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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER AND SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE.	DOCKET NO. WS-03478A-12-0307 **STAFF'S NOTICE OF FILING SURREBUTTAL TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files Rate Design Surrebuttal Testimony of Gerald W. Becker in the above-captioned matter.

RESPECTFULLY SUBMITTED this 3rd day of April, 2013.

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE	)))))))))	DOCKET NO. WS-03478A-12-0307

RATE DESIGN

SURREBUTTAL TESTIMONY

OF

GERALD BECKER

EXECUTIVE CONSULTANT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

APRIL 3, 2013

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EXECUTIVE SUMMARY
FAR WEST WATER & SEWER, INC.
DOCKET NO. WS-03478A-12-0307

The surrebuttal testimony of Gerald W. Becker addresses the rebuttal testimony filed by Far West Water and Sewer, Inc. ("Far West" or "Company"). Staff agrees with the Company that RV parks should have a rate equivalent to a ¾-inch commercial rate for the common area usages of those parks. Staff continues to recommend that the wastewater bills of commercial customers be based on the size of the customer's water meter.

Staff has updated its rate design to reflect the revenue requirements in its surrebuttal testimony and recommends approval of its rate design discussed herein.

Staff has also reviewed the ratemaking impacts of payments made by developers to Far West's affiliate, H&S Developers.

Staff has also reviewed the affiliate transactions and competitive bidding procedures used by the Company to effect major plant improvements.

Staff also makes a recommendation regarding the requirement that future MXA's be reviewed by Staff.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Gerald Becker. I am an Executive Consultant III employed by the Arizona Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Gerald Becker who previously submitted direct testimony regarding rate design in this case?

A. Yes, I am.

PURPOSE OF SURREBUTTAL TESTIMONY

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff, to the rebuttal testimony of Mr. Ray Jones, who represents Far West Water & Sewer, Inc. Sewer Division - ("Far West" or "Company").

Q. Do you attempt to address every issue raised by the Company in its rebuttal testimony?

A. No. I limit my discussion to certain issues as outlined below. My silence on any particular issue raised in the Company's rebuttal testimony does not indicate that Staff agrees with the Company's stated rebuttal position on the issue. I rely on my direct testimony unless modified by this surrebuttal testimony.

RATE DESIGN

Q. Has Staff modified its rate design since filing its direct testimony?

A. Yes. First, Staff has adjusted it recommended rates to support Staff's revised revenue requirement as shown on Surrebuttal Schedule GWB-1 filed as part of its revenue requirements testimony. Second, Staff recommends the establishment of an RV Park rate for service related to the common areas only of RV parks and the continued billing of individual RV's at an RV space rate. At present, there would be five RV parks to be billed at the RV park rate for its common area usage.[1] Those are the Schechert Family Aquatics and Fitness Center, Rancho Rialto, Adobe Village, Sun Village, and Sunset Palm. Third, Staff modifies the billing determinants for RV spaces to add the 48 RV spaces, as discussed by the Company's rebuttal testimony for the spaces in the Schechert Family Aquatics and Fitness Center. At present, the Schechert Family Aquatics and Fitness Center is billed as a 2 inch commercial customer only with no billing for the 48 RV spaces contained therein. Accordingly, the total RV spaces increase from 713 to 761 and the Schechert Family Aquatics and Fitness Center and Rancho Rialto[2] are transferred from the commercial group to the newly created RV Park rate. The Company also reports in its rebuttal testimony that three other RV parks (Adobe Village, Sun Village, and Sunset Palm) are presently billed as a residential account for its common area wastewater, in addition to the billings for RV spaces sent to the individual owners of those RV's.

In summary, Staff removed three customers from the residential group, in addition to two customers removed from the commercial group and treats them as RV Parks, for a total of five RV Parks billed at an RV Park rate for wastewater from its common areas only, and

[1] Some RV parks may contain homes, i.e. so-called Park Models that are larger than RV's and are billed at regular residential rates. Staff recommends continuation of this practice, subject to establishment of terms and condition to differentiate between the different types of homes that may exist in an RV community and to determine the appropriate billing rates.
[2] See Direct Testimony for additional discussion of Rancho Rialto.

761 individual RV owners would (continue to) pay the appropriate RV rate. Staff further recommends that the RV Parks rate be equal to the 3/4 inch commercial rate, as compared with its recommendation in its direct testimony to treat Rancho Rialto as a 5/8 inch commercial customer for the common area usage only.

Staff also notes that the change in the 48 RV spaces in the Schechert Family Aquatics and Fitness Center from the 2 inch commercial customer class to the RV space rates represents a test year adjustment to revenue of $3,133. Staff is not reflecting this adjustment in the attached schedules or elsewhere in its testimony because it is immaterial.

Q. Has Staff updated its recommended rate design to reflect its surrebuttal revenue requirement?

A. Yes. Staff's updated recommended rates are presented in the attached Schedules GWB-1 and GWB-2.

Q. Does your silence on any of the issues constitute your acceptance of their positions on such issues, matters or findings?

A. No. Staff limited its discussion to the specific issues outlined above. Staff's lack of response to any issue in this proceeding should not be construed as agreement with the Company's position in its rebuttal testimony; rather, where there is no response Staff relies on its original direct testimony.

FEES PAID BY DEVELOPERS TO H&S DEVELOPERS

Q. Did the Commission order Staff to determine whether H&S Developers collected any fees associated with obtaining utility service from Far West and to formulate a recommendation?

A. Yes. Decision No. 72594 stated:

IT IS FURTHER ORDERED that Staff shall, as part of Far West Water and Sewer, Inc.'s next rate case, investigate and formulate a recommendation about Far West Water and Sewer, Inc.'s affiliate transactions, including whether there were payments of fees by developers to H&S Developers, Inc. associated with obtaining utility service.[3]

Q. Did Staff determine whether there were payments of fees by developers to H&S Developers associated with obtaining utility service?

A. Yes.

Q. Did Staff investigate such payments to H&S Developers?

A. Yes. Staff issued data request 11.1 which sought information regarding fees paid by to H&S developers by other developers and the ratemaking impact of those payments. Staff reviewed the Company's response and believes that the Company provides adequate information and explanation to provide assurances that the ratepayers have not been harmed by this activity. See Attachment 1.

Q. How were these payments treated by Far West?

A. Based on information provided by the Company, payments by other developers are reflected in the value of plant contributed to Far West by H&S Developers with corresponding amounts recorded as Contributions in Aid of Construction ("CIAC").

[3] Decision No. 72594, 82 at 14-8.

Q. Does the Company's proposed treatment of payments harm the ratepayers?

A. No. Plant funded by CIAC does not increase rate bases or result in a net increase to depreciation and amortization expense. Thus, there is no impact on revenue requirements from plant funded by CIAC.

Q. What is Staff recommending?

A. Since this activity has no impact on ratepayers in this proceeding, Staff recommends that no further consideration of this issue is warranted as this time.

AFFILIATE TRANSACTIONS

Q. Did the Commission order Staff to investigate affiliate transactions between Far West and its affiliates?

A. Yes. Decision No. 72594 stated:

IT IS FURTHER ORDERED that Staff shall, as part of Far West Water and Sewer, Inc.'s next rate case, investigate the transactions between it and its affiliate(s), including H & S Developers, Inc. and formulate a recommendation about whether the transactions were arm's-length, whether there were written agreements supporting those transactions, and whether any advances have been treated appropriately for rate-making purposes.[4]

Q. Did Staff investigate affiliate transactions?

A. Yes.

Q. Did Staff determine whether the transaction were arms-length?

A. It was difficult to determine if the transactions between Far West and its affiliates were "arms-length" partly because Far West does not enter into written agreements with all of its affiliates.

[4] Decision No. 72594, 82 at 9-13.

As discussed in Staff's direct testimony, the only written agreements between Far West and its affiliates are for the lease of its office space with Southwest Land, LLC and its main extension agreements.

Q. What are some of the risks associated with affiliate transactions?

A. While affiliate transaction between a utility and its unregulated affiliate are not prohibited, these transactions merit more scrutiny to ensure that ratepayers are not harmed. A regulated entity has an obligation not to promote profitability for itself or another interested company in a transaction that may not be at arm's length to the detriment of its customers.

Q. Does Staff believe that non arms-length transactions have the potential to harm ratepayers?

A. Yes. However, Staff believes that the ratepayers were not harmed in this case.

Q. How did Staff determine that the ratepayers were not harmed by transactions with affiliates in this case?

A. Staff issued data request 11.2.1 seeking information regarding work performed by H&S Developers for its wastewater plant improvements and the degree to which the work had been subjected to competitive bidding procedures. Based on the Company's response to Staff data request 11.2.1 and Staff review of the supporting information included therein, the cost of the construction services provided by H&S Developers were reasonable. See also attachment 2.

Q. Did Staff determine whether major transactions with unaffiliated contractors were also subjected to competitive bidding procedures?

A. Yes. A review of the Company's response to Staff data request 11.2.1 also indicates that the work performed by unaffiliated parties was reasonable, as the Company also sought competitive bids on significant components of those plant improvements performed by unaffiliated parties.

Q. Does the Company have a formal written policy regarding competitive bidding procedures?

A. No, the Company states that it does not have a formal written policy regarding its competitive bidding procedures.

Q. What is Staff recommending?

A. Staff recommends that the Company formulate and adopt a formal written policy. This policy should address the specific steps that the Company will take that demonstrate that the transactions between the Company and its affiliates and related parties are arm's length, transparent and well documented. Further, the policies should develop a competitive bidding process and require that the Company be required to continue to maintain evidence of competitive biddings for all major construction projects. Staff further recommends that the Company submit such a policy for Staff's review within 60 days of a decision in this docket, as a Compliance item in this proceeding. Staff will assess the policy and its adequacy and file a report with Staff's findings and recommendations within 90 days of receipt.

Q. Were advances treated appropriately for ratemaking purposes?

A. Yes. Also discussed in Staff's direct testimony, Staff issued data request GB 2.2 and relies on the Company's detailed response to that data request to support Advances in Aid of Construction balance. Staff also determined that the Company has unpaid amounts due (advances) due under main extension agreements, as discussed in its direct testimony.

MAIN LINE EXTENSION AGREEMENTS ("MXA'S")

Q. Did Staff discuss MXA's in its direct testimony?

A. Yes. In Staff's direct testimony, Staff is concerned with unpaid amounts due under MXA's.

Q. Does Staff have any additional recommendations regarding MXA's?

A. Yes. Staff recommends that on prospective basis the Company submit wastewater MXA's for Staff review to determine the reasonableness of the associated plant. Far West should also indicate the level of any significant involvement by any related party.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Far West Water Sewer., Inc., Sewer Division
Docket No. WS-03478A-12-0307
Test Year Ended December 31, 2011

Schedule GWB-1
Surrebuttal

RATE DESIGN

	Present Rates	Proposed Rates- Co.	Staff Recommended Rates
Monthly Usage Charge-			
Residential - All except RV	$21.75	$ 62.65	$ 54.93
RV Spaces	$5.44	$ 15.66	$ 18.31
Commercial - ALL	$43.50	$ 125.30	N/A
Commercial - 5/8"	N/A	N/A	$ 54.93
Commercial - 3/4"	N/A	N/A	$ 85.80
Commercial - 1"	N/A	N/A	$ 143.36
Commercial - 1 1/2"	N/A	N/A	$ 283.51
Commercial - 2"	N/A	N/A	$ 452.68
Commercial - 3"	N/A	N/A	$ 878.82
Commercial - 4"	N/A	N/A	$ 1,373.16
Commercial - 6", except Rancho Rialto	N/A	N/A	$ 2,746.32
RV Parks-Common Areas only	N/A	N/A	$ 85.80
Commodity Charges			
Sale of Effluent, per thousand gallons	$1.00	"Market" rate, minimum $0.20 and maximum $1.00	$1.10
Service Charges			
Establishment	20.00	40.00	40.00
Reconnection (Delinquent)	20.00	30.00	30.00
Deposit (Residential)	2 times the average bill	2 times the average bill	Per Rule*
Deposit (Non-Residential)	2 1/2 times the average bill	2 1/2times the average bill	Per Rule**
Deposit Interest	6.00%	6.00%	Per Rule***
Re-Establishment (Within 12 Months)	Number of months off system times the monthly minimum	Number of months off system times the monthly minimum	Per Rule****
NSF Check	15.00	30.00	30.00
Deferred Payment, Per Month	1.5%	1.5%	1.5%
Late Payment, Per Month	1.5%	1.5%	1.5%
Disconnect and Reconnect (Delinquent)	N/A	N/A	Cost*****
After Hours Service Charge	N/A	N/A	35.00

* Per Commission Rules (R14-2-603.B.7.a.)
** Per Commission Rules (R14-2-603.B.7.b.)
*** Per Commission Rules (R14-2-603.B.3)
**** Months off system times the minimum (R14-2-603.D.1)
***** For Non-Far West water customers only

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission Rule 14-2-608(D)(5).

RATE DESIGN

50 Percent Phased In

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

Company Proposed	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
All Residential (No phase in proposed by Company)	$ 21.75	$ 62.65	$ 40.90	188.05%
Staff Recommended				
All Residential	$ 21.75	$ 38.34	$ 16.59	76.28%

Completely Phased In

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

Company Proposed	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
All Residential	$ 21.75	$ 62.65	$ 40.90	188.05%
Staff Recommended				
All Residential	$ 21.75	$ 54.93	$ 33.18	152.55%

Far West Water & Sewer, Inc.
Docket No. WS-03478A-12-0307
Response to Staff's Eleventh Set of Data Requests

Response provided by: **Ray L. Jones**

Title: **Consultant**

Address: **25213 N. 49th Drive**
Phoenix, AZ 85083

Data Request Number: **GWB 11.1**

Q. **Fees paid to H&S by developers.**

1. Please provide a schedule of fees paid by developers to H&S Developers ("H&S") associated with obtaining utility service from Far West.

2. Please indicate the ratemaking implications of those payments and the impact in the current proceeding. Attach supporting schedules as necessary.

A.

1. In its capacity as master land developer, H&S Developers collected connection fees from land developer/homebuilders as reimbursement for costs of wastewater facilities that H&S had constructed to provide wastewater treatment plant and backbone collection system capacity for the lots/homes being developed. The table below summarizes the connection fees collected by H&S and provides a reference to an attached file with the H&S General Ledger Detail supporting the summary table.

Connection Fees Collected by H&S		Period:		
Project Description	Connection Fees Collected	From Fees Collected	To Fees Collected	Supporting Document
Palm Shadow s Service Area	$ 975,713	9/23/1999	11/22/2004	GWB 11.1 Palm Shadow s Connection Fees.pdf
Seasons Service Area	462,625	4/29/1999	1/19/2006	GWB 11.1 Seasons Connection Fees.pdf
Mesa Del Sol (Del Oro, Del Rey, Royale Servcie Area)	703,005	4/12/2002	1/19/2006	GWB 11.1 Mesa Del Sol Connection Fees.pdf
	$ 2,141,343			

2. The collection of connection fees by H&S Developers from land developer/homebuilders has no rate making implications and no impact on the current proceeding.

The fees are private transactions between H&S Developers and the individual land developer/homebuilders intended to reimburse costs expended by H&S Developers on behalf of the developer/homebuilder. This is a normal and routine

transaction between a master land developer and smaller land developer/homebuilders that is not unusual in the industry.

In each case, as master developer, H&S constructed the necessary treatment plant and backbone capacity needed by Far West to serve the lots being sold and developed by the developer/homebuilder. And in each case, the facilities constructed by H&S Developers were transferred to Far West with the cost of the facilities being recorded as a contribution in aid of construction or advance in aid of construction with respect to Far West. H&S has received no reimbursement or refunds for these facilities from Far West.

Since the costs of the facilities were either contributed or advanced to Far West by H&S Developers, Far West has no investment in the facilities and no rate base associated with the facilities. Accordingly, any reimbursement received by H&S Developers from third parties should be considered a private transaction between development entities related to development costs and cannot be considered relevant to Far West's ratemaking activities. The following table shows each project constructed by H&S Developers and the treatment of the cost on Far West's books.

Projects Constructed by H&S related to Collected Connection Fees

	Year Booked	Plant In Service Entry	
Seasons WWTP (Original Plant)	1999	$ 345,247	CIAC
Palm Shadow s WWTP (Original Plant)	1999	408,981	CIAC
Palm Shadows WWTP (Additions)	2000	6,864	CIAC
Palm Shadows WWTP (Additions)	2001	593,731	CIAC
Palm Shadows Trunk Line	1999	201,388	AIAC (No Refunds)
Del Rey WWTP (Original Plant Acquisition)	2001	65,000	CIAC
Royale WWTP (Original Plant Acquisition)	2001	65,000	CIAC
Del Oro WWTP (Original Plant Acquisition)	2001	52,000	CIAC
Del Oro WWTP (Upgrade)	2004	333,471	CIAC
		$ 2,071,682	

Far West Water & Sewer, Inc.
Docket No. WS-03478A-12-0307
Response to Staff's Eleventh Set of Data Requests

Response provided by: **Ray L. Jones**

Title: **Consultant**

Address: **25213 N. 49th Drive**
Phoenix, AZ 85083

Data Request Number: **GWB 11.2.1**

Q: As a follow up to your response to Staff data request GB 2.1, please provide a schedule showing the amount paid and/or owed by Far West to H&S and reflected in the test year amounts. For those items in Utility Plant in Service, please provide a schedule showing the amounts paid or owed to H&S by WWTP. Please indicate whether the work performed by H&S had been subject to competitive bidding procedures and attach those bids and/or provide reference to your response to RUCO 2.8 and/or other data requests. For work perfom1ed by H&S but not subject to competitive bidding procedures, please describe the work, amounts paid, provide the reasons that the cost of such work is not excessive. Attach supporting schedules or other documentation as necessary. For payments made or amounts owed to H&S and charged to expense during the test year, please provide a schedule of those amounts or reference if already provided and the reasons that those amounts are priced fairly.

A. Attached schedule GWB 11.2 UPIS by WWTP.pdf provides a summary of amounts charged to Utility Plant in Service by WWTP. The upper portion of the schedule provides an overall summary of costs by contractor or supplier for each of the WWTP projects. The lower portion of the schedule provides detail of amounts paid to H&S by type of work performed for each of the WWTP projects.

H&S provided bids on the Del Oro project and was low bidder for the control building and site preparation (Site Grading, Excavation, Staking). Coriolis sent the request for bids for the building to H&S Developers, Inc., WJ Anderson Construction and MJL Construction. WJ Anderson Construction did not return a bid and MJL Construction's bid was higher than the H&S bid. H&S Developers originally bid on March 27, 2008 under the name of Concept Homes of Yuma, LLC, an entity wholly owned by H&S Developers. That bid was replaced with a bid from H&S Developers, Inc. (Commercial Construction Division) on April 18, 2008 in the same amount. See RUCO 2.8 Del Oro.PDF provided in response to RUCO DR 2.8 for the bid summary showing the H&S Developer bid amounts. The H&S bid for the building is attached as file GWB 11.2 ControlBuildingDelOro.PDF.

H&S Developers did not bid on the construction support, pit material or other categories of work for the Del Oro project. As shown on GWB 11.2 UPIS by WWTP.pdf, these portions of the project are less than 0.2% of the project cost for the Del Oro project and

were more efficiently provided by H&S Developers rather than through a bidding process. H&S Developers had the necessary expertise to provide these ancillary services. The costs for these services are reasonable and not excessive for the work performed.

As indicated in the attached September 16, 2009 email communication from Coriolis (a/k/a Universal Asset Management, LLC), Far West's contract construction manager, competitive bids were not taken for the Section 14 project (See GWB 11.2 Coriolis Email.pdf). Coriolis explained the decision as follows:

> Bids on significant equipment, mechanical, electrical and building construction were solicited from contractors and vendors on Del Oro. Del Oro was used as a test case so that reasonable pricing was being obtained for execution of this work. The bids approved for Del Oro were then used to negotiate contracts with the same vendors and contractors for Section 14. This was done in order to have consistency between construction techniques between the contractors.

As with other low competitive bidders on the Del Oro project, H&S was asked to submit a bid proposal for the the same work on the Section 14 WWTP. H&S submitted a bid for the Section 14 WWTP on July 30, 2008. The bid was accepted and H&S was selected to perform the work for the Section 14 WWTP. See PO Sect 14 buildings.pdf provided as part of the response to GWB11.2.3 for the H&S bid.

Far West believes that the method of requested bid proposals and negotiating contracts for the Section 14 WWTP with the low bidders for the Del Oro project was reasonable approach to constructing the Section 14 WWTP. As noted by Coriolis, that method insured consistency between construction techniques and consistency between the plants. Since the work performed by H&S was based on a bid consistent with its low bid for the Del Oro WWTP and subject to negotiation with the construction manager, it represents a fair price for the work performed and is not excessive.

As with the Del Oro project, H&S Developers did not bid on the landscaping, construction support, pit material or other categories of work for the Del Oro project. As shown on GWB 11.2 UPIS by WWTP.pdf, these portions of the project are less than 1.0% of the project cost for the Section 14 project and were more efficiently provided by H&S Developers rather than through a competitive bidding process. The costs for these minor services are reasonable and not excessive for the work performed.

As noted in the Coriolis email, the Palm Shadows project was performed by H&S Developers on a negotiated time and material basis and, as such, was not subject to a competitive bidding process. However, as noted by Coriolis, pricing was obtained from other vendors in the area in order to ensure that the pricing negotiated was reasonable. Those comparative prices were provided in response to RUCO DR 2.8 as file RUCO 2.8 Palm Shadows.PDF.

The total paid to H&S Developers for the Palm Shadows Force Main was $1,293,851 including purchase of materials. The total paid to H&S Developers for the Palm Shadows Lift Station was $218,000, including piping materials. Both amounts are less than the reference bids provided in response to RUCO DR 2.8 as file RUCO 2.8 Palm Shadows.PDF, indicating that the costs are reasonable. The cost per foot paid to H&S Developers for the approximately 5 mile long force main is approximately $49.00 per lineal foot of force main. This is a very reasonable unit cost for a 12" diameter pipeline installed through a developed community. The amounts paid to H&S Developers for the Palm Shadows Force Main and Lift Station are reasonable for the work performed and are not excessive.

See attached schedule, GWB 11.2 H&S Expenses.pdf for payments made or amounts owed to H&S during the test year that were charged to expense. As noted, $29,918 was paid to the Foothills Mini Mart for fuel purchased at standard retail prices. Purchasing fuel at posted retail pricing available to the general public is reasonable and represents a fair price for fuel. Hank's Market was paid $17.00 for safety supplies at standard retail rates. This purchase is reasonable and represents a fair price for the materials. Lastly, H&S Developers was reimbursed $289 for the actual cost of postage and shipping charges paid by H&S on behalf of Far West. Reimbursing postage and shipping costs incurred on behalf of Far West at actual cost is reasonable and fair.