

OPEN MEETING ITEM



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

ORIGINAL



ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

DATE: JANUARY 13, 2012

DOCKET NO.: W-01812A-10-0521

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Teena Jibilian. The recommendation has been filed in the form of an Opinion and Order on:

BERMUDA WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JANUARY 23, 2012

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

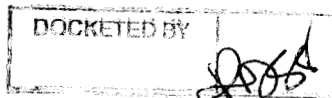
FEBRUARY 14, 2012 and FEBRUARY 15, 2012

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JAN 13 2012



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
BERMUDA WATER COMPANY, AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-01812A-10-0521

DECISION NO. _____

OPINION AND ORDER

DATE OF HEARING: March 22, 2011 (Procedural Conference) and
October 26, 2011

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Teena Jibilian

APPEARANCES: Mr. Patrick J. Black, FENNEMORE CRAIG, on
behalf of Applicant;

Mr. Daniel Pozefsky, Chief Counsel, on behalf
of the Residential Utility Consumer Office; and

Ms. Bridget Humphrey and Ms. Kimberly Ruht,
Staff Attorneys, Legal Division, on behalf of the
Utilities Division of the Arizona Corporation
Commission.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Commission finds, concludes, and orders that:

FINDINGS OF FACT

Procedural History

1. On December 30, 2010, Bermuda Water Company ("Bermuda" or "Company") filed
with the Arizona Corporation Commission ("Commission") an application for a rate increase.

2. On January 31, 2011, the Commission's Utilities Division ("Staff") filed a letter of

1 insufficiency stating that the application had not met the sufficiency requirements of A.A.C. R14-2-
2 103.

3 3. On February 11, 2011, the Company filed an amended application.

4 4. On February 14, 2011, the Company filed additional responses to the insufficiency
5 letter.

6 5. On February 28, 2011, Staff filed a sufficiency letter stating that the Company had met
7 the requirements of A.A.C. R14-2-103 and classifying Bermuda as a Class B utility.

8 6. On March 7, 2011, the Residential Utility Consumer Office ("RUCO") filed both an
9 Application to Intervene, and an Application to Intervene and Request for Procedural Conference
10 ("Request"). The Request stated that RUCO intended to monitor this matter, but would like the
11 opportunity to participate more actively if necessary.

12 7. On March 16, 2011, a Procedural Order was issued setting a procedural conference for
13 March 22, 2011, for the purpose of discussing the Request.

14 8. The procedural conference convened as scheduled. The Company, RUCO and Staff
15 appeared through counsel. RUCO indicated that following the filing of the Request, RUCO had
16 determined that it intended to limit the scope of its participation in this proceeding to cost of capital
17 issues. The Company and Staff did not oppose RUCO's intervention, and both stated that no
18 limitation should be placed on the scope of RUCO's participation.

19 9. On March 23, 2011, a Rate Case Procedural Order was issued. The Procedural Order
20 granted RUCO intervention with no limitation on issues in direct testimony. The Procedural Order
21 set a hearing to commence on October 26, 2011, and set associated procedural deadlines, including
22 deadlines for provision of public notice and the prefiling of witness testimony.

23 10. On April 14, 2011, the Company filed a Notice of Filing Amended Schedules.

24 11. On May 31, 2011, Bermuda filed a Notice of Filing Certification of Publication and
25 Proof of Mailing, indicating that notice regarding the hearing was published in the *Mohave Daily*
26 *News* on April 27, 2011, and that Bermuda mailed notice of the application and hearing to its
27 customers on April 4, 2011 and April 11, 2011.

28 12. Two customer opinions have been filed in opposition to the requested rate increase.

- 1 13. On August 26, 2011, Staff filed the direct testimony of its witnesses Jeffrey M.
2 Michlik and Marlin Scott, Jr.
- 3 14. On August 29, 2011, RUCO filed the direct cost of capital testimony of William A.
4 Rigsby.
- 5 15. On September 22, 2011, Bermuda filed the rebuttal testimony of Kirsten Markwell
6 and Pauline M. Ahern.
- 7 16. On October 13, 2011, RUCO filed the surrebuttal cost of capital testimony of William
8 A. Rigsby.
- 9 17. On October 13, 2011, Staff filed the surrebuttal testimony of Jeffrey M. Michlik and
10 Marlin Scott, Jr.
- 11 18. On October 20, 2011, Bermuda filed the rejoinder testimony of Kirsten Markwell.
- 12 19. In rebuttal testimony filed on behalf of Bermuda, Ms. Markwell stated that Bermuda is
13 willing to accept all the analysis, adjustments and recommendations made by Staff in its direct
14 testimony.
- 15 20. RUCO's direct and surrebuttal testimony addressed cost of capital issues only. In
16 surrebuttal testimony filed on behalf of RUCO, Mr. Rigsby stated that based on Bermuda's decision
17 to withdraw its request for the adoption of the Florida Leverage Formula for determination of its cost
18 of capital, RUCO is willing to adopt Staff's cost of capital recommendation.
- 19 21. On October 24, 2011, Bermuda, RUCO and Staff filed a Joint Stipulation Regarding
20 Pre-Filed Testimony ("Joint Stipulation"). Therein, the parties jointly stipulated to admission at the
21 hearing of the direct and surrebuttal testimony of William A. Rigsby on behalf of RUCO concerning
22 cost of capital issues, and the rebuttal testimony of Pauline Ahearn on behalf of Bermuda concerning
23 cost of capital issues. The Joint Stipulation indicated that based on Bermuda's withdrawal of the
24 request for adoption of the Florida Public Service Commission's leverage formula methodology in
25 calculating its cost of capital, RUCO supports the 8.82 percent cost of capital recommendation made
26 by Staff.
- 27 22. On October 26, 2011, the hearing was held as scheduled before a duly authorized
28 Administrative Law Judge of the Commission. No members of the public appeared to provide public

1 comment. Bermuda, RUCO, and Staff appeared through counsel. The February 11, 2011 amended
2 application, and prefiled testimony of the Company, RUCO and Staff were admitted into evidence.
3 At the hearing, Counsel for the Company stated that all the parties agree on all the issues in the case.
4 Counsel for RUCO stated that its adoption of Staff's cost of capital recommendation disposes of all
5 issues RUCO raised. Counsel for Staff stated that Bermuda accepted all of Staff's adjustments to the
6 amended application, and that Staff believes its adjustments are reasonable and in the public interest.
7 Following the hearing, the matter was taken under advisement.

8 **Background**

9 23. Pursuant to authority granted by the Commission, Bermuda is an Arizona public
10 service corporation providing water utility service to the public in an approximately 15.5 square mile
11 area located in the southern portion of Bullhead City, Mohave County, Arizona.

12 24. Bermuda's current rates and charges for water service were set in Commission
13 Decision No. 61854 (July 21, 1999).

14 25. Staff performed an on-site field inspection of the Company's water system on April
15 15, 2011. The system consists of eight wells, six storage tanks, two booster stations and a
16 distribution system with two pressure zones.

17 **Rate Application**

18 26. During the test year ended June 30, 2010, the Company served approximately 7,219
19 residential customers and 413 commercial and industrial customers.

20 27. Average and median water usages by residential customers during the test year were
21 9,061 gallons per month and 5,000 gallons per month, respectively.

22 28. The Company's application proposed total operating revenue of \$3,781,384, an
23 increase of \$922,419, or 32.36 percent over the Company's adjusted test year revenue of \$2,858,966.

24 29. Staff recommends total operating revenue of \$3,813,399, an increase of \$954,433, or
25 33.38 percent over the Company's adjusted test year revenue of \$2,858,966. Bermuda agrees to
26 Staff's recommendations, and RUCO is unopposed.

27 **Rate Base**

28

1 30. The Company proposed an original cost rate base ("OCRB") of \$10,323,080. The
2 Company did not propose a fair value rate base ("FVRB") that differs from OCRB. Staff determined
3 Bermuda's OCRB to be \$9,701,659. This \$621,421 decrease to Bermuda's proposed OCRB is due to
4 Staff's adjustments to plant in service, accumulated depreciation, customer deposits, and accumulated
5 deferred income taxes. The Company is in agreement with Staff's FVRB, and RUCO is unopposed.

6 31. The FVRB of \$9,701,659 agreed to by Bermuda and Staff, and unopposed by RUCO,
7 is reasonable and should be adopted.

8 Operating Expense

9 32. The Company proposed test year Operating Expense of \$2,515,257. Based on its
10 analysis, Staff recommends total test year Operating Expense of \$2,582,511. This \$67,254 increase
11 to Bermuda's proposed Operating Expense, and is the result of Staff's adjustments to Bad Debt
12 Expense, Water Testing Expense, Deposit Expense, Depreciation Expense, Property Tax Expense,
13 and Income Tax Expense. The Company is in agreement with Staff's Operating Expense, and RUCO
14 is unopposed.

15 33. The total test year Operating Expense of \$2,582,511 agreed to by Bermuda and Staff,
16 and unopposed by RUCO, is reasonable and should be adopted.

17 Cost of Capital

18 34. In direct testimony filed with the application and amended application, Bermuda
19 proposed using the Company's actual capital structure of 100 percent equity, and an overall rate of
20 return of 8.82 percent, as calculated by the leverage formula used by the Florida Public Service
21 Commission, for an 8.82 percent rate of return on FVRB. Testimony on behalf of Bermuda indicated
22 that in an effort to keep rate case expense reasonable, Bermuda did not hire a rate of return expert, but
23 instead relied on the Florida Public Service Commission leverage formula methodology to reach its
24 proposed rate of return.

25 35. In its direct testimony, RUCO recommended a hypothetical capital structure
26 comprised of 60.0 percent equity and 40.0 percent long term debt, with a cost of equity of 9.0 percent
27 and a cost of debt of 6.13 percent, for a 7.85 percent rate of return on FVRB. RUCO objects to use of
28 the Florida Public Service Commission leverage formula methodology proposed by the Company to

1 set a rate of return.

2 36. Staff, in direct testimony, stated that it finds Bermuda's 8.82 percent rate of return on
3 rate base a reasonable recommendation. Staff stated that it neither accepts, denies, nor recommends
4 the Florida Public Service Commission leverage formula methodology. However, Staff states that it
5 finds the Company's proposal to be reasonable in this case, and that in order to efficiently utilize its
6 resources, Staff did not provide a comprehensive cost of capital analysis.

7 37. In rebuttal testimony, Bermuda stated that it was willing to withdraw its request for
8 adoption of the Florida Public Service Commission leverage formula methodology in this proceeding,
9 provided that all Staff's recommendations are adopted.

10 38. In surrebuttal testimony, RUCO stated that based on Bermuda's withdrawal of its
11 request for adoption of the Florida Public Service Commission leverage formula methodology in this
12 proceeding, RUCO was willing to accept Staff's cost of capital recommendation.

13 39. The 8.82 percent rate of return on FVRB in this proceeding, as agreed to by all the
14 parties, is reasonable and should be adopted.

15 Revenue Requirement

16 40. Bermuda's present water rates and charges produced test year Operating Revenue of
17 \$2,858,966. With adjusted test year Operating Expense of \$2,582,511, Bermuda had total adjusted
18 test year Operating Income of \$276,455.

19 41. The water rates and charges agreed to by the Company and Staff, and unopposed by
20 RUCO, would produce Operating Revenue of \$3,813,399 and adjusted Operating Expenses of
21 \$2,958,101, resulting in an Operating Income of \$855,298 for an 8.82 percent rate of return on
22 FVRB. This would constitute a \$954,433, or 33.38 percent, increase over test year revenues.

23 42. The revenue requirement of \$3,813,399, agreed to by Bermuda and Staff, and
24 unopposed by RUCO, is reasonable and should be adopted.

25 Rate Design

26 43. The rates proposed by Bermuda in its application would increase the average water
27 usage (9,061 gallons/month) residential customer's monthly bill by \$8.01, from \$23.44 to \$31.45, or
28 34.18 percent, and the median water usage (5,000 gallons/month) residential customer's monthly bill

1 by \$5.86, from \$17.15 to \$23.01, or 34.17 percent.

2 44. The rates agreed to by Bermuda and Staff, and unopposed by RUCO, would increase
3 the average water usage (9,061 gallons/month) residential customer's monthly bill by \$5.50, from
4 \$23.44 to \$28.94, or 23.44 percent, and the median water usage (5,000 gallons/month) residential
5 customer's monthly bill by \$3.60, from \$17.15 to \$20.75, or 20.99 percent.

6 45. The rate design and service charges agreed to by Bermuda and Staff, and unopposed
7 by RUCO, are reasonable and should be adopted.

8 Compliance Issues

9 46. In an Arizona Department of Environmental Quality ("ADEQ") status report dated
10 October 5, 2010, ADEQ reported that Bermuda's water system has no major deficiencies and is
11 delivering water that meets the water quality standards required by 40 CFR 141 and Title 18, Chapter
12 4 of the Arizona Administrative Code.

13 47. Bermuda is not located in any Active Management Area designated by the Arizona
14 Department of Water Resources ("ADWR"). According to ADWR's Water Provider Compliance
15 Status Report dated December 9, 2010, Bermuda is in compliance with ADWR requirements
16 governing water providers and community water systems.

17 48. Staff states that a check of the Commission's compliance database indicates that there
18 are currently no compliance delinquencies for the Company.

19 49. Bermuda has approved curtailment and backflow prevention tariffs on file with the
20 Commission.

21 50. Staff states that a review of the Commission's Consumer Services database for the
22 Company from January 1, 2008 to August 18, 2011 showed the following: In 2011, four complaints
23 (three billing, and one quality of service) and two opinions opposed to the rate increase; in 2010,
24 eleven complaints (five billing, five quality of service, and one disconnect/termination) and zero
25 opinions; in 2009, two complaints (quality of service); and in 2008, eight complaints (seven billing,
26 and one quality of service). Staff states that all complaints have been resolved and closed.

27 Best Management Practices

28 51. In direct testimony, Staff recommended that Bermuda be required to file, for

1 Commission review and consideration, at least seven best management practices (“BMPs”), with a
2 maximum of two from the “Public Awareness/Public Relations” category, in the form of tariffs that
3 substantially conform to the templates created by Staff and which are available on the Commission’s
4 website. In surrebuttal testimony, Staff reported that Bermuda had selected seven BMPs. Staff
5 concluded that the Company’s selected BMP Tariffs are relevant to the Company’s service area
6 characteristics and conform to the templates developed by Staff. Staff attached those seven BMP
7 Tariffs to its surrebuttal testimony. The seven BMP Tariffs selected by the Company are reproduced
8 and attached hereto as Exhibit B.

9 **Conclusions**

10 52. The rates and charges agreed to by Bermuda and Staff, and unopposed by RUCO, are
11 reasonable and in the public interest and should be adopted.

12 53. Bermuda should be required to use Staff’s typical and customary depreciation rates as
13 delineated in Exhibit A, as agreed to by Bermuda and Staff, and unopposed by RUCO.

14 54. The seven BMP Tariffs shown in Exhibit B, which were chosen by the Company,
15 agreed to by Staff, and unopposed by RUCO, should be approved. The Company should request
16 recovery of the actual costs associated with the implemented BMP Tarrifs in its next general rate
17 application.

18 55. Because an allowance for the property tax expense is included in Bermuda’s rates and
19 will be collected from its customers, the Commission seeks assurances from Bermuda that any taxes
20 collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the
21 Commission’s attention that a number of water companies have been unwilling or unable to fulfill
22 their obligation to pay the taxes that were collected from its ratepayers, some for as many as twenty
23 years. It is reasonable, therefore, that as a preventive measure Bermuda shall annually file, as part of
24 its annual report, an affidavit with the Commission’s Utilities Division attesting that the Company is
25 current in paying its property taxes in Arizona.

26 **CONCLUSIONS OF LAW**

27 1. Bermuda is a public service corporation within the meaning of Article XV of the
28 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

1 2. The Commission has jurisdiction over Bermuda and the subject matter of the
2 application.

3 3. Notice of the application was provided in the manner prescribed by law.

4 4. The rates and charges authorized herein are just and reasonable and should be
5 approved.

6 5. It is reasonable and in the public interest to require Bermuda to use Staff's typical and
7 customary depreciation rates as delineated in Exhibit A.

8 6. It is reasonable and in the public interest to approve the seven BMP Tariffs set forth in
9 Exhibit B.

ORDER

11 IT IS THEREFORE ORDERED that Bermuda Water Company shall file with Docket
12 Control, as a compliance item in this docket, by February 29, 2012, revised rate schedules setting
13 forth the following rates and charges:

MONTHLY USAGE CHARGE:

All Classes

15	5/8" x 3/4" Meter	\$ 13.00
	3/4" Meter	13.00
16	1" Meter	35.00
	1-1/2" Meter	70.00
17	2" Meter	112.00
	3" Meter	224.00
18	4" Meter	350.00
	6" Meter	700.00

Commodity Charges – Per 1,000 gallons:

5/8" x 3/4" and 3/4" Meter (Residential)

21	First 3,000 gallons	\$1.25
	3,001 to 9,000 gallons	2.00
22	Over 9,000 gallons	3.12

5/8" x 3/4" Meter (Commercial)

23	First 9,000 gallons	\$2.00
24	Over 9,000 gallons	3.12

1" Meter (Residential/Commercial)

25	First 25,000 gallons	\$2.00
26	Over 25,000 gallons	3.12

1 1/2" Meter (Residential/Commercial)

27	First 50,000 gallons	\$2.00
28	Over 50,000 gallons	3.12

1	<u>2" Meter (Residential/Commercial)</u>	
	First 80,000 gallons	\$2.00
2	Over 80,000 gallons	3.12
3	<u>3" Meter (Residential/Commercial)</u>	
	First 165,000 gallons	\$2.00
4	Over 165,000 gallons	3.12
5	<u>4" Meter (Residential/Commercial)</u>	
	First 250,000 gallons	\$2.00
6	Over 250,000 gallons	3.12
7	<u>6" Meter (Residential/Commercial)</u>	
	First 500,000 gallons	\$2.00
8	Over 500,000 gallons	3.12
9	<u>Construction/Irrigation</u>	
	All Usage	\$1.64
10		
	<u>Schools/Wholesale</u>	
11	All Usage	\$1.77

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

	<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>
13	5/8" and 3/4"	\$ 60.00	\$185.00
14	1"	85.00	265.00
	2"	317.00	837.00
15	3" or larger	At Cost**	At Cost**

- 16 * Refunds of the installation charges shall be pursuant to A.A.C. R14-3-405,
 except the refunds will occur in the billing month of September.
 17 ** At Cost = Actual costs of material and labor.

18 **SERVICE CHARGES:**

19	Broken Meter Lock	\$15.00
20	Deferred Payment Interest	1.50%*
	Deposit	**
21	Deposit (Interest)	**
	Establishment Fee	\$35.00
22	Late Payment	1.50%
	Meter Test Performed by Company (if correct)	\$20.00
23	Meter Test Performed by Outside Vendor (if correct)	25.00
24	NSF Check (Returned Check)	15.00
	Reconnection (Delinquent)	50.00
25	After Hours Service Charge	30.00
26	Meter Re-Read Charge	5.00

- 27 * 1.50% of unpaid balance each month for a maximum of 6 months,
 with signed agreement.
 28 ** Per Commission Rule A.A.C. R14-2-403(B)

1 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
2 provided on and after March 1, 2012.

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

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

9 IT IS FURTHER ORDERED that Bermuda Water Company shall file use the depreciation
10 rates delineated in Exhibit A.

11 IT IS FURTHER ORDERED that the seven BMP Tariffs shown in Exhibit B are hereby
12 approved.

13 IT IS FURTHER ORDERED that Bermuda Water Company shall file with Docket Control,
14 within 30 days, as a compliance item in this docket, the BMP Tariffs as shown in Exhibit B.

15 IT IS FURTHER ORDERED that Bermuda Water Company may request recovery of the
16 actual costs associated with the implemented BMP Tariffs in its next general rate application.

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1 IT IS FURTHER ORDERED that Bermuda 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.
6
7

8 _____ CHAIRMAN _____ COMMISSIONER

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10 _____ COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

11
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 _____ day of _____ 2012.

17 _____
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20 DISSENT _____

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22 DISSENT _____

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1 SERVICE LIST FOR:

BERMUDA WATER COMPANY

2 DOCKET NO.:

W-01812A-10-0521

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Phoenix, AZ 85007

EXHIBIT A

Table I-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Equipment	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

Notes: 1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.

2. Account 348, Other Tangible Plant, may vary from 5% to 5%. The depreciation rate would be set in accordance with the specific capital items in this account.

EXHIBIT BCompany: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Public Education Program Tariff**PURPOSE**

A program for Bermuda Water Company, Inc. to provide free written information on water conservation measures to its customers and to remind them of the importance of conserving water (Required Public Education 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 provide two newsletters to each customer; one to be provided in the spring, the other in the fall. The goal of the letters is to provide timely information to customers in preparation of the hot summer months, and the cold winter months, in regards to their water uses. The Company shall remind customers of the importance of water conservation measures and inform them of the information available from the Company.
2. Information in the newsletters shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, water cistern maintenance reminders and additional pertinent topics. Where practical, the Company shall make this information available in digital format which can be e-mailed to customers upon request or posted on the Company's website.
3. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, Company web page, post cards, e-mails and special mailings of print pieces, whichever is the most cost-effective and appropriate for the subject at hand.
4. Free written water conservation materials shall be available in the Company's business office and the Company shall send information to customers on request.
5. The Company may distribute water conservation information at other locations such as libraries, chambers of commerce, community events, etc., as well.
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
 - a. A description of each communication channel (i.e., the way messages will be provided) and the number of times it has been used.
 - b. The number of customers reached (or an estimate).
 - c. A description of the written water conservation material provided free to customers.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Youth Conservation Education Program Tariff – BMP 2.2

PURPOSE

This would be a program for Bermuda Water Company to promote water conservation by increasing students' understanding of water resources and the need to conserve (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.2: Youth Conservation Education 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 or designated representative shall work with schools in its service area to increase students' understanding of water resources and to promote water conservation.
2. The Company shall provide a combination of instructional assistance, education materials, teacher education materials, classroom presentations, and field trips to water related facilities.
3. The Company shall provide the following teacher resources:
 - a. Provide free resource materials and information upon request.
 - b. Provide in-classroom presentations upon request.
4. The Company shall make available free water conservation workbooks for elementary school students.
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the youth conservation education process implemented.
 - b. The number of students reached (or an estimate).
 - c. A description of the written water conservation material provided free to students.
 - d. Costs of the Youth Conservation Education Program implementation.

Company: Bermuda Water Company, Inc.

Decision No.: _____

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Effective Date: _____

Residential Audit Program Tariff – BMP 3.1

PURPOSE

A program for Bermuda Water Company, Inc. to promote water conservation by providing customers with information on performing water audits to determine conservation opportunities at their residence (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.1: Residential Audit 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 offer self-audit information.
2. The Company or designated representative shall provide all customers that request them with a self-audit kit.
3. The kit shall include detailed instructions and tools for completing the water audit including information on how to check their water meter. The audit kit shall include but not be limited to information on checking the following components: irrigation system, pool, water features, toilets, faucets and shower.
4. If requested, the Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit, and if requested to do so by the customer, the Company shall confirm the accuracy of the customer meter (applicable meter testing fees shall apply).
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the water conservation material provided in the kit.
 - b. The number of kits provided to customers.
 - c. Implementation costs of the Residential Audit Program.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for Bermuda Water Company, Inc. 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: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Water Use Plan For New Non-Residential Users Tariff – BMP 5.13

PURPOSE

A program for Bermuda Water Company, Inc. to require all new commercial, industrial, and institutional users who have annual projected water use of ten acre-feet or more per year to submit a water use plan that identifies all water uses anticipated by the user, and the water efficiency measures associated with the uses (Modified Non-Per Capita Conservation Program BMP Category 5: Ordinances/Conditions of Service/Tariffs 5.13: Requiring a Water Use Plan).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically A.A.C. 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. Subject to the provisions of this tariff, as a condition of service all new commercial, industrial and institutional users with a projected annual water use requirement of five acre-feet (1,629,250 gallons) or more per year, will be required to submit a water use plan which identifies all water uses anticipated by the user and the water efficiency measures associated with the uses.
2. The water use plan submitted by users must include at least three of the following measures:
 - a. Statement of water efficiency policy,
 - b. Water Conservation education/training for employees,
 - c. Identification of on-site recycling and re-use strategies,
 - d. Total cooling capacity and operating Total Dissolved Solids or conductivity for cooling towers,
 - e. Identification of best available technologies used for process, cooling and domestic water uses,
 - f. Landscape watering system distribution uniformity and landscape water budget, and/or
 - g. Total annual water budget for the facility.
3. The Company shall provide to all new commercial, industrial, and institutional customers a complete copy of this tariff and all attachments upon request for service. The customer shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system, the Company discovers that the customer has, for example, installed turf or water-use intensive features contrary to its water use plan, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct

the problem. The customer shall be allowed sixty (60) days to come into compliance with his or her plan requirements. If after sixty (60) days the customer is not in compliance with his or her plan requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.

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.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

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.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Landscape Watering Restrictions Tariff – BMP 5.8

PURPOSE

A program for Bermuda Water Company, Inc. to restrict water use within its service area by limiting or reducing water used for landscape purposes (Modified Non-Per Capita Conservation Program BMP Category 5: Ordinances/Conditions of Service/Tariffs 5.8: Landscape Watering Restrictions).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically A.A.C. 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's service area is within portions of the City of Bullhead City and unincorporated areas of Mohave County. Various City/County Codes and/or Ordinances may apply depending on the location of the customer. In order for a customer to receive water service from the Company on or after the effective date of this tariff the customer must comply with the various City/County Codes and/or Ordinances that apply.
2. In the event the Company implements its Commission approved Curtailment Plan Tariff ("CPT"), the customers will be informed of the CPT's Curtailment Stage and asked to lower consumption in order to comply with the landscape watering restrictions listed in the CPT for the appropriate curtailment stage in effect at the time.
3. Compliance with the provisions of this BMP tariff will be a condition of service.
4. The Company shall provide to its customers a complete copy of this BMP tariff and all attachments upon request for service. The customer shall follow and abide by these landscape watering restrictions.
5. If after a customer has been connected to the Company water system, the Company discovers that the customer is in violation of the landscape watering restrictions contrary to the above requirements, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct the problem. The customer shall be allowed sixty (60) days to come into compliance with the above requirements. If after sixty (60) days the customer is not in compliance with the above requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.

6. Customer notice requirements and disconnection of service restrictions listed in the CPT shall apply for customer noncompliance with CPT Stage 4 landscape watering restrictions.
7. 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.