

ORIGINAL

NEW APPLICATION



0000146141

BEFORE THE ARIZONA CORPORATION COM

COMMISSIONERS

BOB STUMP, Chairman  
GARY PIERCE  
BRENDA BURNS  
ROBERT BURNS  
SUSAN BITTER SMITH

Arizona Corporation Commission  
**DOCKETED**

JUN 19 2013

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

2013 JUN 19 PM 4 06

DOCKETED BY	NR
-------------	----

IN THE MATTER OF THE APPLICATION OF  
FAR WEST WATER & SEWER COMPANY FOR  
AUTHORITY TO INSTITUTE A WATER  
HOOK-UP FEE

DOCKET WS-03478A-13-0200

IN THE MATTER OF THE APPLICATION OF  
FAR WEST WATER & SEWER COMPANY FOR  
AUTHORITY TO INSTITUTE A WASTE-  
WATER HOOK-UP FEE

DOCKET NO. WS-03478A-13-\_\_\_\_\_

1 Far West Water & Sewer Company ("Far West") hereby applies for authority to institute  
 2 water and wastewater hook-up fees for its water and wastewater divisions. Far West seeks  
 3 approval to begin charging a water hook-up fee beginning at \$2,000 for a 5/8" x 3/4" meter and a  
 4 wastewater hook-up fee of \$2,000 per equivalent residential unit ("ERU") based on residential  
 5 usage of 187.2 gallons per day. Proposed tariffs are attached as **Exhibit A**.

6 **I. BACKGROUND**

7 Far West is an Arizona "C" corporation engaged in the business of providing water and  
 8 wastewater utility service to customers in Yuma County, Arizona under authority granted by the  
 9 Commission. Far West currently serves approximately 15,000 water connections and 7,500  
 10 sewer connections. Far West does not currently have hook-up fees for either of its water or  
 11 wastewater divisions.

12 Far West has filed a rate increase request for its wastewater division that is pending  
 13 before the Commission in Docket No. WS-03478A-12-0307 ("Rate Case"). During hearings in  
 14 the Rate Case, Far West testified that the cost of wastewater capacity related projects under

1 consideration in the Rate Case is in the \$2,500 to \$3,000 range per lot served and that the full  
2 cost of wastewater treatment is probably in the range of \$4,000 to \$4,500 per lot.

3 Several parties supported Far West's funding of new wastewater facilities through the  
4 collection of developer funding obtained through main extension agreements. The parties also  
5 requested that Far West commit to standardize the process of collecting developer funding

6 through the use of a tariffed hook-up fee. Far West testified that it supported a tariffed hook-up  
7 fee and that it would commit to making a hook-up fee filing in the near future.

## 8 **II. PURPOSE OF HOOK-UP FEES**

9 A water hook-up fee equitably apportions the costs of constructing additional offsite  
10 facilities necessary to provide water production, delivery, storage and pressure among all new  
11 service connections. Similarly, a wastewater hook-up fee equitably apportions the costs of  
12 constructing additional offsite facilities necessary to provide wastewater transportation, treatment  
13 and disposal facilities among all new service laterals. Using hook-up fees to fund a portion of  
14 the cost of new facilities needed to serve new customers is consistent with the Commission's  
15 policy that growth should help pay for growth.

## 16 **III. USE OF HOOK-UP FEE FUNDS**

17 Far West is being approached by developers and new homeowners for new water and/or  
18 wastewater service. Far West has extensive undeveloped areas within and near its water and  
19 wastewater CC&Ns and Far West will soon be filing to extend its current sewer CC&Ns to  
20 include new developments. To serve these new customers, Far West must invest in new offsite  
21 facilities: water production, delivery, storage and pressure facilities for water customers; and  
22 wastewater transportation, treatment, and disposal facilities for wastewater customers.

23 There is significant pent-up demand in Far West's service territory. From October 2006  
24 through late December 2011, Far West was subject to hook-up moratorium on new connections  
25 to areas served by its Palm Shadows Wastewater Treatment Plant ("WWTP"). Concerning this  
26 and other issues, on June 22, 2010, Far West notified the Commission that it had reached a

1 settlement with the Arizona Department of Environmental Quality (“ADEQ”) and the Arizona  
2 Attorney General’s Office to resolve litigation concerning alleged environmental violations.

3 As part of the settlement, Far West committed to upgrade and expand its Del Oro,  
4 Section 14, and Seasons WWTPs, as well as its Del Oro and Palm Shadows collection systems.

5 It also allows Far West to consolidate its operations by closing its Villa del Rey and Villa Royal  
6 WWTPs, directing their flow to the upgraded Del Oro plant, and closing the Palm Shadows  
7 WWTP, and directing its flow to the upgraded Section 14 WWTP. The new wastewater  
8 treatment plants are state-of-the-art facilities that, through an ultra-filtration process, will  
9 transform wastewater to reclaimed water that is A+ in quality, a level which exceeds current state  
10 requirements.

11 On December 15, 2011, ADEQ issued a discharge permit for Far West’s new Palm  
12 Shadows force main. The new force main allows wastewater previously treated at the old Palm  
13 Shadows plant to be transported for treatment at the Section 14 WWTP. Far West has also been  
14 upgrading its treatment facilities at the Section 14 WWTP to significantly increase treatment  
15 capacity. On December 19, 2011, the Section 14 upgrade began normal operations.

16 With the completion of the Palm Shadows forcemain and the Section 14 upgrade, Far  
17 West asked ADEQ to lift the existing hook-up moratorium. On December 27, 2011, ADEQ  
18 notified Far West that it can now pursue additional hook-ups of new customers to be served by  
19 the Section 14 upgrade, including customers previously served by the Palm Shadows WWTP.

20 In the Rate Case, Far West estimated that it will add between 1,000 and 1,200 wastewater  
21 connections by 2016. Far West has updated its projections through 12/31/2021 and expects that  
22 growth will accelerate and that Far West will add 5,450 equivalent residential units in the ten-  
23 year period from 2012 through 2021.<sup>1</sup>

---

<sup>1</sup> Projections are based on the 10-year period following the 2011 test year used in the Rate Case.

1 **IV. HOOK-UP FEE CALCULATION**

2 Far West has made and is making significant investments to serve new and existing water  
3 and wastewater customers. Far West has invested nearly \$750,000 in planning and engineering  
4 for new off-site water facilities that are not yet in rate base and expects to invest \$22.5 million in  
5 ~~off-site water facilities to serve anticipated growth through 2021. As discussed above, Far West~~  
6 is completing enormous offsite wastewater facility upgrades to serve existing and future  
7 customers and is committed by the ADEQ Settlement to complete additional upgrades.  
8 Currently, Far West has invested \$18.8 million in new off-site wastewater facilities that are  
9 included in its pending Rate Case, but not yet in rate base. Far West expects to invest an  
10 additional \$ 20.1 million in off-site wastewater facilities to serve anticipated growth through  
11 2021. Table 1 calculates water and wastewater hook-up fees that are justified by the investment  
12 levels not currently in rate base as set forth in the previous paragraph:

**Table 1 - Backbone Investment Not In Rate Base**

All Investments	Water	Sewer
Investment	\$ 23,179,758	\$ 38,938,826
Plant Capacity Added (gpd)	4,000,000	2,255,000
Investment Per Gallon of Capacity	\$ 5.79	\$ 17.27
Gallons Per Day Per ERU (Max Day)	585.2	187.2
Investment Per ERU	\$ 3,391	\$ 3,233

Includes current investment not in rate base and projected investment through 12/31/21

13 Table 2 calculates water and wastewater hook-up fees that are justified by the investment  
14 levels not currently in rate base or expected to be included in rate base in the pending Rate Case:

**Table 2 - Backbone Investment Not in Projected Rate Base**

<b>Post-Rate Case Investment</b>	<b>Water</b>	<b>Sewer</b>
Investment	\$ 23,179,758	\$ 20,090,528
Plant Capacity Added	4,000,000	1,204,000
Investment Per Gallon of Capacity	\$ 5.79	\$ 16.69
Gallons Per Day Per ERU	585.2	187.2
Investment Per ERU	\$ 3,391	\$ 3,124

Includes current investment less the portion expected to be included in rate base in wastewater rate case and projected investment through 12/31/21.

1 As just shown, Far West could justify charging a water hook-up fee beginning at \$3,400  
2 for a 5/8" x 3/4" meter and a wastewater hook-up fee of \$3,200 per equivalent residential unit  
3 ("ERU"). However, Far West understands that it would be unwise to fund all future offsite  
4 capacity through hook-up fees, which could unduly reduce rate base. Therefore Far West is  
5 asking the Commission to approve a water hook-up fee beginning at \$2,000 for a 5/8" x 3/4"  
6 meter and a wastewater hook-up fee of \$2,000 per equivalent residential unit ("ERU") based on  
7 residential usage of 187.2 gallons per day. The proposed water fee is less than the fees approved  
8 for Epcor Water Arizona Inc. in Decision No. 69914 on September 27, 2007, and both fees are  
9 just slightly higher than the hook-up fees recently approved on November 17, 2011 for Litchfield  
10 Park Service Company ("LPSCO") in Decision No. 72682.

11 **Exhibit B** provides supporting documentation for Far West's proposed hook-up fees.

12 **V. PROPOSED TARIFFS**

13 **Exhibit A** contains proposed hook-up fee tariffs for Far West's water and wastewater  
14 divisions. The tariffs are identical to the tariffs approved for LPSCO in Decision No. 72682 with  
15 five minor exceptions:

- 16 1. The company names have been changed in both tariffs.
- 17 2. In both tariffs, Far West has updated the amount of the hook-up fees from \$1,800  
18 to \$2,000.

1 3. Far West does not have a tariff for age-restricted communities so in both tariffs it  
2 has removed the unnecessary provision for reduced hook-up fee for these  
3 communities.

4 4. For the wastewater tariff, Far West added a provision for reduced wastewater  
5 hook-up fees for RV park spaces. (**Exhibit B** provides the calculation of the  
6 reduced wastewater hook-up fees for RV park spaces.)

7 5. For both tariffs, the qualification for a “Large Subdivision and/or Development  
8 Projects” has been reduced from 150 to 50 lots. This change was made to  
9 accommodate the smaller size and slower pace of subdivision development in  
10 Yuma County compared to Maricopa County.

11 **VI. CUSTOMER BENEFITS**

12 Hook-up fee funds are treated as contributions in aid of construction (“CAIAC”). The  
13 tariff provides that these contributions will offset Far West’s rate base once they are used to fund  
14 plant investments. By reducing rate base, hook-up fees reduce future revenue requirements and  
15 the magnitude of future rate increases.

16 **VII. NO HEARING REQUIRED**

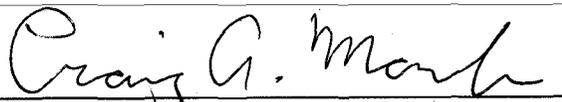
17 Under the proposed tariffs, hook-up fees will be treated as CAIAC and kept in segregated  
18 bank accounts. Therefore, hook-up fee collections will not affect income and no fair-value  
19 finding is needed to approve them. Further, the proposed tariff is essentially identical to the  
20 tariff approved for LPSCO in Decision No. 72682. Also, based on testimony in the Rate Case,  
21 there is significant customer demand for hook-up fees. Finally, because hook-up fees would be  
22 charged only to new hook-ups, present customers will not be affected.

23 For all these reasons, no hearing or further Commission action should be required. Far  
24 West asks that the Commission Staff allow the filed tariffs to become effective 31 days from the  
25 date of this filing, or July 20, 2013.

1 **VIII. APPROVAL IS IN THE PUBLIC INTEREST**

2 For all the reasons set forth in this application, approval of the requested hook-up fees is  
3 in the public interest.

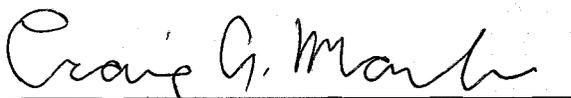
4 **Respectfully submitted** on June 19, 2013, by:

5  
6 

7  
8 Craig A. Marks  
9 Craig A. Marks, PLC  
10 10645 N. Tatum Blvd.  
11 Suite 200-676  
12 Phoenix, AZ 85028  
13 (480) 367-1956  
14 [Craig.Marks@azbar.org](mailto:Craig.Marks@azbar.org)  
15 Attorney for Far West Water & Sewer Company  
16

**Original and 13 copies filed**  
on June 19, 2013, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

By:   
Craig A. Marks

# Exhibit A

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

## HOOK-UP FEE TARIFF

### *WATER HOOK-UP FEE*

#### **I. Purpose and Applicability**

The purpose of the off-site hook-up fees payable to Far West Water & Sewer Company – Water Division (the “Company”) pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company’s establishment of service, as more particularly provided below.

#### **II. Definitions**

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission’s (“Commission”) rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

“Applicant” means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

“Company” means Far West Water & Sewer Company - Water Division.

“Main Extension Agreement” means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities necessary to the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfers ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as “Water Facilities Agreement” or “Line Extension Agreement.”

“Off-site Facilities” means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

“Service Connection” means and includes all service connections for single-family residential, commercial, industrial or other uses, regardless of meter size.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

### III. Water Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE WATER HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee(s)
5/8" x 3/4"	1	\$2,000
3/4"	1.5	\$3,000
1"	2.5	\$5,000
1-1/2"	5	\$10,000
2"	8	\$16,000
3"	16	\$32,000
4"	25	\$50,000
6" or larger	50	\$100,000

### IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of offsite facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

1) For those requiring a Main Extension Agreement: In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the Hook-Up Fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

2) For those connecting to an existing main: In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

(D) Off-Site Facilities Construction by Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision/Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 50 lots, the Company may, in its reasonable discretion, agree to payment of off-site hookup fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company as Hook-Up Fees pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hookup fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2014, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

**HOOK-UP FEE TARIFF**  
**WASTEWATER HOOK-UP FEE**

**I. Purpose and Availability**

The purpose of the off-site facilities hook-up fees payable to Far West Water and Sewer Company - Wastewater Division (the "Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide wastewater treatment and disposal facilities among all new service laterals. These charges are applicable to all new service laterals undertaken via Collection Main Extension Agreements, or requests for service not requiring a Collection Main Extension Agreement, entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

**II. Definitions**

Unless the context otherwise requires, the definitions set forth in R-14-2-601 of the Arizona Corporation Commission's ("Commission") rules and regulations governing sewer utilities shall apply interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of wastewater facilities to serve new service laterals, and may include Developers and/or Builders of new residential subdivisions, and industrial or commercial properties.

"Company" means Litchfield Park Service Company - Wastewater Division.

"Off-site Facilities" means the wastewater treatment plant, sludge disposal facilities, effluent disposal facilities and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include lift stations, force mains, transportation mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and benefit the entire wastewater system.

"Service Lateral" means and includes all service laterals for single-family residential, commercial, industrial or other uses.

"Sewer Main Extension Agreement" means an agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of wastewater facilities necessary to serve new service laterals, or install wastewater facilities to serve new service laterals and transfer ownership of such wastewater facilities to the Company, which agreement does not require the approval of the Commission pursuant to A.A.C. R-14-2-606, and shall have the same meaning as "Wastewater Main Extension Agreement," "Wastewater Line Extension Agreement," "Sewer Line Extension Agreement," or similarly titled agreement.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

**III. Wastewater Hook-up Fee**

For each new residential service lateral, the Company shall collect a Hook-Up Fee of \$2,000 based on the Equivalent Residential Unit (“ERU”) of 187.2 gallons per day. Commercial and industrial applicants shall pay based on the total ERUs of their development calculated by dividing the estimated total daily wastewater capacity usage needed for service using standard engineering standards and criteria by the ERU factor of 187.2 gallons per day. For facilities eligible to be billed under the RV Park Rate, the Hook-Up Fee shall be \$1,060 per RV Space, based on an ERU factor of 100 gallons per day per RV space, plus a fee per ERU for clubhouses and other common facilities calculated as for commercial and industrial applicants.

**IV. Terms and Conditions**

(A) Assessment of One Time Off-Site Facilities Hook-up Fee: The off-site facilities hook-up fee may be assessed only once per parcel, service lateral, or lot within a subdivision (similar to a service lateral installation charge).

(B) Use of Off-Site Facilities Hook-up Fee: Off-site facilities hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

(1) In the event that the person or entity that will be constructing improvements (“Applicant”, “Developer” or “Builder”) is otherwise required to enter into a Collection Main Extension Agreement, payment of the fees required hereunder shall be made by the Applicant, Developer or Builder within 15 days of execution of a Main Extension Agreement.

(2) In the event that the Applicant, Developer or Builder for service is not required to enter into a Collection Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time wastewater service is requested for the property.

(D) Off-Site Facilities Construction by Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

		Revised	Sheet No.	
Far West Water and Sewer Company		Cancelling	Sheet No.	
Docket No.				

(E) Failure to Pay Charges; Delinquent Pavements: The Company will not be obligated to make an advance commitment to provide or actually provide wastewater service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company connect service or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 50 lots, the Company may, in its reasonable discretion, agree to payment of off-site hookup fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site facilities hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site facilities hook-up fees shall be deposited into a separate account and bear interest and shall be used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.

(I) Off-Site Facilities Hook-up Fee in Addition to On-site Facilities: The off-site facilities hookup fee shall be in addition to any costs associated with the construction of on-site facilities under a Collection Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site facilities hook-up fees, or if the off-site facilities hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Facilities Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2014, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and an itemization of all facilities that have been installed using the tariff funds during the 12 month period.

ISSUED	(Month, Day, Year)		EFFECTIVE	(Month, Day, Year)
		ISSUED BY: Andrew J. Capestro 13157 E. 44 <sup>th</sup> Street Yuma, Arizona 85367		
		Decision No.		

**Far West Water and Sewer, Inc.**  
 Summary Data - Supporting Hook-Up Fee Filing

**Table 1 - Backbone Investment Not In Rate Base**

<b>All Investments</b>	<b>Water</b>	<b>Sewer</b>
Investment	\$ 23,179,758	\$ 38,938,826
Plant Capacity Added (gpd)	4,000,000	2,255,000
Investment Per Gallon of Capacity	\$ 5.79	\$ 17.27
Gallons Per Day Per ERU (Max Day)	585.2	187.2
Investment Per ERU	\$ 3,391	\$ 3,233

Includes current investment not in rate base and projected investment through 12/31/21

**Table 2 - Backbone Investment Not in Projected Rate Base**

<b>Post-Rate Case Investment</b>	<b>Water</b>	<b>Sewer</b>
Investment	\$ 23,179,758	\$ 20,090,528
Plant Capacity Added	4,000,000	1,204,000
Investment Per Gallon of Capacity	\$ 5.79	\$ 16.69
Gallons Per Day Per ERU	585.2	187.2
Investment Per ERU	\$ 3,391	\$ 3,124

Includes current investment less the portion expected to included in rate base in wastewater rate case and projected investment through 12/31/21.

**Table 3 - Projected Hook-Up Fee Collections**

	<b>Water</b>	<b>Sewer</b>
Projected ERUs Added (2012-2021)	5,450	5,450
Requested Hook-Up Fee	\$ 2,000	\$ 2,000
Projected Hook-Up Fees Collected	\$ 10,900,000	\$ 10,900,000

**Table 4 - Percent Investment Collected from Hook-Up Fees**

	<b>Water</b>	<b>Sewer</b>
Using Table 1 Investment Level	47.0%	28.0%
Using Table 2 Investment Level	47.0%	54.3%

**Far West Water & Sewer Company**  
**Water Division**  
**Backbone Facilities Cost Estimate**

	Treatment Capacity (MGD)	PIS 5/22/2013	CWIP 5/22/2013	Total Expended To Date	Estimated Cost thru 12/31/2021	Total Cost
<u>Ongoing and Planned Projects</u>						
Water Treatment Plant Expansion	4.000		\$ 724,585	724,585	\$ 17,455,173	18,179,758
Water Well Improvements	-			-	3,000,000	3,000,000
Water Storage Tank Improvements	-			-	2,000,000	2,000,000
<b>Total</b>	<b>4.000</b>	<b>\$ -</b>	<b>\$ 724,585</b>	<b>\$ 724,585</b>	<b>\$ 22,455,173</b>	<b>\$ 23,179,758</b>
Equivalent Residential Unit	585.2	gpd				
New ERU's Served	6,835					
Cost Per New ERU Served	\$ 3,391					

**Far West Water & Sewer Company**  
**Wastewater Division**  
**Backbone Facilities Cost Estimate**

	Treatment Capacity (MGD)	PIS 12/31/2011	PIS 5/22/2013	CWIP 5/22/2013	Total Expended To Date	Estimated Cost thru 12/31/2021	Total Cost
<b>Projects in Current Rate Case</b>							
Section 14 WWTP - Phase I	0.681	\$ 10,418,364			\$ 10,418,364		\$ 10,418,364
Del Oro WWTP - Phase I	0.300	4,495,923			4,495,923		4,495,923
Palm Shadows Force Main	-	2,254,102			2,254,102		2,254,102
Palm Shadows Lift Station	-	619,813			619,813		619,813
Seasons Zenon Module	0.070	1,060,096			1,060,096		1,060,096
<b>Total Included in Current Rate Case</b>	<b>1.051</b>	<b>\$ 18,848,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,848,298</b>	<b>\$ -</b>	<b>\$ 18,848,298</b>
<b>Post - Rate Case Costs</b>							
Section 14 WWTP - PH I - Post Closing			\$ 128,417		\$ 128,417		\$ 128,417
Palm Shadows - Post Closing			75,780		75,780		75,780
Seasons Expansion	0.080			654,804	654,804	35,000	689,804
Seasons Upgrades						429,175	429,175
Del Oro WWTP - Phase II	0.195			1,299,247	1,299,247	762,750	2,061,997
Del Rey Modification and Closure	-			32,366	32,366	92,000	124,366
Royale Modification and Closure	-			26,267	26,267	138,000	164,267
Del Rey/Royale Forcemain					-	165,400	165,400
Palm Shadows Closure	-			184,994	184,994	226,000	410,994
Section 14 WWTP - Phase II and III	0.619	2,165,201		543,710	2,708,911	1,349,610	4,058,521
40th Street Lift Station	-			142,482	142,482	496,200	638,682
Decommission FH Blvd. Liftstations	-				-	148,125	148,125
Odor Control LS 15	-				-	65,000	65,000
Odor Control PS LS	-				-	65,000	65,000
Odor Control LS 25	-				-	65,000	65,000
Odor Control Small Liftstations	-				-	150,000	150,000
Odor Control Del Oro WWTP	-				-	250,000	250,000
Odor Control Sec. 14 WWTP	-				-	500,000	500,000
Process Improvements Section 14 WWTP	-				-	1,500,000	1,500,000
Process Improvements Del Oro WWTP	-				-	600,000	600,000
Replace/Expand Marwood Treatment Plant	0.310	-	-	-	-	7,800,000	7,800,000
<b>Total</b>	<b>1.204</b>	<b>\$ 2,165,201</b>	<b>\$ 204,197</b>	<b>\$ 2,883,870</b>	<b>\$ 5,253,268</b>	<b>\$ 14,837,260</b>	<b>\$ 20,090,528</b>
<b>Total All Projects</b>	<b>2.255</b>	<b>\$ 21,013,499</b>	<b>\$ 204,197</b>	<b>\$ 2,883,870</b>	<b>\$ 24,101,566</b>	<b>\$ 14,837,260</b>	<b>\$ 38,938,826</b>
Equivalent Residential Unit	187.2	gpdupd					
New ERU's Served (Post- Rate Case Projects)	6,432						
Cost Per New ERU Served	\$	3,124					

**Far West Water & Sewer Company**  
**Data Supporting Hook-Up Fee Filing**

**Customer Counts**

	<u>Current Customers / ERUs</u>					<u>Projected Customers (ERU)</u>		
	<u>Actual Counts (12/31/11)</u>			<u>ERU (12/31/11)</u>		<u>Yr</u>	<u>ERU</u>	<u>Cumm</u>
	Water	Sewer	Mult	Water	Sewer			
5/8" mtr.	14,739	7,074	1	14,739	7,074	2012	100	100
3/4" mtr.			1.5	-	-	2013	150	250
1" mtr.	79	7	2.5	198	18	2014	250	500
1.5" mtr.	14	2	5	70	10	2015	300	800
2" mtr.	93	21	8	744	168	2016	400	1,200
3" mtr.	3		16	48	-	2017	750	1,950
4" mtr.	2		25	50	-	2018	750	2,700
6" mtr.	2		50	100	-	2019	750	3,450
RV (Common)		4	1.5		6	2020	1000	4,450
RV (Spaces)		761	53.0%		403	2021	1000	5,450
	<u>14,932</u>	<u>7,869</u>		<u>15,949</u>	<u>7,679</u>			

**Calculation of Equivalent Units for RV Space**

	<u>PPDU</u>	<u>gpcd</u>	<u>gpdupd</u>
Equivalent Residential Unit	2.34	80.0	187.2
RV Space			<u>100.0</u>
Calculated Ratio			0.53
Hook-Up Fee per ERU			\$ 2,000.00
Rv Space Hook-Up Fee			\$ 1,060.00

ADEQ approved for Far West  
ADEQ - Table 1 Unit Design Flows