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AZ CORP COMMISSION
DOCKET CONTROL

MEMORANDUM

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

DATE: October 14, 2011

RE: STAFF REPORT FOR CEDAR GROVE WATER, INC.'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W-20541A-11-0199)

Attached is the Staff Report for Cedar Grove Water, Inc.'s application for a permanent rate increase. Staff recommends approval of the rate increase application using Staff's recommended 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 October 24, 2011.

SMO:DRE:tdp

Originator: Darak R. Eaddy

Arizona Corporation Commission

DOCKETED

OCT 14 2011

DOCKETED BY 

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

CEDAR GROVE WATER, INC.

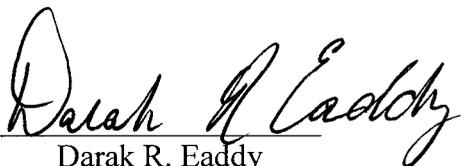
DOCKET NO. W-20541A-11-0199

**APPLICATION FOR A
PERMANENT RATE INCREASE**

October 14, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Cedar Grove Water Company, Docket No. W-20541A-11-0199 was the responsibility of the Staff members listed below. Darak R. Eaddy was responsible for the financial review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Marlin Scott, Jr. was responsible for the engineering and technical analysis. Guadalupe Ortiz was responsible for reviewing the Commission's records on customer complaints filed with the Commission.



Darak R. Eaddy
Public Utility Analyst IV



Marlin Scott, Jr.
Utilities Engineer



Guadalupe Ortiz
Public Utilities Consumer Analyst I

EXECUTIVE SUMMARY
CEDAR GROVE WATER, INC.
APPLICATION FOR A PERMANENT RATE INCREASE
DOCKET NO. W-20541A-11-0199

Cedar Grove Water, Inc. ("Company" or "Cedar Grove") is engaged in the business of providing potable water service to customers in Apache County. The Company is located approximately 12 miles east of Show Low in Apache County, Arizona. The Company provides services to approximately 371 customers and its current rates became effective December 4, 2007, per Arizona Corporation Commission ("Commission") Decision No. 70058. The Company has been classified as a class C utility because of the Company's requested rate increase.

The Company proposes total operating revenue of \$329,581, an increase of \$160,565, or 95.00 percent over test year revenue of \$169,016, which would result in an operating income of \$138,018. The Company's proposed rates would yield a cash flow of \$154,331 and an operating margin of 41.88 percent. The Company has proposed an original cost rate base ("OCRB") of \$182,623 and a rate of return on rate base of 75.58 percent. The Company did not propose a fair value rate base that differs from its OCRB.

Staff recommends total operating revenue of \$188,753, an increase of \$22,315, or 13.41 percent over the Staff-adjusted test year revenue of \$166,438, which results in an operating income of \$28,042. Staff's recommended rates would yield a cash flow of \$40,057 and an operating margin of 14.86 percent. Staff's recommended rates would produce a 63.28 percent rate of return on Staff's adjusted OCRB of \$44,312.

The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$49.89, an increase of \$24.31 or 95.0 percent.

Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$28.25, for an increase of \$2.67 or 10.4 percent.

Staff Recommendations:

Staff recommends approval of the Staff-proposed rates and charges as shown in Schedule DRE-4, pages 1 and 2. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409.D.

Staff further recommends that the Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff further recommends that the Company adopt the typical and customary depreciation rates as delineated on Table H-1 in Section H of the attached Engineering Report.

Staff further recommends approval of separate installation charges for the service line and meter installation charges as delineated in Table I-1 in Section I of the attached Engineering Report.

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ATTACHMENT

Engineering ReportA

Fact sheet

Type of Ownership: Arizona Sub-Chapter S Corporation.

Location: The Company serves water customers approximately 12 miles east of Show Low in Apache County, Arizona.

Active Management Area: The Company is not located in any Arizona Department of Water Resources' Active Management Area.

Rates: Permanent rate increase application filed: May 17, 2011. The application became sufficient on June 16, 2011.

Prior Test Year: December 31, 2005.

Current Test Year Ended: December 31, 2010.

Monthly Minimum Rates

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Residential Monthly Minimum Charge			
5/8 x 3/4 – inch meter	\$ 20.50	\$ 39.98	\$ 20.50
1 – inch meter	\$ 51.28	\$ 100.00	\$ 51.25
2 – inch meter	\$ 164.00	\$ 319.80	\$ 164.00

Commodity Rates

<u>All Meter Sizes</u>			
0 to 3,000 gallons	\$ 2.00	\$ 3.90	N/A
3,001 to 9,000 gallons	\$ 3.25	\$ 6.34	N/A
Over 9,000 gallons	\$ 4.90	\$ 9.56	N/A
<u>5/8 X 3/4-Inch Meter</u>			
0 to 3,000 gallons	N/A	N/A	\$ 3.05
3,001 to 9,000 gallons	N/A	N/A	\$ 4.60
Over 9,000 gallons	N/A	N/A	\$ 5.90
Bulk Water	\$ 5.00	\$ 9.75	\$ 5.90

Fact Sheet (Continued)

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
<u>Typical 5/8 x 3/4-inch residential bill</u>			
Average use (3,667 gallons)	\$28.67	\$55.91	\$32.72
Median use (2,542 gallons)	\$25.58	\$49.89	\$28.25

Customers

Average Number of customers in the current test year (12/31/10): 371

Current test year customers by meter size:

5/8 X 3/4 – inch	368
3/4 – inch	0
1 – inch	1
2 – inch	2

Notifications

An affidavit of mailing of the customer notification was filed on August 10, 2011.

Number of opinions filed against the rate increase application: 15.

Number of customer complaints filed against the Company from January 1, 2008, to September 11, 2011: 1.

All complaints have been resolved and closed.

Percentage of opinions to customer base: 4.04 percent (15 / 371).

Summary of Filing

The test year results as adjusted by Utilities Division Staff ("Staff") for Cedar Grove Water, Inc. ("Cedar Grove" or "Company") reflect total operating revenue of \$166,438 and an operating income of \$5,727 as shown on Schedule DRE-1. The original cost rate base ("OCRB") as adjusted by Staff is \$44,312.

Cedar Grove's proposed rates would produce total operating revenue of \$329,581 and an operating income of \$138,018 or a 75.58 percent rate of return on the Company-proposed OCRB of \$182,623. The Company proposed fair value rate base does not differ from its OCRB. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$49.89, an increase of \$24.31 or 95.0 percent, as shown on Schedule DRE-5. The Company's proposed rates would yield a cash flow of \$154,331.

Staff's recommended rates would produce total operating revenue of \$188,753 and operating income of \$28,042 or a 63.28 percent rate of return on Staff's adjusted OCRB of \$44,312. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$28.25, for an increase of \$2.67 or 10.4 percent. Staff's recommended rates would yield a cash flow of \$40,057.

The Company reports that its proposed rate increase is necessary at this time due to increasing costs to operate and maintain its system. The Company has experienced significant growth on its system which has necessitated the hiring of additional employees. The rate application would allow the Company to cover operational costs and to receive a portion of the return on its investments.

Cedar Grove's current rates became effective December 4, 2007, per Arizona Corporation Commission ("Commission") Decision No. 70058.

During the test year ended December 31, 2010, Cedar Grove provided potable water service to approximately 371 customers.

The Company is registered as an Arizona Sub-Chapter S corporation with the Corporations Division of the Commission.

Company Background

Cedar Grove is an Arizona Sub-Chapter S corporation that provides potable water service to customers approximately 12 miles east of Show Low, along State Highway 60. The Company's service territory encompasses approximately 8 square miles.

On May 17, 2011, Cedar Grove filed an application for a permanent rate increase. On June 16, 2011, Staff issued a Letter of Sufficiency. The Company filed with Docket Control on August 10, 2011, a copy of its affidavit of service notifying customers of its pending rate increase application.

The Company provides water services to approximately 371 customers, with most being small residential customers. The Company has been classified as a class C utility.

Consumer Services

A review of the Consumer Services Section database from January 1, 2008, through September 19, 2011, revealed that there were 15 opinions filed opposing the rate increase request. The review revealed that during the same time period there had been 1 quality of service complaint filed against the Company. The complaint has been resolved and closed.

Compliance

The Utilities Division Compliance Section shows no outstanding compliance issues.

Cedar Grove is current on its property and sales tax payments.

Cedar Grove is in good standing with the Corporations Division of the Commission.

Engineering

The water system was field inspected on June 29, 2011, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Thomas Grapp, representing the Company. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report (Attachment A).

Rate Base

Staff's adjustments decreased Cedar Grove's proposed rate base by \$138,311, from \$182,623 to \$44,312 as shown on Schedule DRE-2, page 1. Details of Staff's adjustments are discussed below.

Plant in Service

Staff's adjustments to plant in service resulted in a net increase of \$92,908, from \$650,320 to \$743,228 as shown on Schedule DRE-2, page 2. A significant portion of Staff's decrease to plant in service was the result of Staff's adjustments to properly account for plant received as contributions in aid of construction ("CIAC").

Structures and Improvements - Adjustment "a" decreases the structures and improvements account by \$877, from \$9,647 to \$8,770 as shown on Schedule DRE-2, pages 2 and 4. Staff's adjusted amount reflects the balance established by Decision No. 70058 and \$270 in plant additions supported by documentation.

Transmission and Distribution Mains - Adjustment "b" increases the transmission and distribution mains account by \$95,403, from \$441,677 to \$537,080 as shown on Schedule DRE-2, pages 2 and 4. Staff's adjusted amount reflects the proper inclusion of contributed plant to the transmission and distribution mains account. The Company failed to account for contributed plant in its plant account balances.

Services - Adjustment "c" decreases the services account by \$6,074, from \$40,370 to \$34,296 as shown on Schedule DRE-2, pages 2 and 4. Staff's adjusted amount reflects the balance established by Decision No. 70058 and \$10,312 in plant additions supported by documentation.

Meters and Meter Installations - Adjustment "d" increases the meters and meter installations account by \$4,456, from \$17,774 to \$22,230 as shown on Schedule DRE-2, pages 2 and 4. Staff's adjusted amount reflects the balance established by Decision No. 70058 and \$11,431 in plant additions supported by documentation.

Other Rate Base Items

Accumulated Depreciation

Staff increased accumulated depreciation by \$145,281, from \$83,985 to \$229,266 as shown on Schedule DRE-2, pages 1 and 5. The increase is based upon several Staff adjustments made to plant in service account balances and the addition of depreciation expense to accumulated depreciation since the last rate case.

Contributions in Aid of Construction

Staff increased CIAC by \$120,891, from \$102,439 to \$223,330 as shown on Schedule DRE-2, pages 1 and 6. The increase reflects the \$127,927 balance established by Decision No. 70058 and \$95,403 in CIAC additions.

Amortization of CIAC

Staff increased amortization of CIAC by \$18,171, from \$6,820 to \$24,991 as shown on Schedule DRE-2, pages 1 and 6. The increase is based upon several of Staff's calculations of total contributions and the amortization of the contributions balance.

Working Capital

Staff's adjustments to working capital resulted in a net decrease of \$16,782, from \$0 to \$16,782 as shown on Schedule DRE-2, pages 1 and 7.

Cash working capital 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.

Typically Staff requires a lead/lag study and does not recommend the usage of the formula method for Class C utilities' cash working capital calculation. However, in this case Staff is allowing its usage as the Company's return will not be calculated utilizing rate base due to the Company's low rate base not yielding an adequate return.

Operating Income Statement

Operating Revenue

Staff's adjustment to operating revenue resulted in a decrease of \$2,577, from \$169,016 to \$166,438, as shown on Schedule DRE-3, pages 1 and 2.

Adjustment 1 reflects total operating revenues based on the Company's submitted bill counts.

Operating Expenses

Staff's adjustments to operating expenses resulted in a decrease of \$30,852, from \$191,563 to \$160,711 as shown on Schedule DRE-3, page 1. The adjustments are explained below.

Repairs and Maintenance - Adjustment 2 decreases repairs and maintenance expense by \$8,373, from \$10,851 to \$2,479 as shown on Schedule DRE-3, pages 1 and 2. Staff's adjustment reflects Staff's calculation of repairs and maintenance based on the documentation submitted by the Company.

Office Supplies & Expense - Adjustment 3 decreases office supplies and expense by \$2,141, from \$9,037 to \$6,896 as shown on Schedule DRE-3, pages 1 and 2. Staff's adjustment reflects Staff's calculation of office supplies and expense based on the documentation submitted by the Company.

Outside Services - Adjustment 4 decreases outside services expense by \$215, from \$3,212 to \$2,997 as shown on Schedule DRE-3, pages 1 and 2. Staff's adjustment reflects Staff's calculation of outside services expense based on the documentation submitted by the Company.

Water Testing - Adjustment 5 decreases water testing expense by \$274, from \$2,123 to \$1,849 as shown on Schedule DRE-3, pages 1 and 2. This adjustment reflects the annual water testing costs determined by Staff and reported in the attached Engineering Report.

Transportation Expenses - Adjustment 6 decreases transportation expenses by \$2,234, from \$10,254 to \$8,020 as shown on Schedule DRE-3, pages 1 and 2. Staff's adjustment reflects Staff's calculation of transportation expenses based on the documentation submitted by the Company.

Regulatory Commission Expense – Rate Case - Adjustment 7 decreases regulatory commission expense – rate case by \$2,625, from a normalized, annual expense of \$3,125 to \$500 as shown on Schedule DRE-3, pages 1 and 2. Staff's adjustment reflects Staff's computation of the normalized level of annual rate case expense. The Company did not support its request for rate case expense in its application.

Depreciation Expense - Adjustment 8 decreases depreciation expense by \$4,298, from \$16,313 to \$12,015 as shown on Schedule DRE-3, pages 1 and 3. This adjustment reflects Staff's calculation of depreciation expense applying Staff's recommended depreciation rates to Staff's recommended plant balances for Cedar Grove and the removal of amortization of CIAC from the Company's proposed depreciation expense.

Taxes Other Than Income - Staff's adjustment 9 decreases taxes other than income by \$10,694, from \$10,694 to \$0 as shown on Schedule DRE-3, pages 1 and 4. This adjustment reflects Staff's removal of \$10,694 identified as sales tax expense. Sales taxes are removed from test year revenues so correspondingly, they must be removed from test year expenses.

Other Operating Income/(Expense)

Interest Expense - Staff's adjustment 10 increases interest expense by \$1,164, from \$417 to \$1,581 as shown on Schedule DRE-3, pages 1 and 4. This adjustment reflects Staff's calculation of the interest expense on the Company's existing \$120,000 WIFA loan with a remaining balance of \$78,844 at the end of the 2011 test year.

Staff's recommended rates produces a times interest earned ratio ("TIER") of 17.73 and a debt service coverage ratio ("DSC") of 5.4. TIER represents the number of times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations.

Return on Rate Base

The Company's proposed rates and charges would provide an operating income of \$138,018, a positive cash flow of \$154,331, and a return on rate base of 75.58 percent.

Staff's recommended rates and charges would provide an operating income of \$28,042, a positive cash flow of \$40,057 and a 63.28 percent rate of return on OCRB.

Revenue Requirement

Staff recommends total operating revenue of \$188,753, a \$22,315 or 13.41 percent increase over the Staff adjusted test year operating revenue of \$166,438. Staff's recommended revenue provides an operating income of \$28,042 as shown in Schedule DRE-1.

In determining the revenue requirement, Staff sought to provide the Company sufficient funds to manage contingencies, operating expenses, etc. Staff believes that its recommended rates, which provide the Company with \$40,057 positive cash flow, will allow the Company to cover its operating expenses as well as return a portion of its investment.

Rate Design

Schedule DRE-4, pages 1 and 2 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$49.89, an increase of \$24.31 or 95.0 percent, as shown on Schedule DRE-5.

Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,542 gallons from \$25.58 to \$28.25, for an increase of \$2.67 or 10.4 percent, as shown on Schedule DRE-5.

Miscellaneous Service Charges

The Company has proposed an establishment charge of \$25. Staff concurs with the Company that this is a reasonable charge for the service and recommends approval of the charge.

The Company has proposed a reconnection (delinquent) charge of \$50. Staff concurs with the Company that this is a reasonable charge for the service and recommends approval of the charge.

The Company proposes to change the NSF check service charge from \$20.00 to \$30.00. Staff concurs with the Company that this is a reasonable charge for the service and recommends approval of the charge.

The Company has proposed an increase in Establishment (after hours) and Reconnection (delinquent) after hours. Staff agrees that an additional fee for service provided after normal business hours is appropriate when such service is at the customer's request or for the customer's convenience. Such a tariff compensates the utility for additional expenses incurred from

providing after-hours service. Moreover, Staff concludes that it is appropriate to apply an after-hours service charge in addition to the charge for any utility service provided after hours at the customer's request or for the customer's convenience. Therefore, Staff recommends elimination of the Company's requested Establishment (after hours) and Reconnection (delinquent) after hours charge and, instead, Staff recommends the creation of a separate \$25 after-hours service charge. For example, under Staff's proposal, a customer would be subject to a \$20 Establishment fee (current or proposed \$25) if it is done during normal business hours, but would pay an additional \$25 after-hours fee if the customer requested that the establishment be done after normal business hours.

Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company's requested charges are below Staff's customary range of charges.

Since the Company may at times install meters on existing service lines, it would be appropriate for the some customers to only be charged for the meter installation. Therefore, Staff has modified the Company's request by separating the service line and meter installation charges and recommends approval of the proposed charges as shown on Table I-1 in Section I of the attached Engineering Report.

Staff Recommendations

Staff recommends approval of the Staff-proposed rates and charges as shown in Schedule DRE-4, pages 1 and 2. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409.D.

Staff further recommends that the Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff further recommends that the Company adopt the typical and customary depreciation rates as delineated on Table H-1 in Section H of the attached Engineering Report.

Staff further recommends approval of separate installation charges for the service line and meter installation charges as delineated in Table I-1 in Section I of the attached Engineering Report.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$168,135	\$165,558	\$328,700	\$187,872
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	881	881	881	881
Total Operating Revenue	\$169,016	\$166,438	\$329,581	\$188,753
Operating Expenses:				
Operation and Maintenance	\$160,494	\$144,635	\$160,494	\$144,635
Depreciation	16,313	12,015	16,313	12,015
Property & Other Taxes	14,756	4,062	14,756	4,062
Income Tax	0	0	0	0
Total Operating Expense	\$191,563	\$160,711	\$191,563	\$160,711
Operating Income/(Loss)	(\$22,548)	\$5,727	\$138,018	\$28,042
Rate Base O.C.L.D.	\$182,623	\$44,312	\$182,623	\$44,312
Rate of Return - O.C.L.D.	N/M	12.92%	75.58%	63.28%
Operating Margin	N/M	3.44%	41.88%	14.86%

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

RATE BASE

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$650,320	\$92,908	A	\$743,228
Less:				
Accum. Depreciation	83,985	145,281	B	229,266
Net Plant	\$566,335	(\$52,373)		\$513,962
Less:				
Plant Advances	\$269,418	\$0		\$269,418
Customer Deposits	18,675	0		18,675
Total	\$288,093	\$0		\$288,093
Contributions Gross	\$102,439	\$120,891	C	\$223,330
Less:				
Amortization of CIAC	6,820	18,171	D	24,991
Net CIAC	\$95,619	\$102,720		\$198,339
Total Deductions	\$383,712	\$102,720		\$486,432
Plus:				
1/24 Power	\$0	\$648	E	\$648
1/8 Operation & Maint.	0	16,134	F	16,134
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$16,782		\$16,782
Rate Base	\$182,623	(\$138,311)		\$44,312

Explanation of Adjustment:

- A - See Schedule 2, Page 2, 3, 4, and 5
- B - See Schedule 2, Page 6
- C - See Schedule 2, Page 7
- D - See Schedule 2, Page 7

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$1,000	\$0	\$1,000
302 Franchises	500	0	500
303 Land & Land Rights	1,000	0	1,000
304 Structures & Improvements	9,647	(877) a	8,770
305 Collecting & Impounding Reservoirs	0	0	0
306 Lake, River, Canal Intakes	0	0	0
307 Wells & Springs	19,955	0	19,955
308 Infiltration Galleries	0	0	0
309 Raw Water Supply Mains	0	0	0
310 Power Generated Equipment	0	0	0
311 Pumping Equipment	22,800	0	22,800
320 Water Treatment Equipment	0	0	0
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	95,597	0	95,597
330.2 Pressure Tanks	0	0	0
331 Transmission & Distribution Mains	441,677	95,403 b	537,080
333 Services	40,370	(6,074) c	34,296
334 Meters & Meter Installations	17,774	4,456 d	22,230
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
340.1 Computers & Software	0	0	0
341 Transportation Equipment	0	0	0
342 Stores 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
TOTALS	\$650,320	\$92,908 A	\$743,228

Explanation of Adjustment:

- a - See Schedule 2, Page 4
- b - See Schedule 2, Page 4
- c - See Schedule 2, Page 4
- d - See Schedule 2, Page 4
- e - See Schedule 2, Page 4
- f - See Schedule 2, Page 4
- g - See Schedule 2, Page 4
- h - See Schedule 2, Page 4
- i - See Schedule 2, Page 4
- j - See Schedule 2, Page 5
- k - See Schedule 2, Page 5
- l - See Schedule 2, Page 5

UTILITY PLANT IN SERVICE

	Staff Adjusted Plant	Staff Adjusted Accum. Depr.	Staff Adjusted OCLD
301 Organization	\$1,000	\$0	\$1,000
302 Franchises	500	0	500
303 Land & Land Rights	1,000	0	1,000
304 Structures & Improvements	8,770	6,370	2,400
305 Collecting & Impounding Reservoirs	0	0	0
306 Lake, River, Canal Intakes	0	0	0
307 Wells & Springs	19,955	19,955	0
308 Infiltration Galleries	0	0	0
309 Raw Water Supply Mains	0	0	0
310 Power Generated Equipment	0	0	0
311 Pumping Equipment	22,800	22,800	0
320 Water Treatment Equipment	0	0	0
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	95,597	16,886	78,711
330.2 Pressure Tanks	0	0	0
331 Transmission & Distribution Mains	537,080	141,225	395,855
333 Services	34,296	11,251	23,045
334 Meters & Meter Installations	22,230	10,778	11,452
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
340.1 Computers & Software	0	0	0
341 Transportation Equipment	0	0	0
342 Stores 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
TOTALS	\$743,228	\$229,266	\$513,962

STAFF PLANT ADJUSTMENTS

a -	STRUCTURES & IMPROVEMENTS - Per Company	\$9,647	
	Per Staff	8,770	<u>(\$877)</u>
	To properly reflect account balance per Decision No. 70058 and the removal of unsupported plant additions		
b -	TRANSMISSION & DISTRIBUTION MAINS - Per Company	\$441,677	
	Per Staff	537,080	<u>\$95,403</u>
	To properly reflect account balance per Decision No. 70058, supported plant additions, and the addition of CIAC		
c -	SERVICES - Per Company	\$40,370	
	Per Staff	34,296	<u>(\$6,074)</u>
	To properly reflect account balance per Decision No. 70058 and the removal of unsupported plant additions		
d -	METERS & METER INSTALLATIONS - Per Company	\$17,774	
	Per Staff	22,230	<u>\$4,456</u>
	To properly reflect account balance per Decision No. 57212 and supported plant additions		

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$83,985
Accumulated Depreciation - Per Staff	<u>229,266</u>
Total Adjustment	<u><u>\$145,281</u></u> B

B - To reflect Staff's calculation of accumulated depreciation expense based upon Staff's adjustments to plant.

Accumulated Depreciation per Decision No. 70058		155,538
2006 Credit to Accumulated Depreciation	\$15,169	
2007 Credit to Accumulated Depreciation	\$13,784	
2008 Credit to Accumulated Depreciation	\$14,374	
2009 Credit to Accumulated Depreciation	\$14,844	
2010 Credit to Accumulated Depreciation	<u>\$15,558</u>	
		\$73,728
Accumulated Depreciation 12/31/2010 Staff Balance		\$229,266
Less: Company Balance		<u>\$83,985</u>
Staff Adjustment		\$145,281

STAFF RATE BASE ADJUSTMENTS

C	-	CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") -	\$102,439	
		Per Staff	223,330	<u>\$120,891</u>

To reflect Staff's calculation of CIAC based upon balance established by Decision No. 64665 and documentation submitted by the Company

CIAC balance 12/31/2005 per Decision No. 70058 \$127,927

2006 Addition to CIAC	\$32,069	
2007 Addition to CIAC	\$22,955	
2008 Addition to CIAC	\$5,874	
2009 Addition to CIAC	\$1,515	
2010 Addition to CIAC	\$32,990	
		<u>\$95,403</u>
Staff Balance, CIAC 12/31/2007		<u>\$223,330</u>

D	-	AMORTIZATION OF CIAC - Per Company	\$6,820	
		Per Staff	24,991	<u>\$18,171</u>

To reflect Staff's calculation of amortization of CIAC based upon Staff's adjustments to CIAC account balance

CIAC Amortization balance 12/31/2005 per Decision No. 70058 \$7,036

2006 Addition to CIAC Amortization	\$2,879	
2007 Addition to CIAC Amortization	\$3,429	
2008 Addition to CIAC Amortization	\$3,718	
2009 Addition to CIAC Amortization	\$3,792	
2010 Addition to CIAC Amortization	\$4,137	
		<u>\$17,955</u>
Staff Balance, CIAC Amortization 12/31/2010		<u>\$24,991</u>

STAFF RATE BASE ADJUSTMENTS

C	-	WORKING CAPITAL (1/24 PURCHASED PWR & WTR) - Per Company Per Staff	\$	-	
				<u>648</u>	<u>\$648</u>
		To reflect Staff's calculation of cash working capital based upon Staff's recommendations for purchased power and purchased water			
D	-	WORKING CAPITAL (1/8 OPERATION & MAINT EXP) - Per Company Per Staff	\$	-	
				<u>16,134</u>	<u>\$16,134</u>
		To reflect Staff's calculation of cash working capital based upon Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses)			

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	\$168,135	(\$2,577)	1	\$165,558
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	881	0		881
Total Operating Revenue	\$169,016	(\$2,577)		\$166,438
Operating Expenses:				
601 Salaries and Wages	\$91,445	\$0		\$91,445
610 Purchased Water	0	0		0
615 Purchased Power	15,563	0		15,563
618 Chemicals	0	0		0
620 Repairs and Maintenance	10,851	(8,373)	2	2,479
621 Office Supplies & Expense	9,037	(2,141)	3	6,896
630 Outside Services	3,212	(215)	4	2,997
635 Water Testing	2,123	(274)	5	1,849
641 Rents	13,396	0		13,396
650 Transportation Expenses	10,254	(2,234)	6	8,020
657 Insurance - General Liability	1,478	0		1,478
659 Insurance - Health and Life	0	0		0
666 Regulatory Commission Expense - Rate Case	3,125	(2,625)	7	500
675 Miscellaneous Expense	10	0		10
403 Depreciation Expense	16,313	(4,298)	8	12,015
408 Taxes Other Than Income	10,694	(10,694)	9	0
408.11 Property Taxes	4,062	0		4,062
409 Income Tax	0	0		0
Total Operating Expenses	\$191,563	(\$30,852)		\$160,711
OPERATING INCOME/(LOSS)	(\$22,548)	\$28,275		\$5,727
Other Income/(Expense):				
419 Interest and Dividend Income	\$0	\$0		\$0
421 Non-Utility Income	0	0		0
427 Interest Expense	417	1,164	10	1,581
4XX Reserve/Replacement Fund Deposit	0	0		0
426 Miscellaneous Non-Utility Expense	0	0		0
Total Other Income/(Expense)	(\$417)	(\$1,164)		(\$1,581)
NET INCOME/(LOSS)	(\$22,965)	\$27,111		\$4,146

STAFF ADJUSTMENTS

1 -	METERED WATER REVENUE - Per Company	\$168,135	
	Per Staff	<u>165,558</u>	<u>(\$2,577)</u>
	To reflect the metered water revenue per the Company's submitted bill count		
2 -	REPAIRS & MAINTENANCE - Per Company	\$10,851	
	Per Staff	<u>2,479</u>	<u>(\$8,373)</u>
	To reflect Staff's computation of Repairs & Maintenance and the removal of claimed expenses not supported by documentation		
3 -	OFFICE SUPPLIES & EXPENSE - Per Company	\$9,037	
	Per Staff	<u>6,896</u>	<u>(\$2,141)</u>
	To reflect Staff's computation of Office Supplies & Expense and the removal of claimed expenses not supported by documentation		
4 -	OUTSIDE SERVICES - Per Company	\$3,212	
	Per Staff	<u>2,997</u>	<u>(\$215)</u>
	To reflect Staff's computation of Outside Services and the removal of claimed expenses not supported by documentation		
5 -	WATER TESTING - Per Company	\$2,123	
	Per Staff	<u>1,849</u>	<u>(\$274)</u>
	To reflect Staff's annual water testing expense		
6 -	TRANSPORTATION EXPENSES - Per Company	\$10,254	
	Per Staff	<u>8,020</u>	<u>(\$2,234)</u>
	To reflect Staff's computation of Transportation Expenses and the removal of claimed expenses not supported by documentation		
7 -	REGULATORY COMMISSION EXPENSE - Per Company	\$3,125	
	Per Staff	<u>500</u>	<u>(\$2,625)</u>
	To reflect Staff's computation of Regulatory Commission Expense based on Staff's estimate of reasonable expense and Staff's recommended 5 year normalization period		

STAFF ADJUSTMENTS (Cont.)

8 - DEPRECIATION - Per Company \$16,313
Per Staff 12,015 (\$4,298)

Explanation of Adjustment:
Pro Forma Annual Depreciation Expense:

DESCRIPTION	PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
Organization	\$ 1,000	\$ 1,000	\$ -	0.00%	\$ -
Franchises	\$ 500	\$ 500	\$ -	0.00%	\$ -
Land & Land Rights	\$ 1,000	\$ 1,000	\$ -	0.00%	\$ -
Structures & Improvem	\$ 8,770	\$ -	\$ 8,770	3.33%	\$ 292
Collecting & Impoundin	\$ -	\$ -	\$ -	2.50%	\$ -
Lake, River, Canal Intal	\$ -	\$ -	\$ -	2.50%	\$ -
Wells & Springs	\$ 19,955	\$ 19,955	\$ -	3.33%	\$ -
Infiltration Galleries	\$ -	\$ -	\$ -	6.67%	\$ -
Raw Water Supply Mai	\$ -	\$ -	\$ -	2.00%	\$ -
Power Generated Equip	\$ -	\$ -	\$ -	5.00%	\$ -
Pumping Equipment	\$ 22,800	\$ 22,800	\$ -	12.50%	\$ -
Water Treatment Equip	\$ -	\$ -	\$ -	0.00%	\$ -
Water Treatment Plar	\$ -	\$ -	\$ -	3.33%	\$ -
Solution Chemical Fe	\$ -	\$ -	\$ -	20.00%	\$ -
Distribution Reservoirs	\$ -	\$ -	\$ -	0.00%	\$ -
Storage Tanks	\$ 95,597	\$ -	\$ 95,597	2.22%	\$ 2,122
Pressure Tanks	\$ -	\$ -	\$ -	5.00%	\$ -
Transmission & Distrib	\$ 537,080	\$ -	\$ 537,080	2.00%	\$ 10,742
Services	\$ 34,296	\$ -	\$ 34,296	3.33%	\$ 1,143
Meters & Meter Installa	\$ 22,230	\$ -	\$ 22,230	8.33%	\$ 1,853
Hydrants	\$ -	\$ -	\$ -	2.00%	\$ -
Backflow Prevention D	\$ -	\$ -	\$ -	6.67%	\$ -
Other Plant and Misc. E	\$ -	\$ -	\$ -	6.67%	\$ -
Office Furniture & Equip	\$ -	\$ -	\$ -	6.67%	\$ -
Computers & Softwar	\$ -	\$ -	\$ -	20.00%	\$ -
Transportation Equipm	\$ -	\$ -	\$ -	20.00%	\$ -
Tools Shop & Garage E	\$ -	\$ -	\$ -	5.00%	\$ -
Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
Power Operated Equip	\$ -	\$ -	\$ -	5.00%	\$ -
Communication Equipn	\$ -	\$ -	\$ -	10.00%	\$ -
Miscellaneous Equipm	\$ -	\$ -	\$ -	10.00%	\$ -
Other Tangible Plant	\$ -	\$ -	\$ -	0.00%	\$ -
Total	\$ 743,228	\$ 45,255	\$ 697,973		\$ 16,152

Depreciation Expense Before Amortization of CIAC: \$ 16,152
Amortization of CIAC \$ 4,137
Test Year Depreciation Expense - Staff: \$ 12,015
Depreciation Expense - Company: \$16,313
Staff's Total Adjustment: \$ (4,298)

Pro Forma Annual Depreciation Expense:

Plant in Service \$743,228
Less: Non Depreciable Plant 2,500
Fully Depreciated Plant 42,755
Depreciable Plant \$697,973
Times: Staff Proposed Depreciation Rate 2.31%
Full Year Credit to Accumulated Depreciation \$16,152 *
Less: Amort. of CIAC* @ 2.00% 4,137
Pro Forma Annual Depreciation Expense \$12,015

STAFF ADJUSTMENTS (Cont.)

9 - TAXES OTHER THAN INCOME - Per Company	\$10,694	
Per Staff	0	<u>(\$10,694)</u>

To reflect Staff's adjustment for the removal of sales taxes incorrectly recorded to the account

10 - INTEREST EXPENSE - Per Company	\$417	
Per Staff	1,581	<u>\$1,164</u>

To reflect interest expense on the existing WIFA loan.

RATE DESIGN

Monthly Usage Charge		Present	-Proposed Rates-	
		Rates	Company	Staff
5/8" x 3/4" Meter		\$20.50	\$39.98	\$20.50
3/4" Meter		30.78	60.02	30.75
1" Meter		51.28	100.00	51.25
1½" Meter		102.50	199.88	102.50
2" Meter		164.00	319.80	164.00
3" Meter		307.50	599.63	328.00
4" Meter		512.50	999.38	512.50
6" Meter		1,025.00	1,998.75	1,025.00
Gallons Included in Minimum				
For all Meter Sizes		0	0	0
Commodity Rates (Per 1,000 Gallons)				
All Meter Sizes	0000 - 3,000	\$2.00	\$3.90	N/A
	3,001 - 9,000	\$3.25	\$6.34	N/A
	Over 9,000	\$4.90	\$9.56	N/A
5/8 x 3/4 Inch Meter	0000 - 3,000	N/A	N/A	\$3.05
	3,001 - 9,000	N/A	N/A	\$4.60
	Over 9,000	N/A	N/A	\$5.90
1 Inch Meter	0000 - 17,000	N/A	N/A	\$4.60
	Over 17,000	N/A	N/A	\$5.90
2 Inch Meter	0000 - 100,000	N/A	N/A	\$4.60
	Over 100,000	N/A	N/A	\$5.90
Standpipe, Bulk Water		\$5.00	\$9.75	\$5.90

RATE DESIGN (Cont.)

Service Line and Meter Installation Charges

Meter Size	Company	Company	Staff's Recommendation		
	Current Tariff	Proposed Charges	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$0	\$0	\$0	\$0	\$0
3/4-inch	\$245	\$320	\$230	\$90	\$320
1-inch	\$350	\$370	\$230	\$140	\$370
1½-inch	\$525	\$545	\$280	\$265	\$545
2-inch	\$700	\$750	\$330	\$420	\$750
3-inch	\$980	\$980	\$380	\$600	\$980
4-inch	\$1,820	\$1,820	\$650	\$1,170	\$1,820
6-inch	\$3,920	\$3,920	\$1,200	\$2,720	\$3,920

Service Charges

Service Charges	Present Rates	-Proposed Rates-	
		Company	Staff
Establishment	\$20.00	\$25.00	\$25.00
Establishment (After Hours)	\$35.00	\$40.00	(a)
Reconnection (Delinquent)	\$20.00	\$50.00	\$50.00
Reconnection (Delinquent) After Hours	N/A	\$75.00	(a)
Meter Test (if correct)	\$50.00	\$50.00	\$50.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	\$20.00	\$30.00	\$30.00
Deferred Payment	18.00%	18.00%	18.00%
Meter Re-Read (If Correct)	\$15.00	\$15.00	\$15.00
Late Payment Penalty	1.50%	1.50%	1.50%
After Hours Service Charge	N/A	N/A	\$25.00
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	***	***	****
6"	***	***	****
8"	***	***	****
10"	***	***	****
Larger than 10"	***	***	****

- * Per Commission Rules R14-2-403.B
- ** Months off system times the monthly minimum (R14-2-403.D)
- *** Per Commission Rule A.A.C. R-14-2-409.G
- **** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.
- **** 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

BCA WEEKLY CASELOAD STATUS REPORT
BRENDAN ALADI
10/14/11

C	D	G	H	J	K	L	M	N	O
Company	Docket No	Year and Matter	Date Filed	Date Received	Subject	Status/Action	DATE DUE TO SUPERVISOR	DOCKET DATE	HEARING DATE
1 Anivaca Townsite Co-op Water Company, Inc.	W-01546A	11-0004	1/4/11	1/7/11	Rate Increase For Water Class E. Attorney: Ayesha Vohra	Received rate case assignment on 1/7/11. Reviewing the application for sufficiency. Sufficiency meeting was held on 2/3/11. Staff found the application deficient on 2/3/11. Staff received response to the deficiency list on 2/22/11 and reviewing the response. Staff found the application deficient on March 21, 2011. Staff worked with the Company to put together the required information. Received and reviewed response to the second deficiency list. Found the application sufficient on April 29, 2011. Sent a second set of data requests on 5/12/11 and received response on 6/7/11. Sent third set of data requests on 6/10/11. Sent fourth set of data requests on 6/16/11. Staff requested for a 15-day extension of time to file staff report on 6/24/11. Procedural order issued 6/27/11 approved the 15-day extension of time to file staff report to 7/13/11. Docketed staff report on 7/13/11.	07/11/11	07/13/11	N/A
5 Valle Verde Water Company	W-01431A	11-0007	1/6/11	1/10/11	Financing For a Class C Water Company Attorney: Kimberly Ruht	Received financing application assignment on 1/10/11. Staff reviewed the application, drafted and sent the first set of data requests to Valle Verde on 2/22/11. Staff received response to the first set data requests on 2/24/11 and reviewed the response. Staff received additional information requested and prepared Staff's schedules. Staff docketed staff report on May 3, 2011.	04/29/11	05/03/11	N/A
6 Mirabell Water Company	W-02368A	11-0185	4/1/11	5/3/11	Rate Increase For Water Class D Attorney: Ayesha Vohra	Received rate case application assignment on 5/3/11. Reviewing application for sufficiency. Found the application deficient. Drafted a deficiency list and letter to Mirabell Water. Found Mirabell Water Company application sufficient on 5/31/11. Staff sent fourth set of data requests to the Company on 6/15/11. Received response to DR4 on 6/29/11. Reviewing response to DR4 and preparing Staff schedules. Sent fifth set of data requests to the Company on 7/27/11. Received response on 8/9/11. Docketed staff report on 8/16/11. Drafting a response to the Mirabell's comments to the staff report.	08/08/11	08/15/11	N/A
7 Picacho Peak Water Company	W-02351A	11-0231	6/1/11	6/3/11	Rate Increase For Water Class E Attorney: Ayesha Vohra	Received rate case assignment on 6/3/11. Reviewing application for sufficiency. Staff issued a letter of insufficiency on 6/30/11. Staff received and reviewing the response to the deficiency issues. Found the applications sufficient on August 17, 2011. Drafted and sent first and second sets of data requests on 9/9/11 and 9/14/11. Received and reviewed responses to DR1 and DR2 on September 29, 2011. Sent DR3 on 10/4/11. At the P&R meeting on 10/13/11, the Utilities management suggested the Company request for a suspension of time clock so that ADEQ and the Company can resolve some outstanding compliance issues.	10/12/11	10/17/11	N/A
8 Tierra Linda Homeowners Association	W-20689A W-20810A	11-0252 11-0252	6/24/11	6/29/11	Sale of Assets & transfer of CC&N. Attorney: Wolfe	Received assignment on 6/29/11. Reviewing application for sufficiency. Staff found application deficient on July 22, 2011.	Not found sufficient	Not found sufficient	
9 Katherine Resort Water Company	W-01751A	11-0331	8/30/11	8/31/11	Rate Increase For Water Class E Attorney: Kimberly Ruht	Reviewed application for sufficiency. Found it deficient on September 29, 2011.	Not found sufficient	Not found sufficient	
10 DII-Emerald Springs	WS-20794A	11-0279	7/15/11	9/29/11	Rate Increase For Wastewater Class E Attorney: Kimberly Ruht	Application was found sufficient on 8/15/11. Procedural Order issued 10/6/11 set the staff report docket due date of 11/18/11.	11/08/11	11/18/11	
11 DII-Emerald Springs	WS-20794A	11-0140	4/4/11	9/29/11	CC&N For Wastewater Class E Attorney: Kimberly Ruht	Procedural Order issued 10/6/11 set the staff report docket due date of 11/18/11.	11/08/11	11/18/11	
12									

BCA WEEKLY CASELOAD STATUS REPORT
BRENDAN ALADI
10/14/11

C	D	G	H	J	K	L	M	N	O	
Company	Docket No	Year and Matter	Date Filed	Date Received	Subject	Standard	DATE DUE TO SUPERVISOR	DOCKET DUE DATE	HEARING DATE	
1	Avaca Townsite Co-op Water Company, Inc.	W-01546A	11-0004	1/4/11	1/7/11	Rate Increase For Water Class E. Attorney: Ayesha Vohra	Received rate case assignment on 1/7/11. Reviewing the application for sufficiency. Sufficiency meeting was held on 2/31/11. Staff found the application deficient on 2/31/11. Staff received response to the deficiency list on 2/22/11 and reviewing the response. Staff found the application deficient on March 21, 2011. Staff worked with the Company to put together the required information. Received and reviewed response to the second deficiency list. Found the application sufficient on April 29, 2011. Sent a second set of data requests on 5/12/11 and received response on 6/7/11. Sent third set of data requests on 6/10/11. Sent fourth set of data requests on 6/16/11. Staff requested for a 15-day extension of time to file staff report on 6/24/11. Procedural order issued 6/27/11 approved the 15-day extension of time to file staff report to 7/13/11. Docketed staff report on 7/13/11.	07/11/11	07/13/11	N/A
5	Valle Verde Water Company	W-01431A	11-0007	1/6/11	1/10/11	Financing For a Class C Water Company. Attorney: Kimberly Ruht	Received financing application assignment on 1/10/11. Staff reviewed the application, drafted and sent the first set of data requests to Valle Verde on 2/22/11. Staff received response to the first set data requests on 2/24/11 and reviewed the response. Staff received additional information requested and prepared Staff's schedules. Staff docketed staff report on May 3, 2011.	04/29/11	05/03/11	N/A
6	Mirabell Water Company	W-02368A	11-0185	4/1/11	5/3/11	Rate Increase For Water Class D. Attorney: Ayesha Vohra	Received rate case assignment on 5/3/11. Reviewing application for sufficiency. Found the application deficient. Drafted a deficiency list and letter to Mirabell Water. Found Mirabell Water Company application sufficient on 5/31/11. Staff sent fourth set of data requests to the Company on 6/15/11. Received response to DR4 on 6/29/11. Reviewing response to DR4 and preparing Staff schedules. Sent fifth set of data requests to the Company on 7/27/11. Received response on 8/9/11. Docketed staff report on 8/16/11. Drafting a response to the Mirabell's comments to the staff report.	08/08/11	08/15/11	N/A
7	Picacho Peak Water Company	W-02351A	11-0231	6/1/11	6/3/11	Rate Increase For Water Class E. Attorney: Ayesha Vohra	Received rate case assignment on 6/3/11. Reviewing application for sufficiency. Staff issued a letter of insufficiency on 6/30/11. Staff received and reviewing the response to the deficiency issues. Found the applications sufficient on August 17, 2011. Drafted and sent first and second sets of data requests on 9/9/11 and 9/14/11. Received and reviewed responses to DR1 and DR2 on September 29, 2011. Sent DR3 on 10/4/11. At the P&R meeting on 10/13/11, the Utilities management suggested the Company request for a suspension of time clock so that ADEQ and the Company can resolve some outstanding compliance issues.	10/12/11	10/17/11	N/A
8	Tierra Linda Homeowners Association	W-20689A W-20810A	11-0252 11-0252	6/24/11	6/29/11	Sale of Assets & transfer of CC&N. Attorney: Wolfe	Received assignment on 6/29/11. Reviewing application for sufficiency. Staff found application deficient on July 22, 2011.	Not found sufficient	Not found sufficient	
9	Katherine Resort Water Company	W-01751A	11-0331	8/30/11	8/31/11	Rate Increase For Water Class E. Attorney: Kimberly Ruht	Reviewed application for sufficiency. Found it deficient on September 29, 2011.	Not found sufficient	Not found sufficient	
10	DII-Emerald Springs	WS-20794A	11-0279	7/15/11	9/29/11	Rate Increase For Wastewater Class E. Attorney: Kimberly Ruht	Application was found sufficient on 8/15/11. Procedural Order issued 10/6/11 set the staff report docket due date of 11/18/11.	11/08/11	11/18/11	
11	DII-Emerald Springs	WS-20794A	11-0140	4/4/11	9/29/11	CC&N For Wastewater Class E. Attorney: Kimberly Ruht	Procedural Order issued 10/6/11 set the staff report docket due date of 11/18/11.	11/08/11	11/18/11	
12										

TYPICAL BILL ANALYSIS

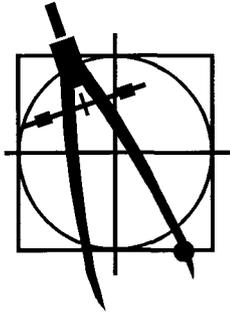
General Service 5/8 x 3/4 - Inch Meter

Average Number of Customers: 368

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,667	\$28.67	\$55.91	\$27.24	95.0%
Median Usage	2,542	\$25.58	\$49.89	\$24.31	95.0%
<u>Staff Recommend</u>					
Average Usage	3,667	\$28.67	\$32.72	\$4.05	14.1%
Median Usage	2,542	\$25.58	\$28.25	\$2.67	10.4%

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

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$20.50	\$39.98	95.0%	\$20.50	0.0%
1,000	22.50	43.88	95.0%	23.55	4.7%
2,000	24.50	47.78	95.0%	26.60	8.6%
3,000	26.50	51.68	95.0%	29.65	11.9%
4,000	29.75	58.02	95.0%	34.25	15.1%
5,000	33.00	64.36	95.0%	38.85	17.7%
6,000	36.25	70.70	95.0%	43.45	19.9%
7,000	39.50	77.04	95.0%	48.05	21.6%
8,000	42.75	83.38	95.0%	52.65	23.2%
9,000	46.00	89.72	95.0%	57.25	24.5%
10,000	50.90	99.28	95.0%	63.15	24.1%
15,000	75.40	147.08	95.1%	92.65	22.9%
20,000	99.90	194.88	95.1%	122.15	22.3%
25,000	124.40	242.68	95.1%	151.65	21.9%
50,000	246.90	481.68	95.1%	299.15	21.2%
75,000	369.40	720.68	95.1%	446.65	20.9%
100,000	491.90	959.68	95.1%	594.15	20.8%
125,000	614.40	1,198.68	95.1%	741.65	20.7%
150,000	736.90	1,437.68	95.1%	889.15	20.7%
175,000	859.40	1,676.68	95.1%	1,036.65	20.6%
200,000	981.90	1,915.68	95.1%	1,184.15	20.6%



**Engineering Report for Cedar Grove
Water, Inc.**

Docket No. W-020541A-11-0199 (Rates)

By Marlin Scott, Jr.

September 8, 2011

CONCLUSIONS

- A. Cedar Grove Water, Inc. ("Company") had a water loss of 6.1% during the test year 2010 which is within the acceptable limit of 10% recommended by Staff.
- B. The Company's current system has adequate well production and storage capacity to serve the present customer base and reasonable growth.
- C. The Arizona Department of Environmental Quality has reported that the Company's system, PWS #01-049, has no major deficiencies and is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.
- D. The Company is not located in any Arizona Department of Water Resources' ("ADWR") Active Management Area. According to the ADWR, this Company is currently compliant with ADWR's requirements governing water providers and/or community water systems.
- E. According to the Utilities Division compliance database, the Company has no delinquent Commission compliance items.
- F. The Company has an approved curtailment tariff with an effective date of August 25, 2004.
- G. The Company has an approved backflow prevention tariff with an effective date of January 16, 2001.

RECOMMENDATIONS

1. Staff recommends an annual water testing expense of \$1,849 be used for purposes of this application.
2. Staff recommends approval of the Company's five Best Management Practice ("BMP") Tariffs, BMPs 3.6, 3.8, 4.1, 4.2 and 5.2, that are attached to this Engineering Report as Exhibit – BMPs.
3. Staff recommends that the Company continue to use Staff's depreciation rates as delineated in Table H-1.
4. Staff recommends the adoption of its proposed service line and meter installation charges as delineated in Table I-1.

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A. INTRODUCTION

On May 17, 2011, Cedar Grove Water, Inc. (“Company”) filed a rate application. This Engineering Report constitutes Staff’s engineering evaluation relative to the rate application.

Location of Company

The Company is located approximately 12 miles east of Show Low in Apache County. Figure 1 shows the location of the Company within Apache County and Figure 2 shows the Certificate of Convenience and Necessity covering approximately eight square-miles.

B. DESCRIPTION OF THE WATER SYSTEM

The water system was field inspected on June 29, 2011, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Thomas Grapp, representing the Company.

The operation of the water system consists of five wells, four storage tanks, five booster stations, and a distribution system serving 378 customers (majority being permanent residential customers) during the test year ending December 2010. This system also provides an emergency inter-tie for Lord Arizona Water Systems, Inc. with a 2-inch master-meter. A system schematic is shown as Figure 3 and a detailed plant facility listing is as follows:

Table 1. Well Site Data

Well Site	Eagle Ridge	Sunrise Vista	Warehouse	Well No. 2	Well No. 5
ADWR No.	55-566375	55-087623	55-550075	55-504679	55-808434
Casing Size	6-inch	8-inch	6-inch	6-inch	6-inch
Casing Depth	544 ft.	860 ft.	440 ft.	400 ft.	400 ft.
Pump Type	submersible	submersible	submersible	submersible	submersible
Pump Size	7-1/2-Hp	5-Hp	5-Hp	5-Hp	5-Hp
Pump Yield	0 to 35 GPM (varies throughout the year)	8 GPM	31 GPM	28 GPM	30 GPM
Meter Size	2-inch	1-inch	1-inch	1-inch	1-inch
Boosters (part of well operation)	-	Two 2-Hp boosters w/ 30 gal. tank	-	-	-
Well House	(well in booster building)	12’ x 12’	6’ x 6’	8’x8’x3’(H)	8’x8’x4’(H)

Table 2. Storage Tanks and Booster Station Data

Site	Storage Tanks	Booster System	Booster Building
Transfer Booster Station	-	Two 2-Hp booster pumps	4' x 8'
Warehouse Well Site	12,000 gal.	Four 2-Hp booster pumps w/ 1000 gal. tank	20' x 30'
Well Site #5	15,000 gal.	Four 2-Hp booster pumps w/ 30/50/80 gal. tanks	12' x 12'
Rippy Booster Station	-	2-Hp booster pump w/ 7 gal. tank	5' x 5' x 5'
Eagle Ridge Well/Booster Station	50,000 gal.	Two 7-1/2-Hp booster pumps w/ 2,000 gal. tank	24' x 24'
Cedar Ridge (on hill)	300,000 gal.	-	-

Table 3. Water Mains

Diameter	Material	Length
2-inch	PVC	2,760 ft.
6-inch	PVC	92,138 ft.
	Total:	94,898 ft. or 17.8 miles

Table 4. Customer Meters

Size	Quantity
5/8 x 3/4-inch	390
2-inch	2

Table 5. Fire Hydrants

Size	Quantity
Standard	11

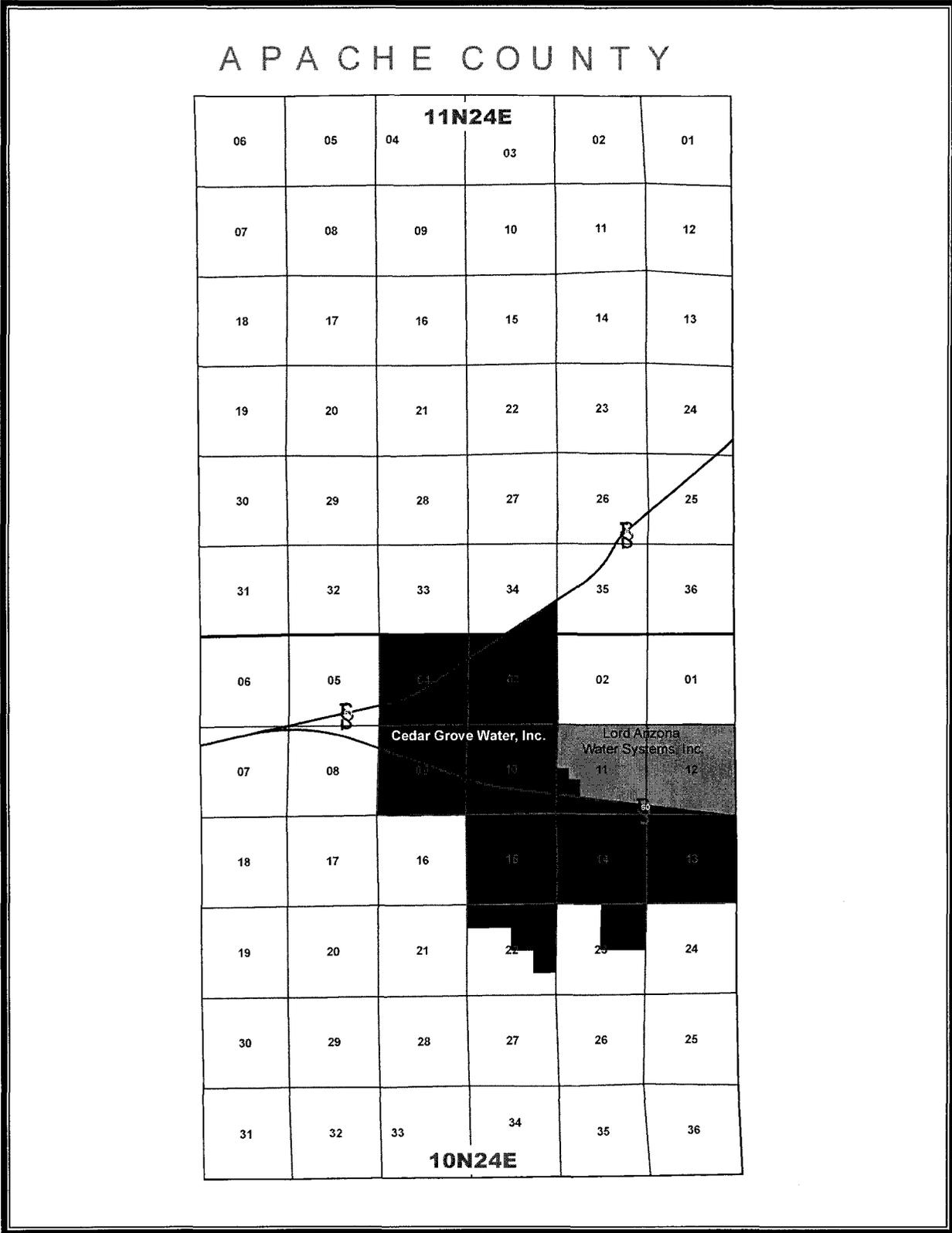


Figure 2. Certificated Area

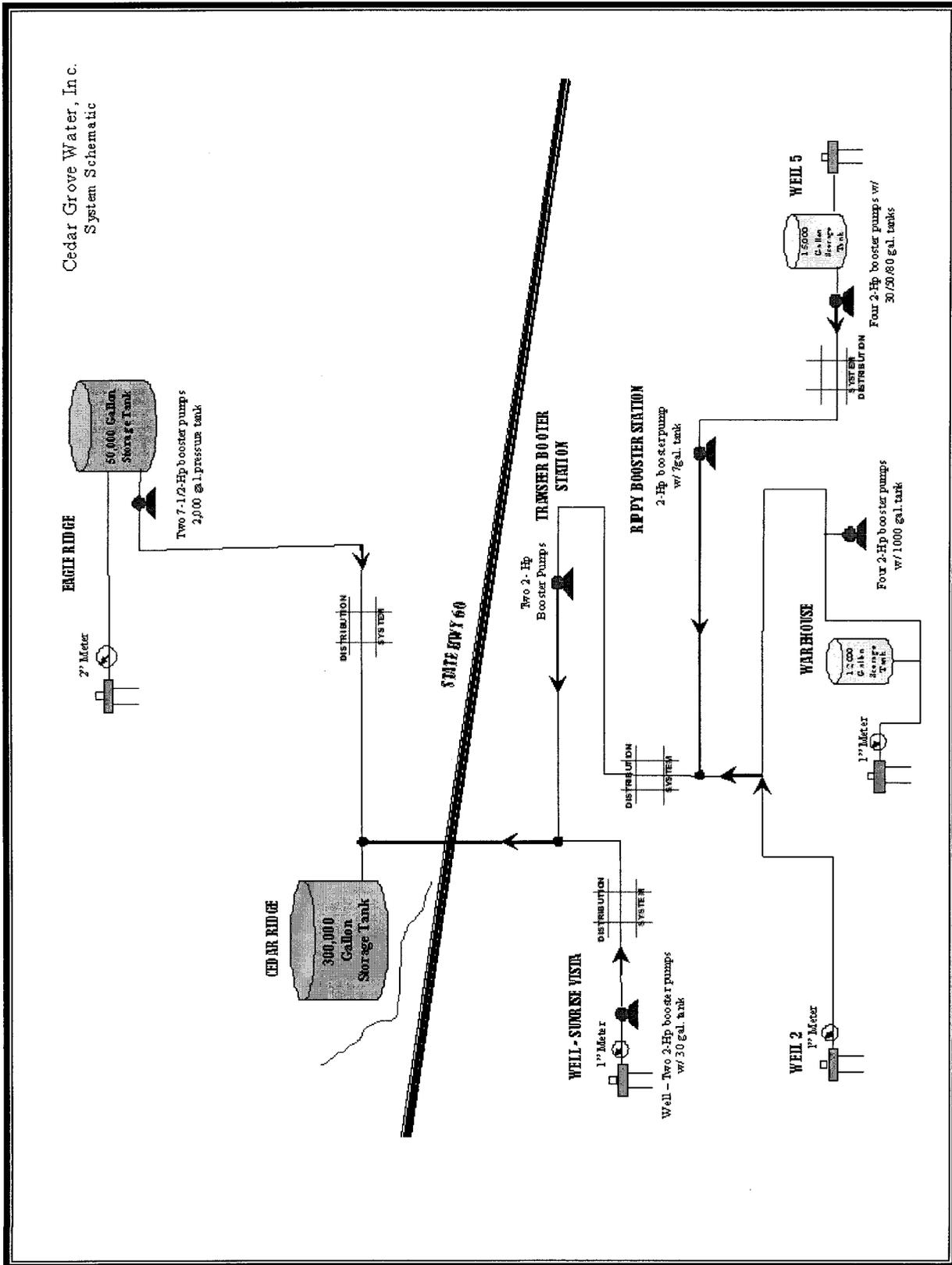


Figure 3. System Schematic

C. WATER USE

Water Sold

Figure 4 presents the water consumption data provided by the Company for the test year ending December 2010. This figure shows the customer consumption experienced a high monthly water use of 276 gallons per day (“GPD”) per connection in June and a low monthly water use of 75 GPD per connection in March for an average annual use of 155 GPD per connection.

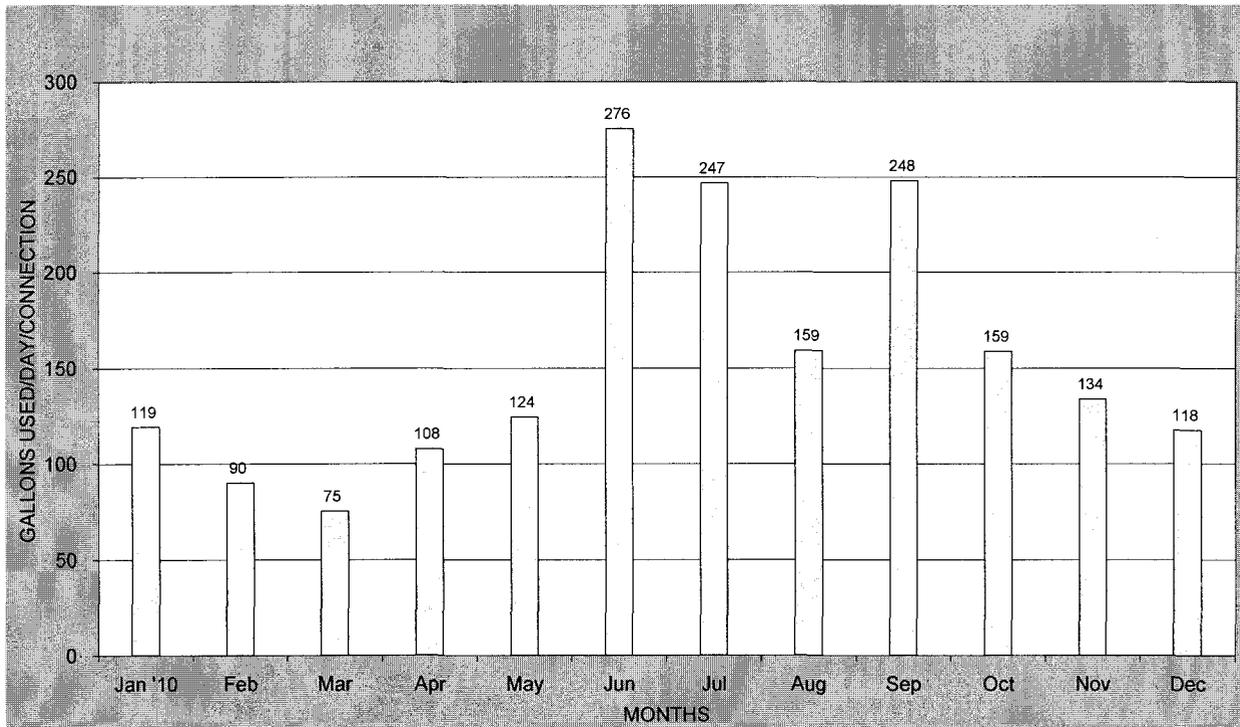


Figure 4. Water Use

Non-Account Water

Non-account water should be 10% or less. During the test year, the Company reported 22,582,390 gallons pumped and 21,214,050 gallons sold, resulting in a water loss of 6.1%. This 6.1% is within the acceptable level of 10% recommended by Staff.

System Analysis

The current well capacity of 97 GPM (without the Eagle Ridge Well) and storage tank capacity of 377,000 gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Figure 5 depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2010, the Company had 378 customers and it is projected that the Company could have approximately 435 customers within a 5-year period ending December 2015.

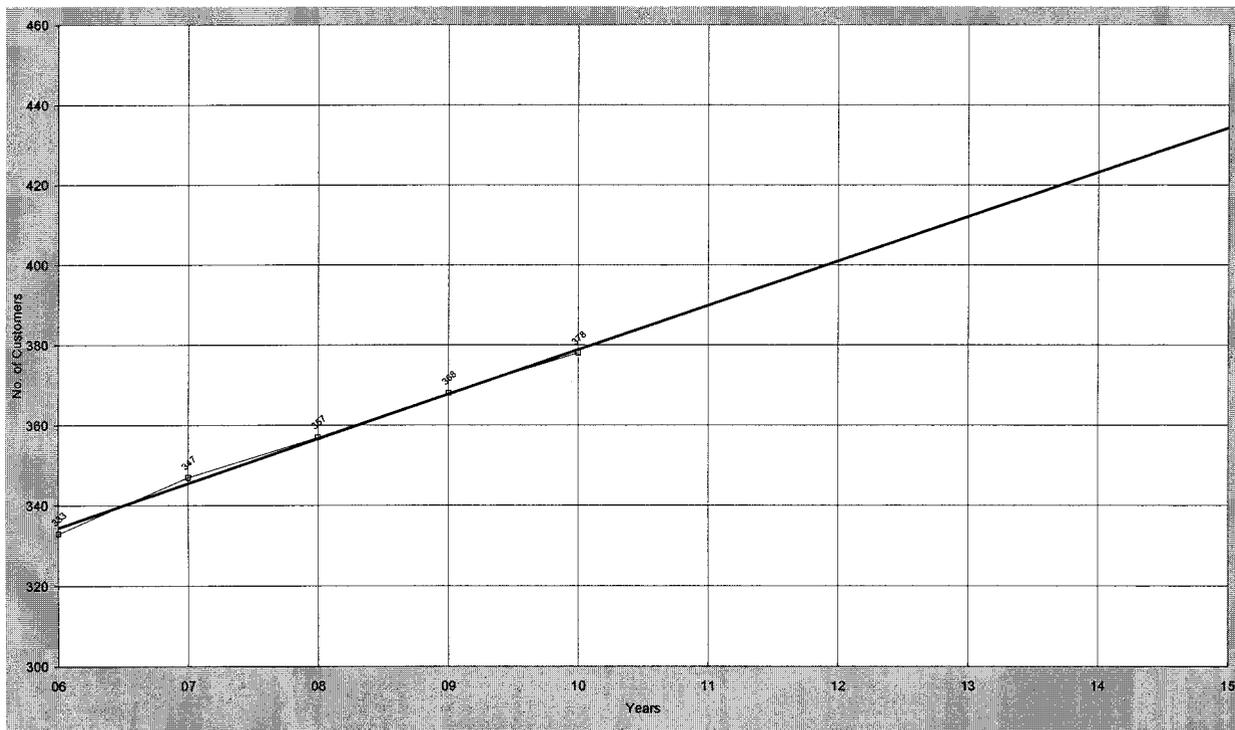


Figure 5. Growth Projection

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”)

Compliance

According to an ADEQ Compliance Status Report, dated February 15, 2011, ADEQ has reported no major deficiencies and has determined that the Company’s system, PWS #01-049, is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). The Company reported its water testing expense at \$2,123 during the test year. Staff has reviewed this expense and has recalculated the annual testing expense as shown in Table E-1 below:

Table E-1. Water Testing Expense

Monitoring	Cost per test	No. of test	Annual cost
Total coliform – monthly	\$20	24	\$480
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs & VOCs	MAP	MAP	\$1,209
Lead & Copper – per 3 years (With metals prep)	\$45 \$15	10 2	\$150 \$10
Total:			\$1,849

*Note: The ADEQ MAP invoice for 2010 Calendar Year was \$1,208,61.

Staff recommends an annual water testing expense of \$1,849 be used for purposes of this application.

F. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”)

Compliance

The Company is not located in any ADWR Active Management Area (“AMA”). According to an ADWR Water Provider Compliance Report, dated June 28, 2011, this Company is currently compliant with ADWR’s requirements governing water providers and/or community water systems.

Best Management Practice Tariffs

In 2008, ADWR added a new regulatory program for the ADWR Third Management Plan for AMAs. The new program, called Modified Non-Per Capita Conservation Program (“Modified NPCCP”), addresses large municipal water providers (cities, towns and private water companies serving more than 250 acre-feet per year) and was developed in conjunction with stakeholders from all AMAs. Participation in the program is required for all large municipal water providers that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider.

The Modified NPCCP is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their service areas. A water provider regulated under the program must implement a required Public Education Program and choose one or more additional Best Management Practices (“BMPs”) based on its size, as defined by its total number of water service connections. The provider must select the additional BMPs from the list included in the Modified NPCCP Program. The BMPs are a mix of technical, policy, and information conservation efforts.

Although the implementation of the Modified NPCCP is required of large municipal water providers within an AMA, the Commission has adopted BMPs for implementation by Commission regulated water companies.

During the field inspection, Staff discussed the BMP Tariffs with the Company and requested the Company select five BMPs, for a water company this size, from the list of Staff templates posted on the Commission’s website. On August 25, 2011, Staff received an email indicating that the Company had selected the following BMPs:

1. Customer High Water Use Inquiry Resolution Tariff – BMP 3.6
2. Water Waste Investigations and Information Tariff – BMP 3.8
3. Leak Detection Program Tariff – BMP 4.1
4. Meter Repair and/or Replacement Program Tariff – BMP 4.2
5. Water System Tampering Tariff – BMP 5.2.

Staff concludes that the Company’s selected BMP Tariffs are relevant to the Company’s service area characteristics and conform to the templates developed by Staff. Staff recommends approval of the Company’s five BMP Tariffs, BMPs 3.6, 3.8, 4.1, 4.2 and 5.2, that are attached to this Engineering Report as Exhibit – BMPs.

G. ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE

On June 28, 2011, the Utilities Division compliance database showed that the Company had no delinquent ACC compliance items.

H. DEPRECIATION RATES

The Company has been using Staff’s typical and customary depreciation rates. These depreciation rates are presented in Table H-1 below and it is recommended that the Company continue to use these depreciation rates.

Table H-1. Depreciation Rates

NARUC Acc. 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	** 5	20.0
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: In prior rate cases, a 5 year service life was established for Acct. 311 – Pumping Equipment. Staff recommends that the 5 year life be retained.

I. 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 and the Company's requested charges are below Staff's customary range of charges. Since the Company may at times install meters on existing service lines, it would be appropriate for the some customers to only be charged for the meter installation. Therefore, Staff has modified the Company's request by separating the service line and meter installation charges and recommends approval of the proposed charges as shown in Table I-1 below.

Table I-1. Service line and meter installation charges

Meter Size	Company's Current Charges	Staff's Proposed Service Line Charges	Staff's Proposed Meter Charges	Staff's Proposed Total Charges
5/8" x 3/4"	* \$0	\$0	\$0	\$0
3/4"	\$245	\$230	\$90	\$320
1"	\$350	\$240	\$130	\$370
1-1/2"	\$525	\$245	\$300	\$545
2"	\$700	\$250	\$500	\$750
3"	\$980	\$280	\$700	\$980
4"	\$1,820	\$520	\$1,300	\$1,820
6"	\$3,920	\$770	\$3,150	\$3,920

* Note: In the prior rate case (Docket No. 06-0308), the Company preferred not to charge for the 5/8 x 3/4-inch meter because of the administrative costs associated with the refunding obligation.

2. Curtailment Tariff

The Company has an approved curtailment tariff with an effective date of August 25, 2004.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff with an effective date of January 16, 2001.

Exhibit - BMPs

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Water Waste Investigations and Information Tariff – BMP 3.8

PURPOSE

A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.8: Water Waste Investigations and Information).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission specifically R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle water waste complaints as calls are received.
2. Calls shall be taken by a customer service representative who has been trained to determine the type of water waste and to determine if it may be attributed to a leak or broken water line.
3. The Company shall follow up on every water waste complaint.
4. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to investigate further and notify the responsible party of the waste and offer assistance and information to prevent waste in the future.
5. A letter of enforcement will be issued to customers with water running beyond the curb and/or off the customers property due to such things as, but not limited to, backwashing of pools, broken sprinkler heads, and over watering of lawns beyond the saturation point.
6. The same procedures outlined above in item #4 will be followed in the event of a second violation. Termination of service may result in the event of the third violation within a 12 month period. In the event of a third violation the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E (applicable service reconnection fees shall apply).

7. The Company shall record each account and each instance noted for water waste, the action taken and any follow-up activities.
8. Subject to the provisions of this tariff, compliance with the water waste restriction will be a condition of service.
9. The Company shall provide to its customers a complete copy of this tariff and all attachments upon request and to each new customer. The customer shall abide by the water waste restriction.

If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Leak Detection Program Tariff – BMP 4.1

PURPOSE

A program for the Company to systematically evaluate its water distribution system to identify and repair leaks (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.1 Leak Detection Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall implement a comprehensive leak detection and repair program to attain and maintain a less than 10 percent unaccounted for water loss in its system(s). The program must include auditing procedures, in-field leak detection and repair efforts. The Company shall take whatever steps are necessary to ensure that its water system is operating at optimal efficiency.
2. On a systematic basis, at least every two years (annually for smaller systems), the Company shall inspect its water distribution system (to include hydrants, valves, tanks, pumps, etc. in the distribution system) to identify and repair leaks. Detection shall be followed by repair or in some cases replacement. Repair vs. replacement will depend upon site-specific leakage rates and costs.
3. Leak Detection efforts should focus on the portion of the distribution system with the greatest expected problems, including:
 - a. areas with a history of excessive leak and break rates;
 - b. areas where leaks and breaks can result in the heaviest property damage;
 - c. areas where system pressure is high;
 - d. areas exposed to stray current and traffic vibration;
 - e. areas near stream crossings; and,
 - f. areas where loads on pipe may exceed design loads.
4. The Company shall keep accurate and detailed records concerning its leak detection and repair/rehabilitation program and the associated costs. Records of repairs shall include: possible causes of the leak; estimated amount of water

lost; and date of repair. These records shall be made available to the Commission upon request.

5. The Company shall maintain a complete set of updated distribution system maps.
6. The Company shall conduct a water audit annually which includes the following steps to determine how efficient each water system is operating and where the losses might be.
 - a. Use coordinated monthly source and service meter readings to calculate how much water enters and leaves the system during the 12 month review period.
 - b. Track and estimate any unmetered authorized uses.
 - c. Calculate the total amount of leakage using the following formula:

$$\text{Unaccounted for water (\%)} = \left[\frac{\text{(Production and/or purchased water minus metered use \& estimated authorized un-metered use)}}{\text{(Production and/or purchased water)}} \right] \times 100$$

- d. Authorized un-metered uses may include firefighting, main flushing, process water for water treatment plants, etc. Water losses include all water that is not identified as authorized metered water use or authorized un-metered use.
 - e. Determine possible reasons for leakage, including physical leaks and unauthorized uses.
 - f. Analyze results to determine the improvements needed, such as, better accounting practices, leak survey or replacing old distribution pipes.
7. The Company shall keep accurate and detailed records concerning its annual water audit results. These records shall be made available to the Commission upon request.

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Meter Repair and/or Replacement Tariff – BMP 4.2

PURPOSE

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Upon the effective date of this tariff, the Company shall install all replacement meters with new:
 - a. 1-inch and smaller meters that register in 1 gallon increments,

Cedar Grove Water, Inc.

September 8, 2011

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- b. 1-1/2-inch through 4-inch meters that register in 10 gallon increments,
and
 - c. 6-inch and larger meters that register in 100 gallon increments.
5. The Company shall keep records of all inspected and replacement meters and make this information available to the Commission upon request.

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.