

ORIGINAL



MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

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AZ CORP. GOV. DIVISION
DOCKET CONTROL

2012 DEC 12 PM 4:39

DATE: December 12, 2012

RE: STAFF REPORT FOR BEAVER DAM WATER COMPANY'S APPLICATION FOR A RATE INCREASE. (DOCKET NO. W-03067A-12-0232)

Attached is the Staff Report for Beaver Dam Water Company's application for a permanent rate increase. Staff recommends approval of the rate 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 December 24, 2012.

SMO:JAC:tdp

Originator: John A. Cassidy

Arizona Corporation Commission
DOCKETED
DEC 12 2012
DOCKETED BY

Service List for: Beaver Dam Water Co.
Docket No. W-03067A-12-0232

Mr. Robert Frisby
President
Beaver Dam Water Company
Post Office Box 550
Littlefield, Arizona 86432

Mr. Nicholas Enoch
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349 North Fourth Avenue
Phoenix, Arizona 85003

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

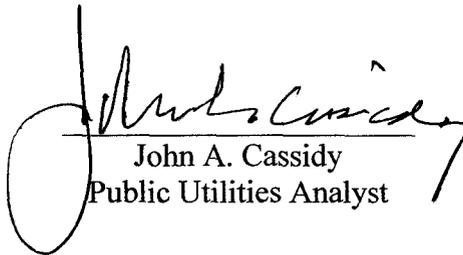
**BEAVER DAM WATER COMPANY
DOCKET NO. W-03067A-12-0232**

**APPLICATION FOR A
PERMANENT RATE INCREASE**

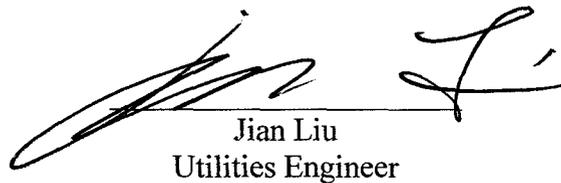
DECEMBER 12, 2012

STAFF ACKNOWLEDGMENT

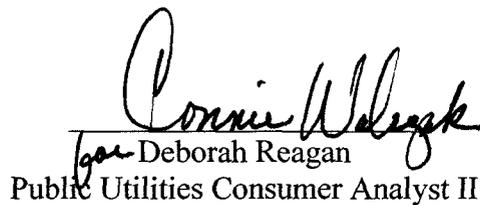
The Staff Report for Beaver Dam Water Co., Docket No. W-03067A-12-0232, is the responsibility of the Staff members listed below. John A. Cassidy is responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Jian Liu is responsible for the engineering and technical analysis. Deborah Reagan is responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.



John A. Cassidy
Public Utilities Analyst



Jian Liu
Utilities Engineer



Deborah Reagan
Public Utilities Consumer Analyst II

**EXECUTIVE SUMMARY
BEAVER DAM WATER COMPANY
DOCKET NO. W-03067A-12-0232**

Beaver Dam Water Company (“Beaver Dam” or “Company”) is a for-profit Arizona Class C public service corporation serving potable water to approximately 313 metered customers. The Company is located in the extreme northwest corner of the State of Arizona in Mohave County. Beaver Dam’s service territory is not located in an Active Management Area.

On June 8, 2012, the Company filed an application for a permanent rate increase. After a review of the application, Staff issued a letter of sufficiency, dated July 9, 2012.

The Company-proposed rates, as filed, produce total operating revenue of \$354,283, an increase of \$46,251, or 15.01 percent, over test year revenue of \$308,032 to provide a \$22,286 operating income and a 6.44 percent rate of return on its proposed \$346,148 fair value rate base (“FVRB”) which is its original cost rate base (“OCRB”).

Staff recommends three rate base adjustments and seven operating income adjustments. The three rate base adjustments decrease rate base by the net amount of \$19,138, from \$346,148 to \$327,010. The operating income adjustments increase test year operating income by the net amount of \$13,975, from negative \$23,965 to negative \$9,900.

Staff recommends rates that produce total operating revenue of \$354,283, an increase of \$46,645, or 15.16 percent, over the Staff-adjusted test year revenue of \$307,638, to provide a \$31,504 operating income and a 9.63 percent rate of return on the \$327,010 Staff-adjusted FVRB which is also its OCRB.

The Company proposes a rate structure that includes a monthly minimum charge that increases by meter size, and an inverted three-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters and a two-tier commodity rate for larger meters. The proposed rates represent increases over present rates to both the monthly minimum charges and the commodity rate for all meter sizes. The Company’s proposed rates would increase the typical residential bill for a 5/8 x 3/4-inch meter, with a median usage of 4,250 gallons, by \$5.98 (16.40 percent) from \$36.43 to \$42.40 (Schedule JAC-5).

Staff recommends a rate structure that includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters and a two-tier commodity rate for larger meters. Staff recommends break-over points that increase by meter size. Staff recommends a greater spread among the commodity rates for the tiers than those proposed by the Company. Under Staff’s recommended rate design the typical residential bill for a 5/8 x 3/4-inch meter customer with a median use of 4,250 gallons would increase by \$2.08 (5.70 percent), from \$36.43 to \$38.50 (Schedule JAC-5).

Staff recommends:

- Approval of Staff's rates and charges as shown in Schedule JAC-4. In addition to collection of its regular rate and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).
- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.
- Directing the Company, as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regular scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.
- Authorizing the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Table B of the Engineering Report.
- That Beaver Dam be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of a Decision in this matter, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. A maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

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ENGINEERING REPORT.....	ATTACHMENT A
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FACT SHEET

Company Statistics:

Current Permanent Rates: Decision No. 71415, dated December 8, 2009.

Type of Ownership: For-profit "C" Corporation.

Location: The Company's service area is located in the extreme northwest corner of the State of Arizona, in Mohave County.

Rates:

Rate Application Docketed: June 8, 2012
 Current Test Year Ended: December 31, 2011
 Application Found Sufficient: July 9, 2012

	<u>Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge (Based on a 5/8" X 3/4" meter)	\$27.50	\$31.52	\$27.50
Gallons in Minimum	0	0	0
Commodity Charge:			
Excess of minimum, charge per 1,000 gallons:			
0 to 5,000 Gallons	\$ 2.10	\$ 2.56	
5,001 to 12,000 Gallons	\$ 3.15	\$ 3.46	
Over 12,000 Gallons	\$ 3.75	\$ 4.26	
0 to 3,000 Gallons			\$ 2.00
3,001 to 7,000 Gallons			\$ 4.00
Over 7,000 Gallons			\$ 5.50
Typical residential bill based On median usage of 4,250 gallons	\$36.43	\$42.40	\$38.50

FACT SHEET (CONT'D)

Customers:

Number of customers in the prior test year (12/31/2007): 266¹

Number of customers in the current test year (12/31/2011): 305

Current test year customers by meter size:

5/8 x 3/4 – inch:	296
1 – inch:	2
1.5 – inch:	2
2 – inch:	2
3 – inch:	1
4 – inch:	1
6 – inch (RV):	1
6 – inch (HOA):	<u>1</u> (185 service lines for master metered)
Total Customers	305

Customer notification mailed: August 17, 2012

No. of customer complaints since rate application filed: 29

Percentage of complaints to customer base: 9.5%

¹ The HOA was master metered and served 178 connections.

SUMMARY OF RATE FILING

The test year results, as adjusted by the Utilities Division (“Staff”), for Beaver Dam Water Company (“Beaver Dam” or “Company”) show total operating revenue of \$307,638 and operating expenses of \$316,238 resulting in an \$9,900 operating loss. Due to the operating loss, calculation of a rate of return on the \$327,010 Staff-adjusted original cost rate base (“OCRB”) is not meaningful. Since the Company opted not to file reconstruction cost new information, Staff recommends recognizing a fair value rate base (“FVRB”) equal to the OCRB.

The Company-proposed rates, as filed, produce total operating revenue of \$354,283, an increase of \$46,251, or 15.01 percent, over test year revenue of \$308,032 to provide a \$22,286 operating income and a 6.44 percent rate of return on the proposed \$346,148 FVRB which is also its OCRB. The Company's proposed rates would increase the typical residential bill for a 5/8 x 3/4-inch meter, with a median usage of 4,250 gallons, by \$5.98 (16.40 percent), from \$36.43 to \$42.40 (Schedule JAC-5).

Staff recommends rates that produce total operating revenue of \$354,283, an increase of \$46,645, or 15.16 percent, over the Staff-adjusted test year revenue of \$307,638, to provide a \$31,504 operating income and a 9.63 percent rate of return on the \$327,010 Staff-adjusted FVRB and OCRB. Under Staff's recommended rate design the typical residential bill for a 5/8 x 3/4-inch meter customer with a median use of 4,250 gallons would increase by \$2.08 (5.70 percent), from \$36.43 to \$38.50 (Schedule JAC-5).

COMPANY BACKGROUND

Beaver Dam is a for-profit, Arizona Class C public service corporation serving potable water to approximately 305 customers near the town of Littlefield, located in the extreme northwest corner of the State of Arizona, in Mohave County. The certificate of convenience and necessity (“CC&N”) for the water system was granted in Decision No. 55788 (November 13, 1987), and its current rates were authorized in Decision No. 71415 (December 8, 2009).

Beaver Dam filed for a permanent rate increase on June 8, 2012. After reviewing the Company's application, Staff issued a letter of sufficiency, dated July 9, 2012.

On June 21, 2012, Beaver Dam filed an Affidavit with Docket Control affirming that it had issued Public Notice of its filing for a rate increase. On July 30, 2012, a Procedural Order was issued, ordering the Company to provide public notice of the hearing in this matter by means of a notice placed in a newspaper of general circulation. In compliance with the Procedural Order, on August 17, 2012, the Company filed an Affidavit certifying that Public Notice of the hearing had been made in The Desert Valley Times on August 10, 2012.

In Decision No. 71415, Beaver Dam was authorized a revenue requirement of \$365,129, but actual test year revenues were almost \$100,000 less than this amount (\$265,965). As a consequence of this revenue shortfall, Beaver Dam is out of compliance with its Water Infrastructure Financing Authority of Arizona (“WIFA”) loan agreement which requires the Company to maintain a debt service coverage (“DSC”) ratio of at least 1.20.

In the current rate case, the Company proposes to individually meter each of the 185 units within the Beaver Dam Property Owner’s Association (“BDPOA”) currently serviced by a 6-inch master meter.

CONSUMER SERVICES

Consumer Service records for the period January 1, 2009, through October 19, 2012, for Beaver Dam show: 1 complaint regarding billing in 2009 that has been resolved and 29 opinions filed in opposition to the Company’s rate request.

COMPLIANCE ISSUES

The Commission Utilities Division compliance database shows that Beaver Dam is in full compliance with prior Commission decisions and indicates no delinquencies.

The Company is current in filing both its corporate and utility annual reports. The Company is current on its property tax obligations.

ENGINEERING ANALYSIS

The Arizona Department of Environmental Quality (“ADEQ”) reports that Beaver Dam’s drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by 40 CFR141/Arizona Administrative Code, Title 18, Chapter 4. Details of Staff’s review of the system are presented in the Staff Engineering Report - Attachment A.

Arizona Department of Water Resources (“ADWR”) reports that Beaver Dam is in compliance with departmental requirements governing water providers and/or community water systems. The Company is not located in an Active Management Area.

The Company has an approved Cross-Connection/Backflow Tariff and a Curtailment Tariff.

RATE BASE

Staff’s three rate base adjustments result in a net decrease to the Company’s proposed rate base of \$19,138, from \$346,148 to \$327,010, as shown in Schedule JAC-2, page 1. Details of Staff’s adjustments are explained below.

Plant Adjustment – Adjustment A increases this account by \$2,800 to reflect reclassification of costs expensed by the Company as Outside Services. Staff also reclassified \$32,396 for from Other Tangible Plant to Land and Land Rights for costs recorded in the general ledger as “Assured Water Supply Designation”, as shown in Schedule JAC-2, page 2.

Accumulated Depreciation – Adjustment B increases this account by \$53,981, from \$432,777 to \$486,758, as shown in Schedule JAC-2, page 3. Staff calculated an accumulated depreciation balance by adding to the beginning accumulated depreciation account balance authorized in the prior rate case amounts determined by applying the authorized depreciation rates, by account, for the intervening years since the prior rate case using Staff-adjusted plant values, that reflect additions, retirements and reclassifications and use of the half-year depreciation convention and subtraction of amounts recorded on not used and useful plant.

Working Capital – Adjustment C provides a \$32,043 allowance for working capital based on the formula method, as shown in Schedule JAC-2, page 1. The formula method recognizes one-eighth of the operating expenses excluding depreciation, taxes, purchased water and purchased power expenses plus one twenty-fourth of purchased power expenses.

OPERATING INCOME

Staff’s seven operating income adjustments increase the Company’s test year operating income by \$13,975, from negative \$23,965 to negative \$9,900, as shown in Schedule JAC-3, page 1. Details of Staff’s adjustments are discussed below.

Metered Water Revenue – Adjustment D decreases this account by \$394, as shown in Schedule JAC-3, page 2, to remove the Company’s pro forma annualization adjustment except for the portion pertaining to the conversion from serving 185 BDPOA connections by a single master meter to individual metering. The Company’s proposed annualization to test year-end customers is inappropriate where customers are seasonal. Staff supports the Company’s proposal to convert to individual billing for the BDPOA connections. Individual billing appropriately makes each customer responsible for water consumption and allows each customer control over his/her bill.

Purchased Power Expense – Adjustment E decreases this account by \$1,272 to reflect actual test year purchased power expense. The Company’s application includes out-of-test year expenses.

Outside Services – Adjustment F decreases this account by \$11,028 to reflect the disallowance of an amount reclassified as plant (the adjustment is a complementary entry to a portion of the rate base adjustment to plant (Adjustment A) described above); to remove items relating to rate case expense and wastewater accounting; and to meter reading expense from thirteen months to twelve months.

Water Testing – Adjustment G increases water testing expense by \$105 to reflect the average on-going amount of \$3,777.

Insurance – Health and Life Expense – Adjustment H increases this account by \$1,542 to reflect a known and measurable change, as shown in Schedule JAC-3, page 3.

Depreciation – Adjustment I decreases this account by \$1,535, from \$20,992 to \$19,457, to reflect application of Staff's recommended depreciation rates to Staff's recommended depreciable plant amounts by account, offset by the amortization of CIAC, as shown in Schedule JAC-3, page 4.

Income Tax – Adjustment J decreases this account by \$2,182 to reflect the federal income tax liability owed by a C-Corporation having negative test year net income.

REVENUE REQUIREMENT

Staff recommends total operating revenue of \$354,283, an increase of \$46,645, or 15.16 percent, over the Staff-adjusted test year revenue of \$307,638. Staff's recommended revenue provides an operating income of \$31,504 and a 9.63 percent rate of return on the \$327,010 Staff-adjusted FVRB and OCRB, as shown in Schedule JAC-1. Staff's recommended revenue requirement provides a 3.10 debt service coverage ratio "DSC" which satisfies the 1.20 DSC minimum required by the Company's WIFA loans. Staff considers the Beaver Dam's capital structure indeterminable due to concerns regarding the accuracy of the Company's financial statements. Accordingly, Staff could not determine a return on equity for the Company.

RATE DESIGN

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

The present rate structure for permanent rates includes a monthly minimum charge that increases by meter size, and an inverted three-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters and a two-tier commodity rate for larger meters. No gallons are included in the monthly minimum charge for any meter size.

The Company proposes a rate structure that includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters and a two-tier commodity rate for larger meters. No gallons are included in the monthly minimum charge for any meter size. The proposed rates represent increases over present rates to both the monthly minimum charges and the commodity rate for all meter sizes. The Company's proposed rates would increase the typical residential bill for a 5/8 x 3/4-inch meter, with a median usage of 4,250 gallons, by \$5.98, (16.40 percent), from \$36.43 to \$42.40 (Schedule JAC-5).

Staff recommends a rate structure that includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters and a two-tier commodity rate for larger meters. Staff recommends break-over points that increase by meter size. Staff recommends greater difference among the commodity rates for the tiers than those proposed by the Company. Under Staff's recommended rate design the typical residential bill for a 5/8 x 3/4-inch meter customer with a median use of 4,250 gallons would increase by \$2.08 (5.70 percent), from \$36.43 to \$38.50 (Schedule JAC-5).

The Company does not propose a change to any of its service charges nor to any of its service line and meter installation charges. Staff recommends discontinuation of the Establishment (After-Hours) and Reconnection (Delinquent) After-Hours charges and establishment of a \$35.00 After-Hours Service Charge. The new \$35.00 After-Hours Service Charge would be applicable to all services provided outside of normal business hours at the request of the customer. Staff recommends approval of increases in the service charges and service line and meter installation charges, as shown in Schedule JAC-4, page 2.

STAFF RECOMMENDATIONS

Staff recommends:

- Approval of Staff's rates and charges as shown in Schedule JAC-4. In addition to collection of its regular rate and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).
- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.
- Directing the Company, as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regular scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.
- Authorizing the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Table B of the Engineering Report.

- That Beaver Dam be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of a Decision in this matter, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. A maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$307,492	\$307,098	\$353,743	\$353,743
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	540	540	540	540
Total Operating Revenue	\$308,032	\$307,638	\$354,283	\$354,283
Operating Expenses:				
Operation and Maintenance	\$279,253	\$268,601	\$279,253	\$268,601
Depreciation	20,992	19,457	20,992	19,457
Property & Other Taxes	29,520	29,520	29,520	29,520
Income Tax	2,232	50	2,232	5,201
Total Operating Expense	\$331,997	\$317,628	\$331,997	\$322,779
Operating Income/(Loss)	(\$23,965)	(\$9,990)	\$22,286	\$31,504
Rate Base O.C.L.D.	\$346,148	\$327,010	\$346,148	\$327,010
Rate of Return - O.C.L.D.	N/M	N/M	6.44%	9.63%
Times Interest Earned Ratio (Pre-Tax)	N/M	N/M	1.77	3.10
Debt Service Coverage Ratio (Pre-Tax)	N/M	0.42	1.02	2.48
Operating Margin	N/M	N/M	6.29%	8.89%

- NOTES: 1. The times interest earned ratio (TIER) represents the ability of the Company to pay interest expenses before taxes.
2. 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	\$1,476,056	\$2,800	A	\$1,478,856
Less:				
Accum. Depreciation	432,777	53,981	B	486,758
Net Plant	\$1,043,279	(\$51,181)		\$992,098
Less:				
Plant Advances	\$81,205	\$0		\$81,205
Customer Security Deposits	0	0		0
Total Advances	\$81,205	\$0		\$81,205
Contributions Gross	\$677,631	\$0		\$677,631
Less:				
Amortization of CIAC	61,705	0		61,705
Net CIAC	\$615,926	\$0		\$615,926
Total Deductions	\$697,131	\$0		\$697,131
Plus:				
1/24 Power	\$0	\$766	C	\$766
1/8 Operation & Maint.	0	31,277	C	31,277
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$32,043		\$32,043
Rate Base	\$346,148	(\$19,138)		\$327,010

Explanation of Adjustment:

- A See Schedule JAC-2, Page 2.
- B See Schedule JAC-2, Page 3.
- C The Company did not request a cash working capital allowance. Staff calculated a cash working capital allowance using the formula method and Staff-adjusted operating expenses.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$20,335	\$0	\$20,335
302 Franchises	0	0	0
303 Land & Land Rights	35,596	32,396 b	67,992
304 Structures & Improvements	6,000	0	6,000
307 Wells & Springs	159,275	0	159,275
310 Power Generated Equipment	\$0	0	0
311 Pumping Equipment	68,959	2,800 a	71,759
320.1 Water Treatment Equipment	0	0	0
320.2 Solution Chemical Feeders	0	0	0
330.1 Storage Tanks	273,381	0	273,381
330.2 Pressure Tanks	0	0	0
331 Transmission & Distribution Mains	823,464	0	823,464
333 Services	0	0	0
334 Meters & Meter Installations	22,090	0	22,090
335 Hydrants	827	0	827
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	6,500	0	6,500
340.1 Computers & Software	6,886	0	6,886
341 Transportation Equipment	16,100	0	16,100
343 Tools Shop & Garage Equipment	4,247	0	4,247
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	32,396	(32,396) b	0
	0	0	0
TOTALS	\$1,476,056	\$2,800	\$1,478,856

Explanation of Adjustment:

- a To capitalize \$2,800 of 2011 plant additions to Pumping Equipment (Acct. No. 311) previously expensed as Outside Services (Acct. No. 630).
- b To reclassify \$32,396 of 2009 plant additions from Other Tangible Plant (Acct. No. 348) to Land and Land Rights (Acct. No. 303).

(Note: No adjustment was made to remove the not used and useful plant identified in the Engineering Report, as the Company had not included this plant in its plant schedules)

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$432,777
Accumulated Depreciation - Per Staff	<u>486,758</u>
Total Adjustment	<u><u>\$53,981</u></u>

<u>Accumulated Depreciation Balances</u>	Per Company	Adjustment	Per Staff
304 Structures & Improvements	6,000	-	6,000
307 Wells & Springs	45,137	5,565	50,702
310 Power Generated Equipment	-	-	-
311 Pumping Equipment	29,770	18,656	48,426
320.1 Water Treatment Equipment	-	-	-
320.2 Solution Chemical Feeders	-	-	-
330.1 Storage Tanks	127,617	2,417	130,034
330.2 Pressure Tanks	-	-	-
331 Transmission & Distribution Mains	180,321	23,890	204,211
333 Services	-	-	-
334 Meters & Meter Installations	10,145	6,010	16,155
335 Hydrants	87	41	128
336 Backflow Prevention Devices	-	-	-
339 Other Plant and Misc. Equipment	-	-	-
340 Office Furniture & Equipment	6,500	-	6,500
340.1 Computers & Software	6,886	(552)	6,334
341 Transportation Equipment	16,100	-	16,100
343 Tools Shop & Garage Equipment	2,156	13	2,169
344 Laboratory Equipment	-	-	-
345 Power Operated Equipment	-	-	-
346 Communication Equipment	-	-	-
347 Miscellaneous Equipment	-	-	-
348 Other Tangible Plant	2,058	(2,058)	-
Total Accumulated Depreciation	<u>432,777</u>	<u>53,981</u>	<u>486,758</u>

Explanation of Adjustment:

- B - Removed amounts attributable to Other Tangible Plant to reflect Staff's reclassification of these amounts to Land and Land Rights, a non-depreciable account, and to reflect recalculation of amounts in the intervening years since the test year in the prior rate case.

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	\$307,492	(\$394)	D	\$307,098
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	540	0		540
Total Operating Revenue	\$308,032	(\$394)		\$307,638
Operating Expenses:				
601 Salaries and Wages	\$121,950	\$0		\$121,950
610 Purchased Water	\$0	0		0
615 Purchased Power	19,653	(1,272)	E	18,382
618 Chemicals	1,445	0		1,445
620 Repairs and Maintenance	15,297	0		15,297
621 Office Supplies & Expense	4,989	0		4,989
630 Outside Services	21,545	(11,028)	F	10,517
635 Water Testing	3,672	105	G	3,777
641 Rents	46,999	0		46,999
650 Transportation Expenses	7,967	0		7,967
657 Insurance - General Liability	9,192	0		9,192
659 Insurance - Health and Life	13,644	1,542	H	15,186
666 Regulatory Commission Expense - Rate Case	5,000	0		5,000
675 Miscellaneous Expense	7,900	0		7,900
403 Depreciation Expense	20,992	(1,535)	I	19,457
408 Taxes Other Than Income	17,861	0		17,861
408.11 Property Taxes	11,659	0		11,659
409 Income Tax	2,232	(2,182)	J	50
Total Operating Expenses	\$331,997	(\$14,369)		\$317,628
OPERATING INCOME/(LOSS)				
	(\$23,965)	\$13,975		(\$9,990)
Other Income/(Expense):				
419 Interest and Dividend Income	\$0	\$0		\$0
421 Non-Utility Income	0	0		0
427 Interest Expense	13,852	(2,004)	K	11,848
426 Miscellaneous Non-Utility Expense	0	0		0
Total Other Income/(Expense)	(\$13,852)	\$2,004		(\$11,848)
NET INCOME/(LOSS)				
	(\$37,817)	\$15,979		(\$21,838)

STAFF ADJUSTMENTS

D	- METERED WATER REVENUE - Per Company Per Staff	\$307,492 <u>307,098</u>	<u><u>(\$394)</u></u>
	To remove the Company's proposed annualization adjustment other than for conversion from master meter to individual meter billing for the HOA.		
E	- PURCHASED POWER - Per Company Per Staff	\$19,653 <u>18,382</u>	<u><u>(\$1,272)</u></u>
	To remove out of-test-year expense.		
F	- OUTSIDE SERVICES - Per Company Per Staff	\$21,545 <u>10,517</u>	<u><u>(\$11,028)</u></u>
	To reclassify \$2,800 of costs from expense to Pumping Equipment (Acct. No. 311); to disallow \$4,810 of rate case expense; to disallow \$2,255 of out of test year expenses; to disallow \$713 of wastewater accounting expense; and to disallow \$450 of meter reading expense representing a thirteenth month.		
G	- WATER TESTING - Per Company Per Staff	\$3,672 <u>3,777</u>	<u><u>\$105</u></u>
	To recognize the average on-going water testing expenses.		
H	- INSURANCE - HEALTH AND LIFE - Per Company Per Staff	\$13,644 <u>15,186</u>	<u><u>\$1,542</u></u>
	To recognize known and measurable change as per documentation provided.		

STAFF ADJUSTMENTS (Cont.)

I - DEPRECIATION EXPENSE - Per Company	\$20,992	
Per Staff	<u>19,457</u>	<u>(\$1,535)</u>

To reflect application of Staff's depreciation rates to Staff's depreciable plant balances, by account offset by amortization of CIAC. (See Schedule JAC-3, p. 4.)

J - INCOME TAX - Per Company	\$2,232	
Per Staff	<u>50</u>	<u>(\$2,182)</u>

To reflect application of statutory tax rates to taxable income.

K - INTEREST EXPENSE - Per Company	\$13,852	
Per Staff	<u>11,848</u>	<u>(\$2,004)</u>

To recognize test year interest expense on long term debt outstanding.

OPERATING INCOME ADJUSTMENT D - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	[D]	[E]	[F]
1	Depreciation Expense	\$ 20,992	\$ (1,535)	\$ 19,457			
Line No.	ACCT NO. DESCRIPTION	Company Proposed PLANT IN SERVICE BALANCE	STAFF PLANT BALANCE	Fully Depreciated Plant	STAFF DEPR. PLANT BALANCE	STAFF RECOMMENDED RATE	STAFF RECOMMENDED EXPENSE
	Plant in Service						
2	301 Organization	\$ 20,335	20,335	\$ -	\$ 20,335	0.00%	\$ -
3	302 Franchises	-	-	-	-	0.00%	-
4	303 Land & Land Rights	35,596	67,992	-	67,992	0.00%	-
5	304 Structures & Improvements	6,000	6,000	6,000	-	3.33%	-
6	307 Wells & Springs	159,275	159,275	-	159,275	3.33%	5,304
7	310 Power Generating Equipment	-	-	-	-	5.00%	-
8	311 Pumping Equipment	68,959	71,759	-	71,759	12.50%	8,970
9	320.1 Water Treatment Plants	-	-	-	-	3.33%	-
10	320.2 Solution Chemical Feeders	-	-	-	-	20.00%	-
11	330.1 Storage Tanks	273,381	273,381	-	273,381	2.22%	6,069
12	330.2 Pressure Tanks	-	-	-	-	5.00%	-
13	331 Transmission & Distribution Mains	823,464	823,464	-	823,464	2.00%	16,469
14	333 Services	-	-	-	-	3.33%	-
15	334 Meters & Meter Installations	22,090	22,090	-	22,090	8.33%	1,840
16	335 Hydrants	827	827	-	827	2.00%	17
17	336 Backflow Prevention Devices	-	-	-	-	6.67%	-
18	339 Other Plant and Misc. Equipment	-	-	-	-	6.67%	-
19	340 Office Furniture & Equipment	6,500	6,500	6,500	-	6.67%	-
	340.1 Computers and Software	6,886	6,886	-	6,886	20.00%	-
20	341 Transportation Equipment	16,100	16,100	16,100	-	20.00%	-
21	343 Tools Shop & Garage Equipment	4,247	4,247	2,000	2,247	5.00%	112
22	344 Laboratory Equipment	-	-	-	-	10.00%	-
23	345 Power Operated Equipment	-	-	-	-	5.00%	-
24	346 Communication Equipment	-	-	-	-	10.00%	-
25	347 Miscellaneous Equipment	-	-	-	-	10.00%	-
26	348 Other Tangible Plant	32,396	-	-	-	5.00%	-
27		-	-	-	-	-	-
28		-	-	-	-	-	-
29	Subtotal General	\$ 1,476,056	\$ 1,478,856	\$ 30,600	\$ 1,448,256		\$ 38,781
30	Less: Non-depreciable Account(s)	55,931			88,327		
31	Depreciable Plant (L29-L30)	\$ 1,420,125			\$ 1,359,929		
32							
33	Contributions-in-Aid-of-Construction (CIAC)					\$ 677,631	
34	Weighted Average Depreciation/Amortization Rate					2.8517%	
35	Less: Amortization of CIAC (L32 x L33)						\$ 19,324
36	Depreciation Expense - STAFF						\$ 19,457
37							
38	Pro Forma Depreciation Expense Calculation						
39							
40	Plant in Service	\$ 1,478,856					
41	Less: Non-depreciable plant	88,327					
42	Fully depreciated plant	30,600					
43	Depreciable Plant	\$ 1,359,929					
44	Times: Staff weighted average depreciation rate	2.8517%					
45	Depreciation expense before amortization of CIAC	38,781					
46	Less: Amortization of CIAC	19,324					
47	Test Year Depreciation - Staff	19,457					
48	Depreciation expense - Company	20,992					
49	Staff recommended adjustment	\$ (1,535)					

RATE DESIGN

Monthly Usage Charge	Present	-Proposed Rates-	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$27.50	\$31.52	\$27.50
3/4" Meter	41.25	47.28	41.25
1" Meter	68.75	78.80	68.75
1 1/2" Meter	137.50	157.60	137.50
2" Meter	220.00	252.16	220.00
3" Meter	440.00	504.32	440.00
4" Meter	687.50	788.00	687.50
6" Meter	1,375.00	1,576.00	1,375.00
8" Meter	2,200.00	2,521.60	2,200.00
10" Meter	3,162.00	3,624.80	3,162.50
12" Meter	5,912.00	6,776.80	5,912.50
Gallons Included in Minimum	0	0	0
Commodity Rate Charge			
<i>5/8" x 3/4" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 5,000 gallons	2.10	2.56
Tier 2	From 5,001 to 12,000 gallons	3.15	3.46
Tier 3	Over 12,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 3,000 gallons		2.00
Tier 2	From 3,001 to 7,000 gallons		4.00
Tier 3	Over 7,000 gallons		5.50
<i>3/4" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 5,000 gallons	2.10	2.56
Tier 2	From 5,001 to 12,000 gallons	3.15	3.46
Tier 3	Over 12,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 3,000 gallons		2.00
Tier 2	From 3,001 to 7,000 gallons		4.00
Tier 3	Over 7,000 gallons		5.50
<i>1" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 30,000 gallons	3.15	3.46
Tier 2	Over 30,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 15,000 gallons		4.00
Tier 2	Over 15,000 gallons		5.50
<i>1 1/2" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 60,000 gallons	3.15	3.46
Tier 2	Over 60,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 35,000 gallons		4.00
Tier 2	Over 35,000 gallons		5.50
<i>2" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 96,000 gallons	3.15	3.46
Tier 2	Over 96,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 60,000 gallons		4.00
Tier 2	Over 60,000 gallons		5.50
<i>3" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 192,000 gallons	3.15	3.46
Tier 2	Over 192,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 125,000 gallons		4.00
Tier 2	Over 125,000 gallons		5.50
<i>4" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 300,000 gallons	3.15	3.46
Tier 2	Over 300,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 200,000 gallons		4.00
Tier 2	Over 200,000 gallons		5.50
<i>6" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 600,000 gallons	3.15	3.46
Tier 2	Over 600,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 400,000 gallons		4.00
Tier 2	Over 400,000 gallons		5.50

RATE DESIGN

<i>8" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 960,000 gallons	3.15	3.46
Tier 2	Over 960,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 675,000 gallons		4.00
Tier 2	Over 675,000 gallons		5.50
<i>10" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 1,380,000 gallons	3.15	3.46
Tier 2	Over 1,380,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 900,000 gallons		4.00
Tier 2	Over 900,000 gallons		5.50
<i>12" Meter</i>			
<i>Company</i>			
Tier 1	From 0 to 2,580,000 gallons	3.15	3.46
Tier 2	Over 2,580,000 gallons	3.75	4.26
<i>Staff</i>			
Tier 1	From 0 to 1,750,000 gallons		4.00
Tier 2	Over 1,750,000 gallons		5.50

<u>Service Line and Meter Installation Charges</u>					
5/8" x 3/4" Meter	\$580.00	\$580.00	Service Line \$ 425.00	Meter Installation \$ 155.00	Total \$ 580.00
3/4" Meter	700.00	\$700.00	445.00	255.00	700.00
1" Meter	700.00	\$700.00	445.00	255.00	700.00
1½" Meter	880.00	\$880.00	460.00	420.00	880.00
2" Meter (Turbine)	1,380.00	\$1,380.00	615.00	765.00	1,380.00
2" Meter (Compound)	1,460.00	\$1,460.00	615.00	845.00	1,460.00
3" Meter (Turbine)	1,930.00	\$1,930.00	745.00	1,185.00	1,930.00
3" Meter (Compound)	2,010.00	\$2,010.00	745.00	1,265.00	2,010.00
4" Meter (Turbine)	2,935.00	\$2,935.00	1,050.00	1,885.00	2,935.00
4" Meter (Compound)	3,020.00	\$3,020.00	1,050.00	1,970.00	3,020.00
6" Meter (Turbine)	4,120.00	\$4,120.00	1,250.00	2,870.00	4,120.00
6" Meter (Compound)	5,960.00	\$5,960.00	1,250.00	4,710.00	4,120.00
8" Meter (Turbine)	Cost	Cost	Cost	Cost	Cost
10" Meter (Turbine)	Cost	Cost	Cost	Cost	Cost
12" Meter (Turbine)	Cost	Cost	Cost	Cost	Cost

<u>Service Charges</u>			
Establishment	\$35.00	\$35.00	\$30.00
Establishment (After Hours)	\$45.00	\$45.00	NT
Reconnection (Delinquent)	\$50.00	\$50.00	\$30.00
Reconnection (Delinquent) After Hours	\$65.00	\$65.00	NT
Meter Test (If Correct)	\$25.00	\$25.00	\$30.00
Deposit	*	*	*
Deposit Interest	•	*	*
Re-Establishment (Within 12 Months)	**	**	**
Re-Establishment (Within 12 Months) After Hours	**	**	NT
NSF Check	\$25.00	\$25.00	\$20.00
Deferred Payment (per Month)	***	***	***
Meter Re-Read (If Correct)	\$15.00	\$15.00	\$15.00
Late Fee (per Month)	***	***	***
Moving Customer Meter (Customer Request)	****	****	****
After Hours Service Charge (Customer Request)	N/A	N/A	\$35.00

NT = No Tariff

<u>Monthly Service Charge for Fire Sprinkler</u>			
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 Rules (R14-2-403.B)
- ** Months off system times the minimum (R14-2-403.D)
- *** 1.5% on the unpaid balance per month
- **** Per Commission Rules (R14-2-405.B)
- ***** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,577	\$ 42.97	\$ 49.78	\$ 6.81	15.85%
Median Usage	4,250	36.43	42.40	\$ 5.98	16.40%
Staff Recommended					
Average Usage	6,577	\$ 42.97	\$ 47.81	\$ 4.84	11.27%
Median Usage	4,250	36.43	38.50	\$ 2.08	-5.70%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.50	\$ 31.52	14.62%	\$ 27.50	0.00%
1,000	29.60	34.08	15.14%	29.50	-0.34%
2,000	31.70	36.64	15.58%	31.50	-0.63%
3,000	33.80	39.20	15.98%	33.50	-0.89%
4,000	35.90	41.76	16.32%	37.50	4.46%
5,000	38.00	44.32	16.63%	41.50	9.21%
6,000	41.15	47.78	16.11%	45.50	10.57%
7,000	44.30	51.24	15.67%	49.50	11.74%
8,000	47.45	54.70	15.28%	55.00	15.91%
9,000	50.60	58.16	14.94%	60.50	19.57%
10,000	53.75	61.62	14.64%	66.00	22.79%
11,000	56.90	65.08	14.38%	71.50	25.66%
12,000	60.05	68.54	14.14%	77.00	28.23%
13,000	63.80	72.80	14.11%	82.50	29.31%
14,000	67.55	77.06	14.08%	88.00	30.27%
15,000	71.30	81.32	14.05%	93.50	31.14%
16,000	75.05	85.58	14.03%	99.00	31.91%
17,000	78.80	89.84	14.01%	104.50	32.61%
18,000	82.55	94.10	13.99%	110.00	33.25%
19,000	86.30	98.36	13.97%	115.50	33.84%
20,000	90.05	102.62	13.96%	121.00	34.37%
25,000	108.80	123.92	13.90%	148.50	36.49%
30,000	127.55	145.22	13.85%	176.00	37.99%
35,000	146.30	166.52	13.82%	203.50	39.10%
40,000	165.05	187.82	13.80%	231.00	39.96%
45,000	183.80	209.12	13.78%	258.50	40.64%
50,000	202.55	230.42	13.76%	286.00	41.20%
75,000	296.30	336.92	13.71%	423.50	42.93%
100,000	390.05	443.42	13.68%	561.00	43.83%

CASH FLOW ANALYSIS

Line No.		Staff Recommended
Cash Inflows		
1	461 Metered Water Revenue	\$353,743
2	460 Unmetered Water Revenue	\$0
3	474 Other Water Revenues	\$540
5	Total Revenue	<u>\$354,283</u>
Cash Outflows		
6	601 Salaries and Wages	\$121,950
7	610 Purchased Water	0
8	615 Purchased Power	18,382
9	618 Chemicals	1,445
10	620 Repairs and Maintenance	15,297
11	621 Office Supplies & Expense	4,989
12	630 Outside Services	10,517
13	635 Water Testing	3,777
14	641 Rents	46,999
15	650 Transportation Expenses	7,967
16	657 Insurance - General Liability	9,192
17	659 Insurance - Health and Life	15,186
18	666 Regulatory Commission Expense - Rate Case	5,000
19	675 Miscellaneous Expense	7,900
20	403 Depreciation Expense	19,457
21	408 Taxes Other Than Income	17,861
22	408.11 Property Taxes	11,659
23	409 Income Tax	5,201
24	Total Expenses	<u>\$322,779</u>
25	Operating Income	\$31,504
26	Plus: Depreciation Expense	19,457
27	Less: Loan Payment Interest	11,848
28	Less: Loan Payment Principal	10,821
29	AIAC Refunds	0
30	Cash Flow from Operations	<u><u>\$28,292</u></u>
31	WIFA Reserve (20% of Principal and Interest)	<u>\$ 4,534</u>
32	Cash Flow from Operations after WIFA Reserve	<u><u>\$23,758</u></u>

RECOMMENDATIONS

1. Staff recommends that the Company use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B.
2. Staff recommends that its annual water testing expense of \$3,777 be used for purposes of this application.
3. Staff recommends that the meter and service line charges listed under "Company proposed and Staff's Recommended" in Table C be adopted.
4. The Company does not have an approved Best Management Practices ("BMPs") tariff. Staff recommends that Beaver Dam be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of a Decision in this matter, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. A maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

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FIGURES

County Map	FIGURE 1
Certificated Area.....	FIGURE 2

A. INTRODUCTION AND LOCATION OF COMPANY

Beaver Dam Water Company, Inc. (“Beaver Dam” or “the Company”) has submitted an application with the Arizona Corporation Commission (“ACC” or “Commission”) for approval of a rate increase in Docket No. W-03067A-12-0232. The Commission Utilities Division Staff (“Staff”) engineering review and analysis of the Company’s application is presented in this report. Beaver Dam was granted a Certificate of Convenience and Necessity (“CC&N”) to provide water service in 1988. The Company’s existing CC&N for water service covers an area totaling approximately 14 square miles. The Beaver Dam water system currently is serving approximately 445 connections. The Company is located in the extreme northwest corner of the state in Mohave County. Figure 1 shows the location of the Company within Mohave County and Figure 2 shows the certificated area.

B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on September 6, 2012, by Jian Liu, Staff Utilities Engineer, in the accompaniment of Bob Frisby, president of the Company.

Beaver Dam has two water systems. System #1 (PWS #08-006) serves an area in the vicinity of the community of Littlefield, Arizona. The facility consists of three wells, three storage tanks totaling 194,000 gallons (a 50,000 gallon storage tank, a 44,000 gallon storage tank, and a 100,000 gallon storage tank), and a distribution system.

System #2 (PWS #08-093) serves an area along Interstate 15 near the Arizona/Nevada border. The facility consists of one well, two storage tanks totaling 311,424 gallons (a 275,000 gallon storage tank, and a 36,424 gallon storage tank), and a distribution system.

(Tabular Description of Water System)

Well Data - PWS #08-006

	Well No 1	Well No 2	Well No 3	
ADWR ID No.	55-607609	55-525516	55-589874	
Casing Size	12 inch	16 inch	8 inch	
Casing Depth	50 ft	100 ft	544 ft	
Pump Size	7 Hp	10 Hp	30 Hp	
Pump Yield	160 gal/min	125 gal/min	300 gal/min	
Meter Size	2 inch	2 inch	4 inch	
Year Drilled	1982	1989	2002	

Storage, Pumping- PWS #08-006

Structure or equipment	Location	Capacity
booster pumps	Near Well No 3	Two 10 HP
Storage tank	Near Well No 3	One 100,000 gallons
Storage tank	Near Well No 1	One 50,000 gallons
Storage tank	Near Well No 3	One 44,000 gallons

Distribution Mains- PWS #08-006

Diameter (inch)	Material	Length(ft)
4	PVC	6,600
6	PVC	1,220
8	PVC	10,500
10	PVC	1,110

Meters- PWS #08-006

Size (inch)	Quantity
5/8 X 3/4	254
Turbo 6	1 – 180 HOA Customers
Total	387 service connections

Well Data - PWS #08-093

	Well No 1			
ADWR ID No.	55-551856			
Casing Size	20 inch			
Casing Depth	928 ft			
Pump Size	125 Hp VFD*			
Pump Yield	550 gal/min			
Meter Size	6 inch			
Year Drilled	1995			

*A **variable-frequency drive (VFD)** is a system for controlling the rotational speed of an alternating current (AC) electric motor by controlling the frequency of the electrical power supplied to the motor.

Storage, Pumping- PWS #08-093

Structure or equipment	Location	Capacity
Storage tanks	Near Well No 1	One 36,424 gallons
	Near Well No 1	One 275,000 gallons

Distribution Mains- PWS #08-093

Diameter (inch)	Material	Length(ft)
6	PVC	3,080
10	PVC	7,000

Meters- PWS #08-093

Size (inch)	Quantity
5/8 X 3/4	50
1	4
1 1/2	1
Turbo 3	1 – Mobile Home Park
Turbo 4	1 – Palm Club House
Turbo 6	1 – R.V. Park
Total	58 service connections

Staff inspected a new well and a new storage tank constructed as required in Commission Decision No. 67577 granting the Company a CC&N extension. This new water system was constructed to serve a new 391 lot single family home subdivision. The Plant was not in service and therefore not used and useful during Staff’s field inspection.

Staff concludes that the Company’s water systems have adequate production and storage capacity to serve existing customers and reasonable growth.

C. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

ADEQ reported that the Beaver Dam drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (ADEQ report dated July 27, 2012).

D. ACC COMPLIANCE

A check with of the Commission’s Utilities Division Compliance Section database indicated no delinquent compliance items for Beaver Dam. (Compliance Section Email dated October 16, 2012)

E. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Company is not located in any Active Management Area (“AMA”) and is not subject to any AMA reporting and conservation requirements. Staff received an ADWR compliance status report dated October 12, 2012. ADWR reported that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

F. WATER TESTING EXPENSES

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

The Company reported water testing expenses of \$3,672 during the test year. The Company’s water testing expense was calculated by combining water testing expenses of \$2,472 with operator fees of \$1,200. Staff has recalculated the water testing costs as reflected in Table 1 and Table 1A which show Staff’s annual monitoring expense estimate of \$3,777 with participation in the MAP. Staff recommends that its annual water testing expense of \$3,777 be used for purposes of this application.

Table 1 Water Testing Cost – PWS 08-006

Monitoring – 3 wells (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	\$20	108	2160	720
MAP – IOCs, SOCs, & VOCs	MAP	MAP	MAP	1026
Lead & Copper - annual	\$45	10	450	150
Operator’s fees				\$1,200
Total				\$3,096

Note: ADEQ’s MAP invoice was \$1026.14

Table 1A Water Testing Cost – PWS 08-093

Monitoring – 1 well (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	\$20	36	720	240
MAP – IOCs, SOCs, & VOCs	MAP	MAP	MAP	366
Lead & Copper - annual	\$45	5	225	75
Total				\$681

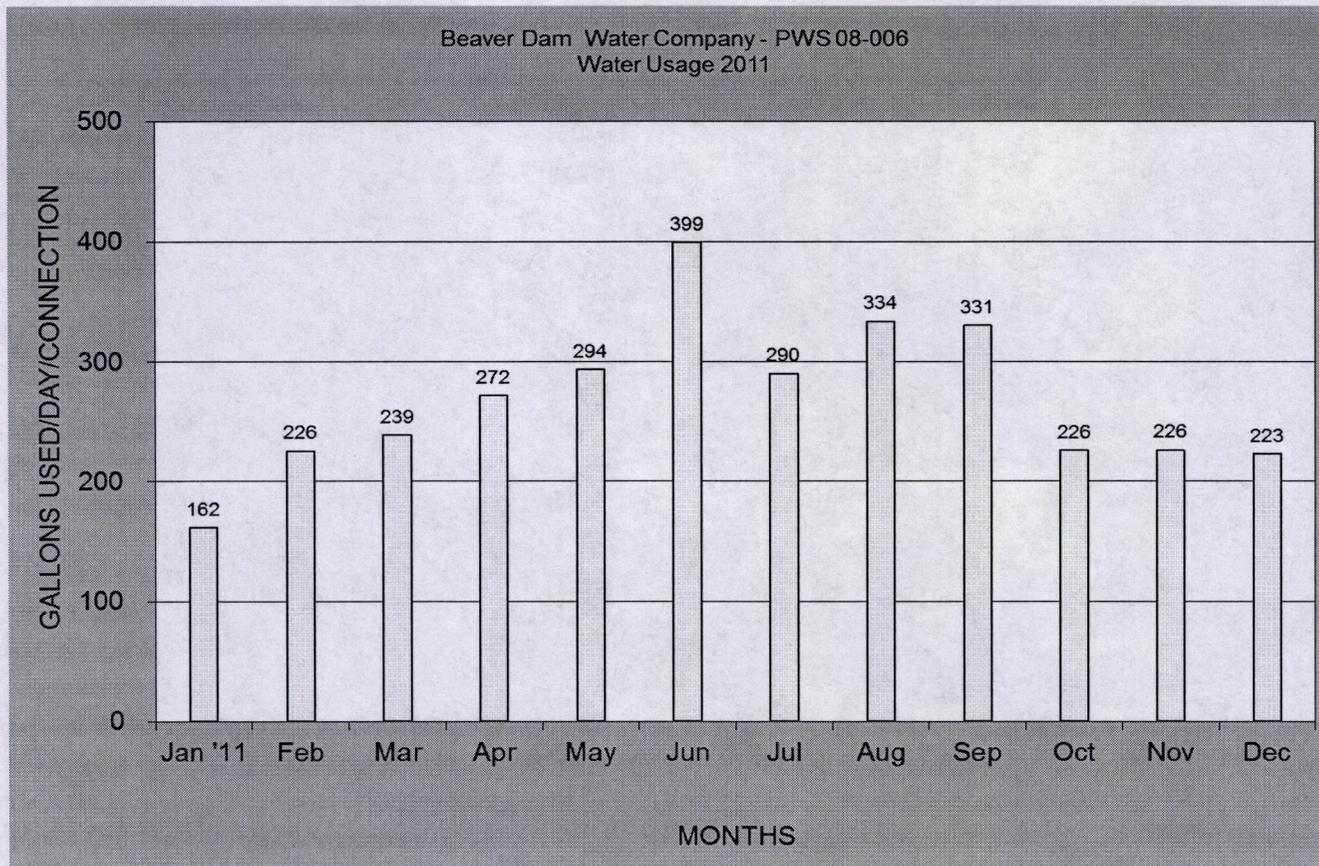
Note: ADEQ’s MAP invoice was \$365.65

G. WATER USE

Water Sold

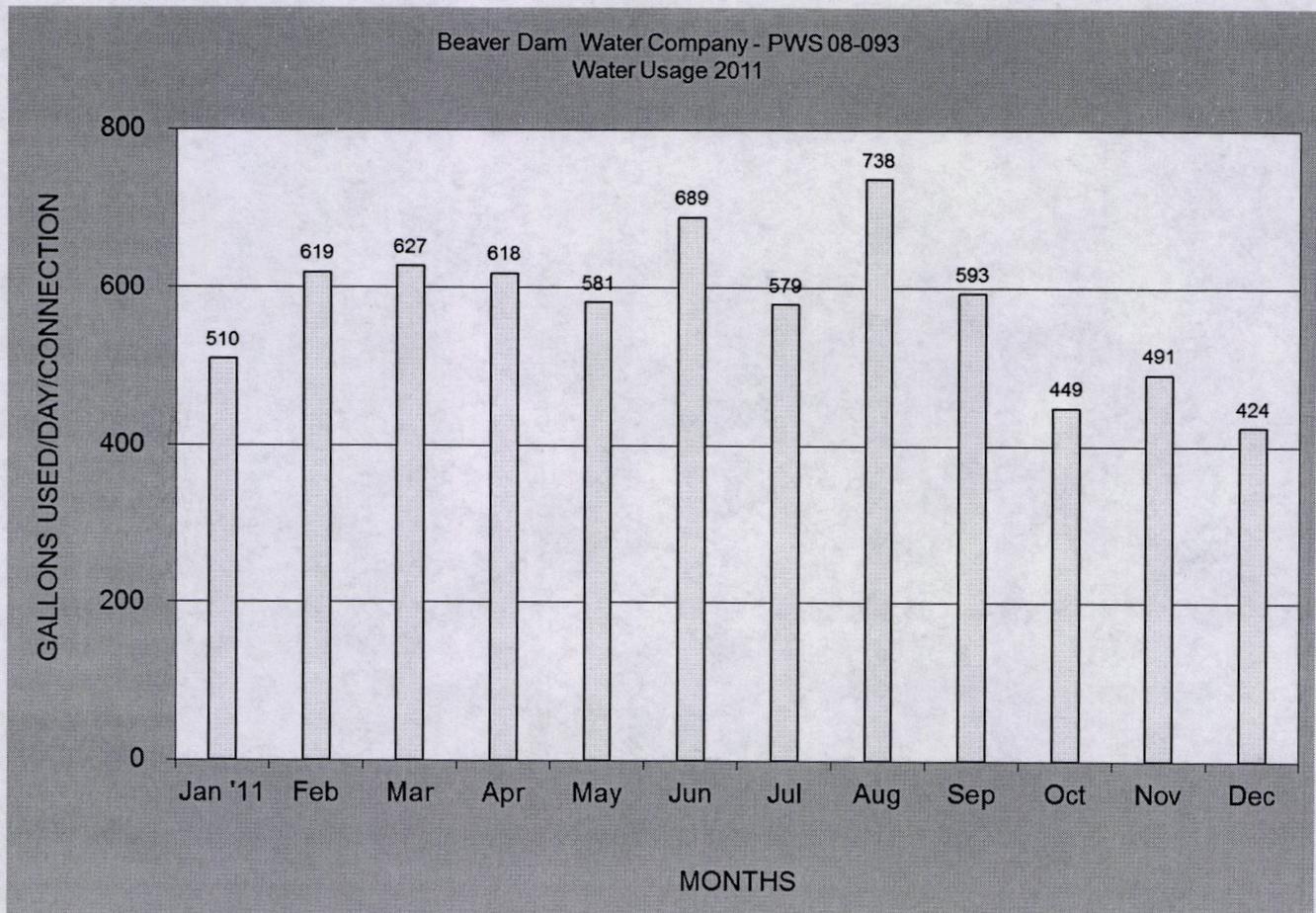
System #1 (PWS #08-006)

Based on the information provided by the Company, water use for the year 2011 is presented below. The high monthly domestic water use was 399 gallons per day (“GPD”) per service connection in June and the low monthly domestic water use was 162 GPD per service connection in January. The average annual use was 268 GPD per service connection.



System #2 (PWS #08-093)

Based on the information provided by the Company, water use for the year 2011 is presented below. The high monthly domestic water use was 738 GPD per service connection in August and the low monthly domestic water use was 424 GPD per service connection in December. The average annual use was 576 GPD per service connection.



Non-account Water

System #1 (PWS #08-006)

Non-account water should be 10% or less and never more than 15%. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. The Company reported 25,688,000 gallons pumped and 24,852,000 gallons sold, resulting in a water loss of 3.25% for 2011.

System #2 (PWS #08-093)

The Company reported 12,602,000 gallons pumped and 12,203,000 gallons sold, resulting in a water loss of 3.17% for 2011.

Best Management Practices (“BMP”) Tariff

The Company does not have an approved BMP tariff. Staff recommends that Beaver Dam be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission’s website, for the Commission’s review and consideration. A maximum of two of these BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories of the BMP’s. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

H. GROWTH

In December 2007, Beaver Dam had 443 connections. In December 2011, the Company had 445 connections. In this changing economic climate it is hard for Staff to predict what level of growth is reasonable. The Company estimates very little, if any, new customer growth will occur over the next three years.

I. DEPRECIATION RATES

Staff recommends that the Company use Staff’s depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category on a going forward bases. Individual depreciation rates by NARUC category are presented in Table B.

Table B. Depreciation Rates

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

NOTES:

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

J. CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFFS

Beaver Dam has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

K. METER AND SERVICE LINE INSTALLATION CHARGES

The Company has not requested any changes in its service line and meter installation charges in this rate application. Beaver Dam's proposed charges are within or below Staff's typical recommended range for these charges. Therefore, Staff recommends that the charges listed under "Company proposed and Staff's Recommended" in Table C be adopted.

Table C. Service Line and Meter Installation Charges

Meter Sizes	Current Service Line Charges	Current Meter Charges	Current Total Charges	Company proposed and Staff recommended Service Line Charges	Company proposed and Staff recommended * Meter Charges	Company proposed and Staff recommended Total Charges
5/8" x 3/4"	425	155	580	425	155	580
3/4"	445	255	700	445	255	700
1"	445	255	700	445	255	700
1-1/2"	460	420	880	460	420	880
2" - Turbine	615	765	1,380	615	765	1,380
2" - Compound	615	845	1,460	615	845	1,460
3" - Turbine	745	1185	1,930	745	1185	1,930
3" - Compound	745	1,265	2,010	745	1,265	2,010
4" - Turbine	1,050	1,885	2,935	1,050	1,885	2,935
4" - Compound	1,050	1,970	3,020	1,050	1,970	3,020
6" - Turbine	1,250	2,870	4,120	1,250	2,870	4,120
6" - Compound	1,250	4,710	5,960	1,250	4,710	5,960
8" - Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10" - Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12" - Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

*Note: Meter charge includes meter box or vault.

Beaver Dam Water Company, Inc.
Docket No. W-03067A-12-0232

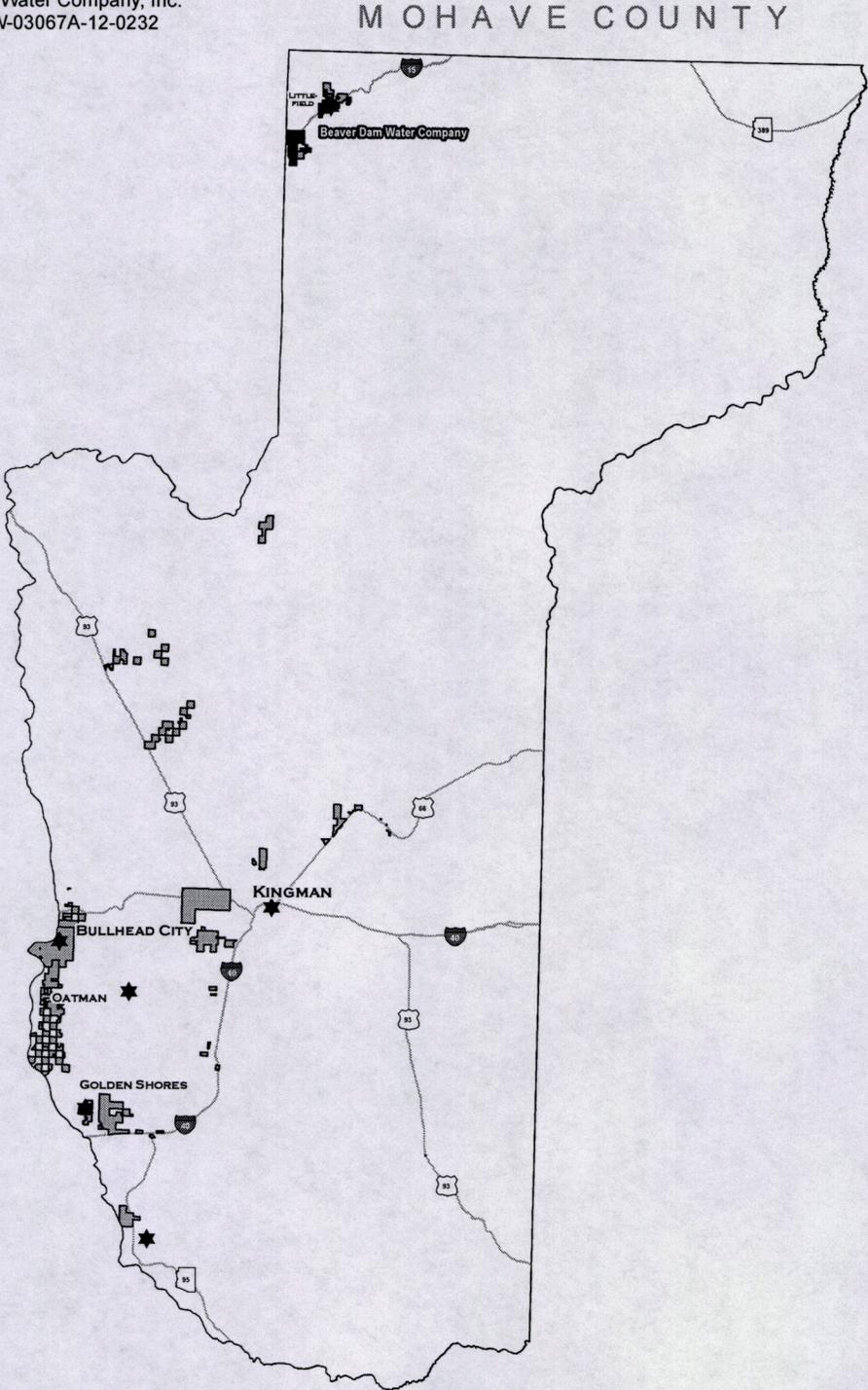
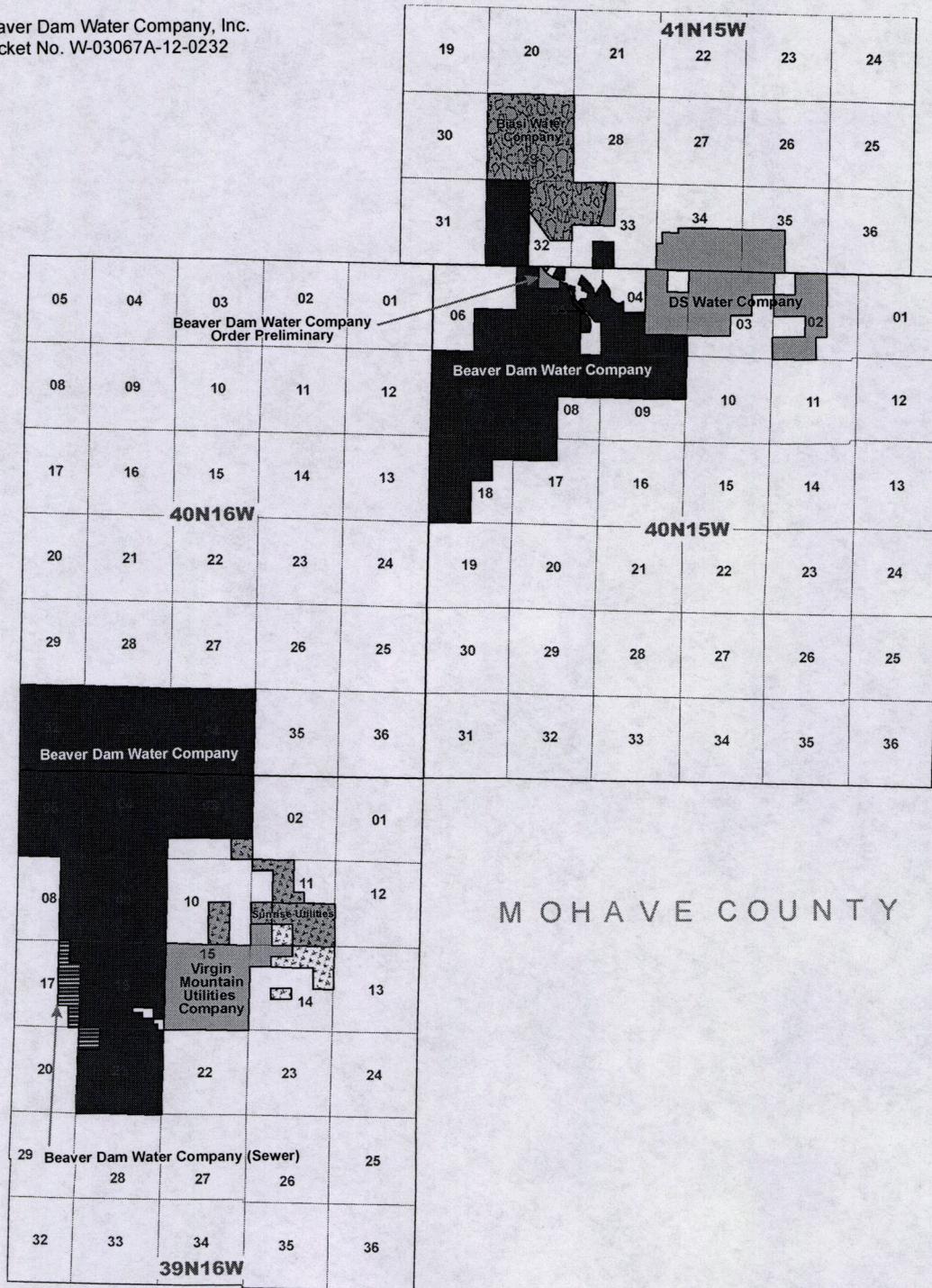


Figure 1: County Map

Beaver Dam Water Company, Inc.
 Docket No. W-03067A-12-0232



MOHAVE COUNTY

Figure 2: Certificated Area

MEMORANDUM

TO: John Cassidy
Utilities Consultant
Utilities Division

FROM: Deb Reagan *DR*
Public Utilities Consumer Analyst II
Utilities Division

THRU: Connie Walczak *CW*
Administrative Services Officer II
Utilities Division

DATE: November 15, 2012

UTILITY: **BEAVER DAM WATER COMPANY, INC.**
DOCKET NO. W-03067A-12-0232

COMPANY HISTORY

Beaver Dam Water Company, Inc. ("Beaver Dam" or "Company") is a public service utility subject to the jurisdiction of the Arizona Corporation Commission ("Commission"). Beaver Dam was granted a Certificate of Convenience and Necessity ("CC&N") pursuant to Commission Decision No. 55788 on November 13, 1987.

The Company's current rates have been in effect since December 1, 2009, per Decision No. 71415.

COMPLAINT HISTORY

A review of Consumer Service records reveals the following complaints and/or opinions filed from January 1, 2009 through October 19, 2012.

2012 – No Complaints

29 Opinions - Opposed to the proposed rate increase

2010 and 2011 - No Complaints

2009 – One Complaint – Billing

All complaints have been resolved and are closed.

SUFFICIENCY STATUS

Company's rate application met sufficiency status on July 9, 2012.

AFFIDAVIT OF MAILING

Company filed an Affidavit of Publication and Mailing of Customer Notice on August 17, 2012.

BILL FORMAT COMPLIANCE

A sample bill provided by the Company reflects the bill complies with Arizona Administrative Code ("A.A.C.") Rule R14-2-409.B.2.

CORPORATIONS DIVISION STATUS

Beaver Dam Water Company is in Good Standing with the Corporations Division of the Commission as of this date.

RECOMMENDATION

Staff recommends the elimination of both the \$35.00 Establishment (after hours) tariff and the \$65.00 Reconnection (delinquent) after hours tariff. Staff agrees with the Company that an after-hour service charge is appropriate when it is at the customer's request or for the customer's convenience. Such a charge compensates the utility for additional expenses incurred from providing after-hours service.

Staff recommends the addition of a Service Charge (after hours) tariff in the amount of \$35.00 and that this charge be in addition to the charge for any utility service provided after hours at the customer's request or for the customer's convenience.

HEARING DATE

A hearing date has been scheduled to begin on February 4, 2013, at 10:00 am.

INTERVENORS

One Request to Intervene was filed by the Beaver Dam Property Owners' Association on November 1, 2012. This Request has not been approved as of this date.

CROSS-CONNECTION/BACKFLOW TARIFF

The Company has a Cross-Connection/Backflow Tariff effective February 15, 2005.

CURTAILMENT TARIFF

The Company has a Curtailment Plan Tariff effective February 15, 2005.

cc: Engineering
File