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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
AUG 21 2012
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COMMISSIONERS

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

IN THE MATTER OF THE SABROSA WATER COMPANY FOR APPROVAL OF A RATE INCREASE.	DOCKET NO. W-02111A-11-0272
IN THE MATTER OF THE APPLICATION OF SABROSA WATER COMPANY FOR APPROVAL OF FINANCING.	DOCKET NO. W-02111A-11-0340
IN THE MATTER OF THE APPLICATION OF SABROSA WATER COMPANY FOR APPROVAL OF FINANCING TO DEEPEN ITS ZORRILLO WELL.	DOCKET NO. W-02111A-11-0435 DECISION NO. 73356 **ORDER**

Open Meeting
August 14 and 15, 2012
Phoenix, Arizona

BY THE COMMISSION:

On July 7, 2011, Sabrosa Water Company ("SWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a rate increase in Docket No. W-02111A-11-0272.

On August 5, 2011, the Commission's Utilities Division ("Staff") filed a Sufficiency Letter in the rate case, stating that SWC's rate application had met the sufficiency requirements as outlined in A.A.C. R14-2-103, and that the Company had been classified as a Class "D" utility.

On September 9, 2011, SWC filed with the Commission an application for financing, requesting that the Commission authorize the Company to obtain a Water Infrastructure Financing Authority ("WIFA") loan in the amount of approximately $89,000 to cover costs related to its arsenic treatment plant. Additionally, SWC filed a request to suspend the time clock in the rate case to allow the Company additional time to file an amended rate application.

On September 13, 2011, Staff filed a response to SWC's request for the suspension of the

time clock in the rate case. Staff stated that it agreed with the Company's request to suspend the time clock.

On September 15, 2011, by Procedural Order, the time frame in the rate case was suspended.

On November 3, 2011, SWC filed an amendment to its finance application which included additional arsenic treatment costs.

On November 23, 2011, SWC filed an amendment to its rate application.

On December 6, 2011, SWC filed with the Commission a second application for financing approval for a WIFA loan of $13,000 to deepen its Zorrillo Well.[1]

On February 29, 2012, Staff filed a request to restart the time frame in the rate case, stating that Staff expected to file its Staff Report within ten days.

On March 9, 2012, Staff filed a Motion to Consolidate the three above-captioned dockets, stating that the issues involved in these matters were substantially related and that no party's rights would be prejudiced by consolidation. Staff believed that consolidation of the proceedings would aid the Commission in its evaluation of each of the applications.

On March 16, 2012, by Procedural Order, Staff's request for consolidation of the above-captioned dockets was granted.

On April 5, 2012, Staff filed its report recommending approval of its proposed rates and charges and recommended approval of the financing applications herein.

On April 9, 2012, Staff filed a supplement to its report.

On April 30, 2012, Staff filed a revised Staff Report with respect to the Company's applications for a permanent rate increase and its two applications for approval of financing.

* * * * * * * * * *

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

FINDINGS OF FACT

1. SWC is a business entity which provides public water utility service to approximately

[1] The Company has two active wells, the Zorillo Well and the Sabrosa Well.

35 customers in the vicinity of New River, Arizona.[2]

2. SWC's present rates and charges were approved in Decision No. 69574 (May 21, 2007).[3]

3. On July 7, 2011, SWC filed an application requesting authority to increase its rates and charges for water service. The application was filed by the Company's current interim manager, Don Bohlier, who operates the Granite Springs Water Company in Prescott.

4. On August 5, 2011, Staff filed a Sufficiency Letter indicating that the Company's rate application had met the Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

5. On September 9, 2011, SWC filed an application for financing approval wherein the Company requested that the Commission authorize the Company to obtain a WIFA loan in the amount of approximately $89,000 for the costs related to the construction of an arsenic treatment facility. The Company further requested that the rate case time frame be suspended because it wished to amend its rate application.

6. On September 15, 2011, by Procedural Order, the time frame in the rate proceeding was suspended.

7. On November 3, 2011, SWC filed an amendment of its financing application to allow for additional costs for the construction of the arsenic treatment facilities.

8. On November 23, 2011, the Company filed an amendment to its rate application.

9. On December 6, 2011, SWC filed a second application for financing approval for a proposed WIFA loan initially for $13,000 to deepen its Zorillo Well to alleviate a water shortage.

10. SWC provided multiple notifications to its customers of its application for a proposed rate increase and its financing applications, the most recent occurring on June 4, 2012, describing the proposed increase in rates which may result from this proceeding. In response thereto, there have

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[2] On May 17, 1971, the Commission issued Decision No. 41298 wherein SWC was awarded a Certificate of Convenience and Necessity ("Certificate") to provide public water utility service to, at that time, approximately 100 customers. Subsequently, on November 16, 2000, the Commission issued Decision No. 63136 which authorized Staff to engage a qualified management entity to operate and manage the Company and bring it into full compliance with Arizona law because the Company's owner, Mr. Keith J. Morris, had abandoned the system. Since that time, the Company has been operated by several interim managers. On September 24, 2002, the Commission issued Decision No. 65217, which revoked the Certificate of SWC.

[3] The Company's customers are also subject to a water hauling surcharge tariff approved by the Commission on June 5, 2006, in Decision No. 68745.

been no requests for intervention; however, the Commission received opinions from two customers in opposition to the proposed rate increase.

11. On April 5, 2012, Staff filed its initial Staff Report recommending that the Commission approve Staff's proposed rates and charges along with the approval of both of SWC's financing applications.

12. On April 9, 2012, Staff filed a supplement to its Staff Report which indicated that the Company had complied with Decision No. 69574 (May 21, 2007) indicating that the Company was in compliance with the Decision because it had filed documentation from the Arizona Department of Revenue ("ADOR") which confirmed that the Company had obtained a Transaction Privilege Tax ("TPT") identification number and established that it collects and remits its sales taxes under the Company's name.

13. On April 30, 2012, Staff filed a revised Staff Report correcting the amount of the loan required for the Company's proposed arsenic treatment plant in the amount of $136,252 rather than the $149,877 originally stated in the initial Staff Report, and also corrected other minor errors.

14. There have been no comments or exceptions filed to the revised Staff Report.

15. During the test year ended December 31, 2010 ("TY"), the Company served 32 metered customers who were served by 5/8-inch x 3/4-inch meters, and three other customers who were served by somewhat larger meters.

16. Average and median water usage by residential users during the TY were 3,646 and 2,433 gallons per month, respectively.

17. Staff conducted an investigation of the Company's proposed rates and charges for water service and on April 30, 2011, filed the revised Staff Report on the Company's rate application and its financing applications. Staff recommended that its proposed rates and charges be approved, and further recommended approval of $110,435 in long-term financing for the deepening of the Zorillo Well and approved the long-term financing application for the proposed arsenic treatment facilities for the system, if it is needed, in the amount of $136,252.

18. The water rates and charges for the Company at present, as proposed in the application, and as recommended by Staff in its revised Staff Report are as follows:

MONTHLY USAGE CHARGES:	Present Rates	- Proposed Rates - Company	Staff
5/8" x 3/4" Meter	$ 39.50	$ 39.50	$ 60.00
3/4" Meter	39.50	39.50	60.00
1" Meter	39.50	39.50	105.00
1½" Meter	200.00	200.00	300.00
2" Meter	320.00	320.00	395.00
3" Meter	600.00	600.00	960.00
4" Meter	1,000.00	1,000.00	1,500.00
6" Meter	2,000.00	2,000.00	3,000.00
Gallons included in minimum:	-0-	-0-	-0-

COMMODITY CHARGES: (Per 1,000 Gallons)	Present Rates	- Proposed Rates - Company	Staff
First Tier – 0-3,000 gallons	$ 6.00	$ 6.00	N/A
Second Tier – 3,001-10,000 gallons	9.00	9.00	N/A
Third Tier – Over 10,000 gallons	10.80	10.80	N/A
5/8" x 3/4" and 3/4" Meter Sizes			
First Tier – 0-3,000 gallons	N/A	N/A	$ 8.00
Second Tier – 3,001-10,000 gallons	N/A	N/A	16.00
Third Tier – Over 10,000 gallons	N/A	N/A	26.00
All Other Meter Sizes			
First Tier – 0-3,000 gallons	N/A	N/A	$ 16.00
Second Tier – 3,001-10,000 gallons	N/A	N/A	26.00
Water Hauling Surcharge	***	$ 39.00	***

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

	Current Rates	Company Proposed	----- Staff Recommended Charges ----- Meter Installation	Service Line Installation	Total
5/8 x 3/4-inch	$ 400.00	$ 400.00	$ 104.00	$ 296.00	$ 400.00
3/4-inch	440.00	440.00	144.00	296.00	440.00
1-inch	500.00	500.00	195.00	305.00	500.00
1-1/2-inch	715.00	715.00	350.00	365.00	715.00
2-inch (Turbine)	1,170.00	1,171.00	655.00	515.00	1,170.00
2-inch (Compound)	1,700.00	1,700.00	1,173.00	527.00	1,700.00
3-inch (Turbine)	1,585.00	1,585.00	983.00	602.00	1,585.00
3-inch (Compound)	2,190.00	2,190.00	1,511.00	679.00	2,190.00
4-inch (Turbine)	2,540.00	2,540.00	1,626.00	914.00	2,540.00
4-inch (Compound)	3,215.00	3,215.00	2,218.00	997.00	3,215.00
6-inch (Turbine)	4,815.00	4,815.00	3,322.00	1,493.00	4,815.00
6-inch (Compound)	6,270.00	6,270.00	4,702.00	1,568.00	6,270.00
Over 6-inch	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

SERVICE CHARGES:	Present Rates	- Proposed Rates - Company	Staff
Establishment	$ 25.00	$ 25.00	$ 25.00
Establishment (After Hours)	50.00	50.00	NT
Reconnection (Delinquent)	30.00	30.00	30.00
Meter Test (If Correct)	30.00	30.00	30.00
Deposit	*	*	*
Deposit Interest	*	*	*
Reestablishment (Within 12 Months)	**	**	**
NSF Check	$ 25.00	25.00	$ 25.00
Deferred Payment (Per Month)	1.5%	1.5%	1.5%
Meter Re-Read (If Correct)	$ 25.00	$ 25.00	$ 25.00

Late Payment Charge (Per Month)	N/A	1.5%	1.5%
After Hours Service Charge	N/A	N/A	$ 25.00

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:	**Present Rates**	**- Proposed Rates - Company**	**Staff**
4" or Smaller	$ 0.00	$ 0.00	****
6"	0.00	0.00	****
8"	0.00	0.00	****
10"	0.00	0.00	****
Larger than 10"	0.00	0.00	****

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

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

*** Surcharge calculated by dividing the total water hauling costs incurred in a given month by the amount of water sold that month. The resulting rate per 1,000 gallons will then be multiplied by the gallons used in that month for customer to arrive at the surcharge per 1,000 gallons, appearing in the next monthly bill as a separate line item.

**** 2.0% of monthly minimum for a comparable sized meter connection, but no less than $10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

NT = No Tariff

19. Pursuant to the revised Staff Report, the Company's fair value rate base ("FVRB") is determined to be $37,313 which is the same as its original cost rate base. SWC's FVRB reflects a $26,880 reduction by Staff to the Company's proposed FVRB due in large part to accumulated depreciation of $40,322.

20. In the revised Staff Report, Staff increased SWC's TY operating expenses by $5,448, largely due to an increase in depreciation expense of $5,603.

21. SWC's present water rates and charges produce adjusted operating revenues of $31,941 and adjusted operating expenses of $49,437 which resulted in an operating loss of $17,496 for the TY.

22. The water rates and charges the Company proposed would produce operating revenues of $37,814 and adjusted operating expenses of $49,996 resulting in a net operating loss of $12,182 or a negative return on FVRB.

23. The water rates and charges proposed by Staff in the revised Staff Report would produce adjusted operating revenues of $49,996[4] and adjusted operating expenses of $49,996 resulting in no operating income; however, according to the Staff Report, after adding in the funds to be received by the applicant if the two WIFA loans are approved and surcharges added to the Company's customers' bills, after payments on the two loans described hereinafter, Sabrosa should realize a positive cash flow of $9,320, due to depreciation expense.

[4] This amount does not include surcharge revenue.

24. SWC, with its rate application, is not seeking an increase either in its monthly usage charges or its commodity rates, but is seeking approval of a $39.50 water hauling surcharge, and approval for the appropriate surcharge for each of the Company's financing applications in order to service those debts if the Company is successful in securing financing from WIFA.

25. Staff's recommended rates would increase the average and median monthly customer water bill in one of three scenarios as follows:

(a) Recommended increase with no surcharges included: Increase the average monthly customer water bill by 49 percent, from $63.31 to $94.33, and the median monthly customer water bill by 46.9 percent, from $54.10 to $79.46;

(b) Recommended rates including the surcharge for the $110,435 loan to deepen the Zorillo Well: Increase the average monthly customer water bill by 74.2 percent, from $63.31 to $110.26, and the median monthly customer water bill by 76.3 percent, from $54.10 to $95.39; and

(c) Recommended rates including the surcharge for the $136,252 loan to construct arsenic treatment facilities for the Zorillo Well and the Sabrosa Well: Increase the average monthly customer water bill 105.2 percent, from $63.31 to $129.91, and the median monthly customer water bill by 112.6 percent, from $54.10 to $115.04.

26. SWC, with its financing application filed on September 9, 2011, is seeking Commission approval for a loan from WIFA in the amount of $136,252 to pay for arsenic treatment facilities to treat the Company's water.

27. SWC, with its financing application filed on December 6, 2011, is seeking Commission approval for a second long-term financing loan in the amount of $110,435 in order to deepen its Zorillo Well.

28. The Company, with the applications filed by its interim management, did not propose a feasible method in which to recover and fund the long-term loans for which approval is sought herein and instead relies upon Staff's recommendations in order to generate sufficient cash flow to meet the Company's debt obligations and to insure its ongoing operations.

29. As a result, Staff is recommending a 56.53 percent revenue increase over TY revenue of $31,941 to $49,996 for the Company's customers along with a $15.93 surcharge per month to cover the cost to deepen the Zorillo Well and an additional surcharge per customer per month of $19.65 to cover the cost of the arsenic treatment facilities for the Zorillo and Sabrosa Wells.

According to the Staff Report, the two surcharges should produce funding to pay the debt service on the WIFA loans in the amount of $19,211 and should leave the Company with a positive cash flow of $9,320 due to Staff's recommended revenue increase. Staff states that its revenues generated through the Company's base rates will be sufficient to cover all operations and maintenance, and that the loan surcharges should provide for debt service on the proposed WIFA loans.

30. According to the Engineering Report attached to the Staff Report, the Company's water is pumped from two shallow wells with a combined capacity of 50 gallons per minute, and the well capacity is noted to be "extremely unreliable." Additionally, the system has only one 5,000-gallon storage tank to serve its 35 metered customers.

31. Staff notes that sufficient water production is an issue for the system when there is inadequate precipitation to recharge the local aquifer. This results in the Company having to rely on water hauling to meet the demands of its limited number of customers.

32. Staff found that during the TY the Company had to purchase 43,000 gallons of water to offset shortages in water production from the Company's two wells. Staff also found that SWC's water system had a water loss of 46 percent, which exceeds Staff's recommended 10 percent threshold, requiring monitoring by the Company to insure that water loss remains at 10 percent or less in the future.

33. Staff states that according to a memorandum from the Maricopa County Environmental Services Department ("MCESD") SWC has major deficiencies in its operations and maintenance and in water quality monitoring and has a major deficiency exceeding the Maximum Contaminant Level ("MCL") for arsenic. However, the Arizona Department of Water Resources ("ADWR") stated that the Company is compliant with its requirements.

34. With respect to Commission compliance, Staff indicates that SWC has no compliance issues.

35. In order to address the MCESD concerns with respect to the arsenic in its water, the Company has requested Commission approval for a WIFA loan in the amount of $136,252 and Staff has concluded that Sabrosa's proposal to install arsenic treatment facilities should be approved, but cannot be completely calculated until the quality and quantity of water produced from the deepened

Zorillo Well becomes known.

36. With respect to SWC's proposed financing request for the deepening of its Zorillo Well in the amount of $110,435, utilizing WIFA financing, Staff believes the Company will have to deepen its well to 1,000 feet before reaching the regional aquifer which can provide a reliable source of water.

37. Staff believes that the deepening and rehabilitation of the Zorillo Well is appropriate and that the costs are reasonable; however, no "used and useful" determination of the proposed project should be made for rate making or rate base purposes in the future in this proceeding.

38. According to the Staff Report, Sabrosa has an approved Curtailment Tariff and also an approved Cross Connection and Backflow Prevention Tariff.

39. In addition to recommending approval of its proposed rates and charges, Staff is also recommending that the Commission order the following:

(a) That SWC notify its customers of the approved water rates and charges and of their effective date by the means of an insert in the monthly billing which precedes the month in which they become effective and file a copy of the notice sent to its customers with the Commission's Docket Control as a compliance item in this docket;

(b) That SWC file, within 30 days of the effective date of this Decision, with the Commission's Docket Control a copy of the schedule of its approved rates and charges;

(c) That SWC maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA");

(d) The approval of the SWC's WIFA financings in the amount of $136,252 and $110,435 and the associated surcharge mechanisms that may result in surcharges of $19.65 per month and $15.93 per month per customer;

(e) That the actual amount of the WIFA loan surcharges shall be calculated based upon the actual amount of the loans and the actual number of customers at the time of the closings on the loans;

(f) That SWC file, within 30 days of the execution of any financing transaction authorized herein, with the Commission's Docket Control, as a compliance item in this docket, a notice confirming that such execution has occurred and a certification by an authorized Company representative that the terms of the financing fully comply with the authorization granted herein;

(g) That SWC provide to Staff, upon request, a copy of any loan documents executed pursuant to the authorizations granted herein;

(h) That upon filing of the appropriate loan closing notices, SWC shall file in this

docket an application requesting authorization to implement the associated surcharges;

(i) That within 30 days of the filing of the appropriate surcharge implementation request, Staff shall calculate the appropriate WIFA surcharge and prepare and file a recommended Order for Commission consideration;

(j) That approval of the loans and surcharges be rescinded if SWC has not drawn funds from the Zorillo Well deepening loan within one year of the effective date of this Decision;

(k) That the execution of the WIFA loan for arsenic treatment in the amount of $136,252 and its associated surcharge be completed only upon the Company's deepening of the Zorillo Well and finding a water supply that does not allow the Company to meet the MCESD arsenic limitation requirement;

(l) That upon approval of the WIFA surcharges, SWC shall open a separate interest-bearing account in which all surcharge monies collected from customers will be deposited;

(m) That the only funds which shall be disbursed for the WIFA loans shall come from the surcharge account;

(n) That SWC shall file, by April 15th of each year, with the Commission's Docket Control, as a compliance item in this docket, a report reconciling all surcharge monies billed and collected, along with copies of the prior year's monthly bank statements for the surcharge accounts;

(o) That SWC adopt the depreciation rates delineated in Exhibit 6 of the Engineering Report which is attached to the revised Staff Report;

(p) That because SWC's calculated water loss was 46 percent, the Company shall monitor its system closely and take action to insure that water loss remains 10 percent or less in the future. If water loss exceeds 10 percent, calculated on an annual basis, the Company shall, prior to filing its next rate case, come up with a plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective;

(q) That SWC file, by January 31, 2013, with the Commission's Docket control, as a compliance item in this docket, a copy of the MCESD Approval of Construction ("AOC") for the Zorillo Well project;

(r) That, if SWC is required to finance the arsenic treatment facilities following the deepening of the Zorillo Well, the Company file, by May 31, 2013, with the Commission's Docket Control as a compliance item in this docket, a copy of the MCDES AOC for those facilities;

(s) That SWC file, within 30 days of the effective date of this Decision, with the Commission's Docket Control as a compliance item in this docket, the four BMPs in the form of tariffs that substantially conform to the four BMPs previously filed; and

(t) That SWC, in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales or use tax as provided for in A.A.C R14-2-409(D).

40. Because an allowance for the property tax expense of SWC is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from rate payers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from rate payers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure the Company shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

41. Under the circumstances, after our review of the respective applications herein and the revised Staff Report, we believe that Staff's proposed revised rates are reasonable and should be adopted together with the remainder of Staff's recommendations stated hereinabove including the requested financing approvals.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over the Company and of the subject matter of the applications.

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

4. Under the circumstances discussed herein, the rates and charges proposed by Staff and authorized hereinafter are just and reasonable.

5. Staff's recommendations set forth in Findings of Fact No. 39 are reasonable and should be adopted.

6. The financings approved herein are for lawful purposes within the Company's corporate powers, are compatible with the public interest, with sound financial practices, and with the proper performance by the Company of services of a public service corporation, and will not impair the Company's ability to perform that service.

7. The financings approved herein are for the purposes stated in the applications and are reasonably necessary for those purposes, and such purposes are not wholly or in part, reasonably

chargeable to operating expenses or to income.

ORDER

IT IS THEREFORE ORDERED that Sabrosa Water Company is hereby directed to file, with the Commission's Docket Control, as a compliance item in this docket, on or before August 31, 2012, a revised rate schedule setting forth the following rates and charges:

MONTHLY USAGE CHARGES:

5/8" x 3/4" Meter	$ 60.00
3/4" Meter	60.00
1" Meter	105.00
1½" Meter	300.00
2" Meter	395.00
3" Meter	960.00
4" Meter	1,500.00
6" Meter	3,000.00

COMMODITY CHARGES:
(Per 1,000 Gallons)

5/8" x 3/4" and 3/4" Meter Sizes	
First Tier – 0-3,000 gallons	$ 8.00
Second Tier – 3,001-10,000 gallons	16.00
Third Tier – Over 10,000 gallons	26.00
All Other Meter Sizes	
First Tier – 0-3,000 gallons	$ 16.00
Second Tier – 3,001-10,000 gallons	26.00
Water Hauling Surcharge	***

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

	Meter Installation Charge	Service Line Installation Charge	Total Charge
5/8 x 3/4-inch	$ 104.00	$ 296.00	$ 400.00
3/4-inch	144.00	296.00	440.00
1-inch	195.00	305.00	500.00
1-1/2 inch	350.00	365.00	715.00
2-inch (Turbine)	655.00	515.00	1,170.00
2-inch (Compound)	1,173.00	527.00	1,700.00
3-inch (Turbine)	983.00	602.00	1,585.00
3-inch (Compound)	1,511.00	679.00	2,190.00
4-inch (Turbine)	1,626.00	914.00	2,540.00
4-inch (Compound)	2,218.00	997.00	3,215.00
6-inch (Turbine)	3,322.00	1,493.00	4,815.00
6-inch (Compound)	4,702.00	1,568.00	6,270.00
Over 6-inch	Actual Cost	Actual Cost	Actual Cost

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:

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

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

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

*** Surcharge calculated by dividing the total water hauling costs incurred in a given month by the amount of water sold that month. The resulting rate per 1,000 gallons will then be multiplied by the gallons used in that month for customer to arrive at the surcharge per 1,000 gallons, appearing in the next monthly bill as a separate line item.

**** 2.0% of monthly minimum for a comparable sized meter connection, but no less than $10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

NT = No Tariff

IT IS FURTHER ORDERED that the above rates and charges shall be effective on September 1, 2012, for all water service.

IT IS FURTHER ORDERED that Sabrosa Water Company shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert, in a form acceptable to Staff, in the next regular monthly billing and file a copy of the notice sent to its customers with the Commission's Docket Control as a compliance item in this docket.

IT IS FURTHER ORDERED that Sabrosa Water Company shall comply with each of the recommendations appearing in Findings of Fact No. 39.

IT IS FURTHER ORDERED that Sabrosa Water Company shall maintain its books and records in accordance with the NARUC USOA.

IT IS FURTHER ORDERED that Sabrosa Water Company, in addition to the collection of its regular rates and charges, shall collect from its customers their proportionate share of any privilege, sales or use tax as provided for in A.A.C R14-2-409(D).

IT IS FURTHER ORDERED that Sabrosa Water Company shall annually file as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that the applications of Sabrosa Water Company for authority to contract with the Water Infrastructure Authority of Arizona for long-term debt not to exceed $110,435 for the deepening of the Zorillo Well at an interest rate not to exceed 4.8 percent per annum

for a period no longer than 20 years and for long-debt not to exceed $136,252 for arsenic treatment facilities required for the Zorillo Well and Sabrosa Well at an interest rate not to exceed 4.8 percent per annum and for a period no longer than 20 years, shall be, and is hereby, approved as set forth herein.

IT IS FURTHER ORDERED that such authority is expressly contingent upon Sabrosa Water Company's use of the proceeds for the purposes set forth herein.

IT IS FURTHER ORDERED that Sabrosa Water Company is hereby authorized to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted herein.

IT IS FURTHER ORDERED that Sabrosa Water Company shall file, within 30 days of the execution of either loan, with the Commission's Docket Control, as a compliance item in this docket copies of all executed documents associated with the financings authorized herein.

IT IS FURTHER ORDERED that the financings approved herein shall not guarantee or imply any specific treatment of any capital additions for rate base or rate making purposes.

IT IS FURTHER ORDERED that Sabrosa Water Company shall file, by January 31, 2013, a copy of the MCESD AOC for the deepening of the Zorillo Well.

IT IS FURTHER ORDERED that Sabrosa Water Company shall file, by May 31, 2013, if necessary for the arsenic treatment facilities to be constructed, with the Commission's Docket Control, as a compliance item in this docket, a copy of the MCESD AOC for that facility.

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IT IS FURTHER ORDERED that any authorizations granted herein with respect to the long-term debt not utilized by the Sabrosa Water Company as of December 31, 2014, shall terminate.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

Paul Newman

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of August 2012.

ERNEST G. JOHNSON
EXCUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

SERVICE LIST FOR: SABROSA WATER COMPANY, INC.

DOCKET NOS.: W-02111A-11-0272, W-02111A-11-0340 and W-02111A-11-0435

Don Bohlier, Interim Manager
SABROSA WATER COMPANY
303 East Gurley Street, PMB 445
Prescott, AZ 86301

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Steven M. Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007