proposal, a customer would be subject to a \$20 establishment fee if it
19 is done during normal business hours, but would pay [an] additional \$25 after-hours fee if the
20 customer requested that the establishment be done after normal working hours."¹

21 21. Sunizona did not file any objections to Staff's recommended rates and charges.
22 Accordingly, we find Staff's proposed rates and charges reasonable and we adopt them.

23 22. Staff recommends that Sunizona file with Docket Control, as a compliance item in this
24 docket, a tariff schedule of its approved rates and charges within 30 days of the effective date of this
25 Decision.

26 23. Staff recommends that Sunizona should adopt Staff's typical and customary
27

28 ¹ Staff Report filed May 3, 2011, page 8.

1 depreciation rates shown in the attached Exhibit A.

2 24. Staff notes that Sunizona does not currently have an approved Curtailment Tariff.
3 Staff recommends that Sunizona file a Curtailment Tariff for Staff's review with Docket Control, as a
4 compliance item in this docket, within 45 days of the effective date of the Decision in this matter.
5 Staff recommends that the tariff should generally conform to the sample Curtailment Tariff found on
6 the Commission's website.

7 25. Engineering Staff reported that, during the test year, Sunizona had a 25.3 percent
8 water loss, exceeding the recommended limit of 10 percent. Staff recommends that Sunizona
9 monitor its water system for a 12-month period and prepare a water loss reduction report. If the
10 reported water loss is greater than 10 percent, Sunizona shall evaluate its water system and submit the
11 water loss reduction report containing a detailed analysis and plan to reduce the water loss to 10
12 percent or less. If Sunizona believes it is not cost effective to reduce the water loss to less than 10
13 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall
14 Sunizona allow water loss to be greater than 15 percent. Sunizona shall file the water loss reduction
15 report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in
16 this docket, within 13 months of the effective date of the Decision in this matter.

17 26. According to Staff, Sunizona's current system can adequately serve its present
18 customer base and any reasonable growth.

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

22 28. Sunizona is not within an active management area ("AMA"), and is not subject to the
23 AMA monitoring and reporting requirements.

24 29. Staff stated that the Arizona Department of Water Resources has determined that
25 Sunizona is currently in compliance with departmental requirements governing water providers
26 and/or community water systems.

27 30. According to Staff, Sunizona is in compliance with Commission filing requirements.
28 Staff notes that, as a sole proprietorship, Sunizona is not subject to Corporation Division reporting

1 requirements.

2 31. Staff's review of the Commission's Consumer Services records showed that one
3 complaint regarding an installation delay was filed with the Commission and was resolved and
4 closed. Twenty-one opinions have been filed in opposition to Sunizona's requested rate increase.

5 32. Sunizona has an approved Backflow Prevention Tariff filed with the Commission.

6 33. We believe it is reasonable to allow Sunizona to collect from its customers a
7 proportionate share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

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

16 **CONCLUSIONS OF LAW**

17 1. Sunizona is a public service corporation within the meaning of Article XV of the
18 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, 40-302, and 40-303.

19 2. The Commission has jurisdiction over Sunizona and the subject matter of the
20 Application.

21 3. Notice of the Application was given in accordance with Arizona law.

22 4. The rates and charges authorized herein are just and reasonable and should be
23 approved without a hearing.

24 5. Staff's recommendations are reasonable and should be adopted.

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ORDER

IT IS THEREFORE ORDERED that Sunizona Water Company is hereby directed to file with Docket Control, as a compliance item in this docket, by September 30, 2011, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$13.75
3/4" Meter	20.63
1" Meter	34.38
1-1/2" Meter	68.75
2" Meter	110.00
3" Meter	220.00
4" Meter	343.75
6" Meter	687.50

COMMODITY RATE CHARGE:

Charge per 1,000 gallons

Residential**5/8" x 3/4" Meter**

1 gallon to 2,000 gallons	\$2.00
2,001 gallons to 4,000 gallons	4.00
4,001 gallons to 9,000 gallons	6.00
Over 9,000 gallons	8.25

3/4" Meter

1 gallon to 2,000 gallons	2.00
2,001 gallons to 4,000 gallons	4.00
4,001 gallons to 9,000 gallons	6.00
Over 9,000 gallons	8.25

1" Meter

1 gallon to 9,000 gallons	6.00
Over 9,000 gallons	8.25

1-1/2" Meter

1 gallon to 9,000 gallons	6.00
Over 9,000 gallons	8.25

2" Meter

1 gallon to 9,000 gallons	6.00
Over 9,000 gallons	8.25

3" Meter

1 gallon to 9,000 gallons	6.00
Over 9,000 gallons	8.25

4" Meter

1 gallon to 9,000 gallons	6.00
Over 9,000 gallons	8.25

1	<u>6" Meter</u>	
	1 gallon to 9,000 gallons	6.00
2	Over 9,000 gallons	8.25
3	<u>Commercial</u>	
	<u>5/8" x 3/4" Meter</u>	
4	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
5	<u>3/4" Meter</u>	
6	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
7	<u>1" Meter</u>	
8	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
9	<u>1-1/2" Meter</u>	
10	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
11	<u>2" Meter</u>	
12	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
13	<u>3" Meter</u>	
14	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
15	<u>4" Meter</u>	
16	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25
17	<u>6" Meter</u>	
18	1 gallon to 9,000 gallons	6.00
	Over 9,000 gallons	8.25

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

	<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>	
21	5/8" x 3/4" Meter	\$247.00	\$62.00	\$309.00
22	3/4" Meter	241.00	119.00	360.00
	1" Meter	352.00	200.00	552.00
23	1-1/2" Meter	408.00	371.00	779.00
	2" Meter	450.00	560.00	1,010.00
	3" Meter	656.00	1,047.00	1,703.00
24	4" Meter	1,347.00	2,422.00	3,769.00
25	6" Meter	1,711.00	3,918.00	5,629.00

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SERVICE CHARGES:

1	Establishment	\$20.00
2	Reconnection (Delinquent)	30.00
	Service Charge (After Hours)	\$25.00
3	Meter Test (If Correct)	\$10.00
	Deposit	Per Rule*
4	Deposit Interest	Per Rule*
	Re-establishment (within 12 months)	Per Rule**
5	NSF Check	\$25.00
	Deferred Payment	1.5% per month
6	Meter Re-Read (If Correct)	\$15.00
	Late Fee	1.5% per month

MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:

8	4" or Smaller	***
	6"	***
9	8"	***
	10"	***
10	Larger than 10"	***

11 * Per Commission Rule A.A.C. R-14-2-403(B).

12 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

13 *** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

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

16 IT IS FURTHER ORDERED that Sunizona Water Company shall notify its customers of the
17 rates and charges authorized herein and their effective date, in a form acceptable to the Commission's
18 Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

19 IT IS FURTHER ORDERED that, in addition to collection of its regular rates and charges,
20 Sunizona Water Company shall collect from its customers a proportionate share of any privilege,
21 sales or use tax per A.A.C. R14-2-409(D).

22 IT IS FURTHER ORDERED that Sunizona Water Company shall use the depreciation rates
23 shown in the attached Exhibit 'A.'

24 IT IS FURTHER ORDERED that Sunizona Water Company shall monitor its water system
25 for a 12-month period. If the water loss is greater than 10 percent, Sunizona Water Company shall
26 evaluate its water system and submit a water loss reduction report containing a detailed analysis and
27 plan to reduce the water loss to 10 percent or less. If Sunizona believes it is not cost effective to
28 reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to

1 support its opinion. In no case shall Sunizona Water Company allow water loss to be greater than 15
2 percent. Sunizona Water Company shall file the water loss reduction report containing a detailed
3 analysis and plan to reduce the water loss to 10 percent or less, or the detailed cost benefit analysis,
4 whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months
5 of the effective date of this Decision.

6 IT IS FURTHER ORDERED that Sunizona Water Company shall file with Docket Control,
7 as a compliance item in this docket, within 45 days of the effective date of this Decision, a
8 Curtailment Tariff for the Commission's Utilities Division Staff's review. Sunizona Water
9 Company's Curtailment Tariff shall generally conform to the sample Curtailment Tariff found on the
10 Commission's website.

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1 IT IS FURTHER ORDERED that Sunizona Water Company shall file annually, as part of its
2 annual report, an affidavit with the Commission's Utilities Division attesting that it is current in
3 paying its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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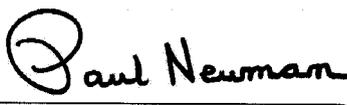
8 CHAIRMAN



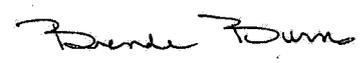
COMMISSIONER

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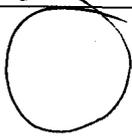
10 COMMISSIONER



COMMISSIONER



COMMISSIONER



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12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 15th day of September, 2011.

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ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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19 DISSENT _____

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21 DISSENT _____

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1 SERVICE LIST FOR: SUNIZONA WATER COMPANY

2 DOCKET NO.: W-03912A-11-0014

3
4 Narvol D. Bales
5 SUNIZONA WATER COMPANY
6 5416 East Highway 181
7 Pearce, Arizona 85625

8 Janice Alward, Chief Counsel
9 Legal Division
10 ARIZONA CORPORATION COMMISSION
11 1200 W. Washington Street
12 Phoenix, AZ 85007

13 Steven M. Olea, Director
14 Utilities Division
15 ARIZONA CORPORATION COMMISSION
16 1200 W. Washington Street
17 Phoenix, AZ 85007

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EXHIBIT A

**TABLE B
DEPRECIATION RATE TABLE FOR WATER COMPANIES**

NARUC Account 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	---	---

NOTE: Acct. 348, Other Tangible Plant may vary from 5 percent to 50 percent. The depreciation rate would be set in accordance with the specific capital items in this account.