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MEMORANDUM

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AZ CORP COMMISSION
DOCKET CONTROL

2014 JAN 21 PM 3 24

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

ORIGINAL

DATE: January 21, 2014

RE: STAFF REPORT FOR MICHAEL'S RANCH WATER USERS ASSOCIATION'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W-02624A-13-0367)

Attached is the Staff Report for Michael's Ranch Water Users Association's application for a permanent rate increase. Staff recommends approval of a rate increase in accordance with Staff's recommendations.

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 January 31, 2014.

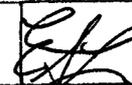
SMO:BaB:tdp\ML

Originator: Briton Baxter

Arizona Corporation Commission

DOCKETED

JAN 21 2014

DOCKETED BY 

Service List for: Michael's Ranch Water Users Association
Docket No. W-02624A-13-0367

Ms. Jeannie Falen
Michael's Ranch Water Users Association
1 Michael's Ranch Drive
Sedona, Arizona 86336

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

MICHAEL'S RANCH WATER USERS ASSOCIATION APPLICATION

DOCKET NO. W-02624A-13-0367

APPLICATION FOR A PERMANENT RATE INCREASE

JANUARY 21, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Michael's Ranch Water Users Association, Docket No. W-02624A-13-0367, was the responsibility of the Staff members listed below. Briton Baxter was responsible for the review and analysis of the Company's application, recommended revenue requirements, rate base and rate design. Dorothy Hains was responsible for the engineering and technical analysis. Trish Meeter was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.



Briton A. Baxter
Public Utility Analyst IV



Dorothy Hains
Utilities Engineer



Trish Meeter
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
MICHAEL'S RANCH WATER USERS ASSOCIATION
DOCKET NO. W-026248A-13-0367

Michael's Ranch Water Users Association ("Michael's Ranch" or "Association") is a class E water utility that provides potable water service to 25 customers. The Association's water system is located in Yavapai County, Arizona approximately 13 miles north of Cottonwood.

The Association-proposed rates would increase revenue by \$8,976 or 35.05 percent over test year revenues of \$25,610 to \$34,586 which would result in an operating income of \$7,024. This equates to a 10.74 percent rate of return on the Association-proposed fair value rate base ("FVRB"), which is also its original cost rate base ("OCRB"), of \$65,387. The Association is proposing rates that would increase the monthly minimum charge from \$18.00 to \$25.00 to be phased-in over a 3-year period. Under the Association-proposed rates, the typical residential monthly bill (all test year customers had a 5/8 x 3/4-inch meters), with median use of 7,438 gallons, would increase overall from \$51.18 to \$69.16 an increase of \$17.98 or 35.1 percent.

Staff recommends rates that would increase revenue by \$9,150 or 35.99 percent over adjusted test year revenues of \$25,422 to \$34,572 which would result in an operating income of \$2,612. This equates to a 2.80 percent rate of return and an operating margin of 7.56 percent on Staff's adjusted OCRB of \$93,143. Staff concurs with the 3-year phase-in because of the Commission's support for gradual rate increases and recommends rates that would increase the monthly minimum charge from \$18.00 to \$30.00 at the end of the phase-in period. Under the Staff-recommended rate design, the typical residential monthly bill, with median use of 7,438 gallons, would increase overall from \$51.18 to \$67.43 an increase of \$16.25, or 31.8 percent.

Staff recommends:

1. That the Commission approve the Staff-recommended rates and charges as shown in Schedule BAB-4.
2. Directing Michael's Ranch to file with Docket Control, as a compliance item in this docket, within 305 days of the effective date of this Decision, the second of three rate tariffs, assuming the Association's proposed rate phase-in is approved by the Commission.
3. Directing Michael's Ranch to file with Docket Control, as a compliance item in this docket, within 670 days of the effective date of this Decision, the third of three rate tariffs, assuming the Association's proposed rate phase-in is approved by the Commission.
4. Directing the Association to provide customer notice each year within 55 to 65 days before the next rate tariff is due.

5. Authorizing the meter and service line charges shown in Table 5 of the Engineering report.
6. Staff recommends that the Company monitor the water system closely and take action to ensure the water loss is below 10 percent. Staff further recommends that the Company be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2014 Annual Report filed in 2015. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted, shall be docketed as a compliance item before the Company files its next rate increase application. Any future rate case filed by the Company may be found insufficient if these items are not properly submitted.
7. Staff recommends that Michaels Ranch file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends that Michaels Ranch use the templates created by Staff that are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

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ATTACHMENT

Engineering Report	Attachment A
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FACT SHEET

Company: Michael's Ranch Water Users Association

Current Rates: Decision No. 65652 dated February 18, 2003

Type of Ownership: Association – Tax Exempt Cooperative

Location: Approximately 13 miles north of Cottonwood in Yavapai County

Filing Information:

Rate Application Docketed: October 30, 2013
Application Found Sufficient: November 22, 2013
Current Test Year Ended: December 31, 2012
Prior Test Year Ended: December 31, 2001

METERED RATES

1st Year

	<u>Current Rates</u>	<u>Association Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge (Based on a 5/8" X 3/4" meter)	\$18.00	\$20.00	\$20.00
Gallons in Minimum	0	0	0
<u>All Meter Sizes</u>			
0 to 5,000 Gallons	\$3.75	N/A	N/A
5,001 to 40,000 Gallons	\$5.91	N/A	N/A
Over 40,000 Gallons	\$7.00	N/A	N/A
<u>All Meter Sizes</u>			
0 to 5,000 Gallons	N/A	\$4.10	N/A
5,001 to 30,000 Gallons	N/A	\$6.50	N/A
Over 30,000 Gallons	N/A	\$7.70	N/A
<u>All Meter Sizes</u>			
0 to 3,000 Gallons	N/A	N/A	\$3.75
3,001 to 12,000 Gallons	N/A	N/A	\$6.20
Over 12,000 Gallons	N/A	N/A	\$7.30
Typical residential bill based On median usage of 7,438 gallons	\$51.18	\$56.34	\$53.86

2nd Year

	<u>Current Rates</u>	<u>Association Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge (Based on a 5/8" X 3/4" meter)	\$18.00	\$22.50	\$25.00
Gallons in Minimum	0	0	0
<u>All Meter Sizes</u>			
0 to 5,000 Gallons	\$3.75	N/A	N/A
5,001 to 40,000 Gallons	\$5.91	N/A	N/A
Over 40,000 Gallons	\$7.00	N/A	N/A
<u>All Meter Sizes</u>			
0 to 5,000 Gallons	N/A	\$4.50	N/A
5,001 to 30,000 Gallons	N/A	\$7.20	N/A
Over 30,000 Gallons	N/A	\$8.20	N/A
<u>All Meter Sizes</u>			
0 to 3,000 Gallons	N/A	N/A	\$3.85
3,001 to 12,000 Gallons	N/A	N/A	\$6.68
Over 12,000 Gallons	N/A	N/A	\$7.75
Typical residential bill based On median usage of 7,438 gallons	\$51.18	\$62.55	\$60.53

3rd Year/Overall

	<u>Current Rates</u>	<u>Association Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge (Based on a 5/8" X 3/4" meter)	\$18.00	\$25.00	\$30.00
Gallons in Minimum	0	0	0
<u>All Meter Sizes</u>			
0 to 5,000 Gallons	\$3.75	N/A	N/A
5,001 to 40,000 Gallons	\$5.91	N/A	N/A
Over 40,000 Gallons	\$7.00	N/A	N/A

All Meter Sizes

0 to 5,000 Gallons	N/A	\$5.00	N/A
5,001 to 30,000 Gallons	N/A	\$7.86	N/A
Over 30,000 Gallons	N/A	\$8.75	N/A

All Meter Sizes

0 to 3,000 Gallons	N/A	N/A	\$4.00
3,001 to 12,000 Gallons	N/A	N/A	\$7.15
Over 12,000 Gallons	N/A	N/A	\$8.78

Typical residential bill based

On median usage of 7,438 gallons	\$51.18	\$69.16	\$67.43
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CUSTOMERS

Number of customers in the prior test year:	20
Number of customers in the current test year (12/31/2012):	25
Current year customers by meter size: 5/8 X 3/4 – inches:	25
Seasonal customers:	7

Customer notification: Mailed October 30, 2013

Complaints:

No. of customer complaints since rate application filed:	0
Percentage of complaints to customer base:	N/A

SUMMARY OF FILING

The test year results, as adjusted by the Utilities Division ("Staff"), show total operating revenue of \$25,422 and operating expenses of \$31,574 resulting in a \$6,152 operating loss. Due to the operating loss, calculation of a rate of return on the Staff-adjusted original cost rate base ("OCRB") of \$90,621 is not meaningful. Since Michael's Ranch Water Users Association ("Michael's Ranch" or "Association") did not file reconstruction cost new information, Staff recommends recognizing a fair value rate base ("FVRB") equal to the OCRB.

The Association-proposed rates, as filed, produce total operating revenue of \$34,586 for an increase over test year revenue of \$8,976, or 35.05 percent to provide an operating income of \$7,024 for a rate of return of 10.74 percent on the Association-proposed FVRB which is also its OCRB of \$65,387. To minimize the impact of rate increases on customers, the Association proposes phasing in the proposed increases over a 3-year period. Under the Association-proposed rates, the typical residential monthly bill (all test year customers had a 5/8 x 3/4-inch meters), with median use of 7,438 gallons, would increase overall from \$51.18 to \$69.16, an increase of \$17.98 or 35.1 percent, see Schedule BAB-5, page 3.

Staff recommends rates that produce total operating revenue of \$34,572, an increase of \$9,150 or 35.99 percent, over the Staff adjusted test year revenue of \$25,422, to provide an operating income of \$2,612, a rate of return of 2.80 percent, and an operating margin of 7.56 percent on the Staff-adjusted \$93,143 OCRB. Staff concurs with the 3-year phase-in because of the Commission's support for gradual rate increases. Under the Staff-recommended rate design, the typical residential monthly bill, with median use of 7,438 gallons, would increase overall from \$51.18 to \$67.43, an increase of \$16.25, or 31.8 percent see Schedule BAB-5, page 3.

COMPANY BACKGROUND

On October 30, 2013, the Association filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). The Association is a Class E water provider authorized to provide water service in its certificated area located in Yavapai County. During the test year ended December 31, 2012, the Association provided potable water service to an average of 25 customers. All of the customers are served by 5/8 x 3/4 - inch meters.

The original Certificate of Convenience and Necessity ("CC&N") for the Association's service territory was granted under the name of Jupiter Meadows Water Users' Association in Decision No. 57833, dated April 23, 1992. The Commission, in Decision No. 60020 dated May 16, 1997, issued a new CC&N under the name of Michael's Ranch Water Users' Association. The current rates and charges were set forth in Decision No. 65652, dated February 18, 2003.

CONSUMER SERVICES

A search of the Consumer Services database from January 1, 2011 through January 2, 2014, reveals zero complaints have been filed for the Association. No Opinions have been filed regarding this application.

The Association's current bill complies with R14-2-409.B.2¹ for minimum bill information.

An affidavit of mailing was received on October 30, 2013, advising that notice to customers was sent by U.S. Mail.

COMPLIANCE

The Utilities Division Compliance Section shows no outstanding compliance issues.

The Association is current on its property and sales tax payments.

Michael's Ranch is in good standing with the Corporations Division of the Commission.

Michael's Ranch is currently in compliance with Arizona Department of Water Resources.

ENGINEERING ANALYSIS

The Arizona Department of Environmental Quality ("ADEQ") has determined that the Association's system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. Staff members, Dorothy Hains and Briton Baxter inspected the Association's plant facilities on December 4, 2013, with the system operator Mario Gonyea. Details of the Staff's review of the system are presented in the Staff Engineering Report - Attachment A.

RATE BASE

Staff's five rate base adjustments result in a \$27,756 increase to the Association's proposed rate base from \$65,387 to \$93,143, as shown on Schedule BAB-2, page 1. Details of Staff's adjustments are explained below.

¹ Per Arizona Administrative Code, Title 14, Chapter 2, R14-2-409.B.2.a thru R14-2-409.B.2.j each bill for residential service will contain minimum information.

Plant in Service

Staff adjustments increased Plant in Service by \$31,409, from \$228,822 to \$260,231 as shown on Schedule BAB-2, pages 1 and 2.

Power Generation Equipment – Adjustment “a” increases this account by \$21,508, from \$0 to \$21,508 as shown on Schedule BAB-2, pages 2 and 3. The Association purchased a generator to be able to provide continuous service in the event of a power failure and placed it into service in the test year.

Pumping Equipment – Adjustment “b” increases this account by \$14,331 from \$37,030 to \$51,361 as shown on Schedule BAB-2, pages 2 and 3. The Association added a booster pump to increase fire suppression capabilities and placed it into service in the test year. In 2010, the Association removed and repaired a 5 horsepower pump and kept it as a backup.

Water Treatment Plants - Adjustment “c” increases this account by \$5,024, from \$0 to \$5,024 as shown on Schedule BAB-2, pages 2 and 3. The Association had 19 reverse osmosis filters donated in 2004 and 2 more donated in 2005. The Association had to purchase 3 more units as new customers were added in 2005, 2007, and 2012. The Association also purchased 1 additional unit in 2012, to replace a donated unit that had failed.

Solution Chemical Feeders - Adjustment “d” increases this account by \$546, from \$0 to \$546 as shown on Schedule BAB-2, pages 2 and 3. The Association purchased a new chlorine pump post-test year.

Construction Work in Progress - Adjustment “e” decreases this account by \$10,000, from \$10,000 to \$0 as shown on Schedule BAB-2, pages 2 and 3. The Association recorded a \$10,000 deposit paid for the generator as construction work in progress, when as noted in the Power Generation Equipment adjustment above, Staff has adjusted plant in service to include the entire cost of the generator.

Accumulated Depreciation

Staff increased accumulated depreciation by \$2,451, from \$163,435 to \$165,886, as shown on Schedule BAB-2, pages 1 and 4. The increase is based upon the adjustments Staff made to plant in service.

Contributions-in-Aid-of-Construction (CIAC)

Staff increased CIAC by \$4,200, from \$0 to \$4,200, as shown in Schedule BAB-2, pages 1 and 3. This adjustment is a complement to Staff's \$5,024 adjustment to increase Water Treatment Plants discussed above to recognize the cost of the Point-of-Use Arsenic treatment devices installed pursuant to Decision No. 70050 dated December 4, 2007, that were contributed to the Association by the device manufacturer.

Accumulated Amortization of CIAC

Staff increased accumulated amortization of CIAC by \$1,234, from \$0 to \$1,234, as shown in Schedule BAB-2, pages 1 and 5, to reflect amortization on the \$4,200 contribution received for the reverse osmosis units. Staff used the half year convention for the first year that these units were placed into service and applied \$1,129 in accumulated amortization to the units that were received in 2004 and \$105 for the units received in 2005.

Working Capital

Michael's Ranch did not propose a working capital allowance. Staff's adjustments D and E resulted in a net increase to working capital of \$1,763, from \$0 to \$1,763, as shown on Schedule BAB-2 pages 1 and 5. Staff calculated this allowance by using the formula method.

STATEMENT OF OPERATING INCOME

Staff's one operating revenue adjustment and four operating expense adjustments result in a net increase to the Association's proposed total operating loss by \$4,200, from \$1,952 to \$6,152, as shown on Schedule BAB-3, pages 1-4. Details of Staff's adjustments are discussed below.

Operating Revenue

Other Income - Adjustment A decreases other water revenues by \$188 to reflect an error in the recording of a sales tax adjustment.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net increase of \$4,012, from \$27,562 to \$31,574 as shown on Schedule BAB-3, pages 1-4. Details of Staff's adjustments are discussed below.

Repairs and Maintenance - Adjustment B increases this account by \$5,148, from \$263 to \$5,411 as shown on Schedule BAB-3, pages 1 and 2 to reflect Staff's \$3,748 adjustment for maintenance performed on its arsenic treatment filters originally classified as water testing costs and a pro forma adjustment in the amount of \$1,663 that used the average of 2009 through 2013 (post-test year) repair and maintenance expenses.

Water Testing Expense - Adjustment C decreases this account by \$3,748, from \$4,730 to \$982 as shown on Schedule BAB-3, pages 1 and 2 to reflect Staff's water testing costs estimated in the attached Engineering Report.

Depreciation Expense - Adjustment D increases this account by \$2,565, from \$9,064 to \$11,629 as shown on Schedule BAB-3, pages 1 and 3. Staff's depreciation expense reflects

application of Staff's recommended depreciation rates to Staff's recommended depreciable plant balances and offset by the amortization of CIAC. The depreciation rates recommended in the Engineering Report were authorized in the prior rate case and were effective as of February 18, 2003.

Income Tax Expense – Adjustment E increases this account by \$373 to increase to zero the negative \$373 expense recorded as income taxes that the Association is not subject to as a non-profit entity.

REVENUE REQUIREMENT

Staff recommends total revenue of \$34,572, an increase of \$9,150 or 35.99 percent, over the Staff-adjusted test year revenue of \$25,422. Staff's recommended revenue provides a 2.80 percent rate of return and an operating margin of 7.56 percent on the Staff recommended \$90,621 FVRB, as shown on Schedule BAB-1. Staff's recommended rates yield a cash flow of \$13,542, as shown on Schedule BAB-6, line 43.

RATE DESIGN

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

Michael's Ranch-proposed rate structure includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate with break-over points at 5,000 and 30,000 gallons for all meter sizes. The Association recognizes that customer growth is limited and that higher rates would pose a burden on the existing small customer base. To minimize the impact of rate increases on customers, the Association proposes phasing in the increases over a 3 year period. Under the Association-proposed rates, the typical residential monthly bill (all test year customers had a 5/8 x 3/4-inch meters), with median use of 7,438 gallons, would increase overall by \$17.98 from \$51.18 to \$69.16, as shown on Schedule BAB-5, page 3.

Staff recommends a rate structure that includes a higher monthly minimum charge to place more of the revenue increase in the monthly minimum rates to stabilize future revenues. Staff also recommends that the break-over points be adjusted to 3,000 and 12,000 gallons for all meter sizes. Staff concurs with phasing in the increases over a 3 year period because of the Commission's support for gradual rate increases. Under the Staff-recommended rate design, the typical residential monthly bill, with median use of 7,438 gallons, would increase overall by \$16.25, or 31.8 percent, from \$51.18 to \$67.43, as shown on Schedule BAB-5, page 3.

MISCELLANEOUS SERVICE CHARGES

Establishment Charge - The Association has proposed an increase to the Establishment Charge from \$30.00 to \$50.00. Staff recommends approval of an Establishment Charge of \$50.00.

Reconnection (Delinquent) Charge - The Association has proposed an increase to the Reconnection (Delinquent) Charge from \$30.00 to \$40.00. Staff recommends approval of a Reconnection (Delinquent) Charge of \$40.00.

After Hours Service Charge - The Association has proposed an increase to the After Hours Service Charge from \$35.00 to \$50.00. Staff recommends approval of an After Hours Service Charge of \$50.00. The After Hours Service Charge would apply to all services provided after normal business hours when such service is at the customer's request or for the customer's convenience.

Meter Test (if correct) - The Association has proposed an increase to the Meter Test (if correct) Charge from \$40.00 to \$45.00. Staff recommends an approval of \$45.00. The Association has been informed of the services provided by the Arizona Corporation Commission related to meter testing at no cost.

Deposit Interest - Staff recommends adding the verbiage "per annum" to the proposed 6% Deposit Interest.

Re-establishment (within 12 months) Charge - The Association has proposed an increase in the Re-establishment Charge from \$18.00 (for months off) to \$25.00 (for months off). Staff recommends approval of a Re-establishment Charge of "Number of months off system times the monthly minimum" per R14-2-403.D.

Non-Sufficient Funds Charge - The Association has proposed an increase to the NSF Charge from \$25.00 to \$30.00. The Association was asked to support their request for a \$5.00 increase of the NSF Charge. In response, the Association provided information that the bank charge is \$12.00 for each NSF check. After review of the charges with the Association, Staff recommends no change from the current rate of \$25.00 for the NSF Charge.

Deferred Payment Charge - Staff recommends adding the verbiage "per month" to the Association's proposed 1.5% Deferred Payment Charge.

Meter Re-read Charge - The Association proposed an increase to the Meter Re-read charge from \$30.00 to \$40.00. Staff recommends no change from the current rate of \$30.00.

Late Fee Charge - The Association has proposed an increase to the Late Fee Charge from \$3.00 to \$5.00. Staff recommends the proposed Late Fee Charge be changed from \$5.00 to 1.5 percent per month or \$5.00, whichever is greater. This recommended change is consistent with

that of other utilities.

SERVICE LINE AND METER INSTALLATION CHARGES

The Association has not requested any changes in its service line and meter installation charges that were approved in its last rate application (Decision No. 65652). However, since the Association may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends approval of Staff's Service Line and Meter Installation Charges as shown on Table 5 in Attachment A.

STAFF'S RECOMMENDATIONS

Staff recommends:

1. That the Commission approve the Staff-recommended rates and charges as shown in Schedule BAB-4.
2. Directing Michael's Ranch to file with Docket Control, as a compliance item in this docket, within 305 days of the effective date of this Decision, the second of three rate tariffs, assuming the Association's proposed rate phase-in is approved by the Commission.
3. Directing Michael's Ranch to file with Docket Control, as a compliance item in this docket, within 670 days of the effective date of this Decision, the third of three rate tariffs, assuming the Association's proposed rate phase-in is approved by the Commission.
4. Directing the Association to provide customer notice each year within 55 to 65 days before the next rate tariff is due.
5. Authorizing the meter and service line charges shown on Table 5 of the Engineering report.
6. Staff recommends that the Company monitor the water system closely and take action to ensure the water loss is below 10 percent. Staff further recommends that the Company be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2014 Annual Report filed in 2015. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the

effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted, shall be docketed as a compliance item before the Company files its next rate increase application. Any future rate case filed by the Company may be found insufficient if these items are not properly submitted.

7. Staff recommends that Michaels Ranch file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends that Michaels Ranch use the templates created by Staff that are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

SUMMARY OF FILING

	-- Present Rates --		Proposed	Recommended
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$25,207	\$25,207	\$34,183	\$34,357
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	403	215	403	215
Total Operating Revenue	\$25,610	\$25,422	\$34,586	\$34,572
Operating Expenses:				
Operation and Maintenance	\$17,966	\$19,366	\$17,966	\$19,366
Depreciation	9,064	11,629	9,064	11,629
Property & Other Taxes	905	905	905	965
Income Tax	(373)	0	(373)	0
Total Operating Expense	\$27,562	\$31,900	\$27,562	\$31,960
Operating Income/(Loss)	(\$1,952)	(\$6,478)	\$7,024	\$2,612
Rate Base O.C.L.D.	\$65,387	\$93,143	\$65,387	\$93,143
Rate of Return - O.C.L.D.	N/M	N/M	10.74%	2.80%
Operating Margin	N/M	N/M	20.31%	7.56%

NOTES: 1. N/M means that the calculation is not meaningful.

2. Operating Margin represents the proportion of cash flow available to pay interest and other below the line expenses.

RATE BASE				
	----- Original Cost -----			
	Company	Adjustment	Ref	Staff
Plant in Service	\$228,822	\$31,409	A	\$260,231
Less:				
Accum. Depreciation	163,435	2,451	B	165,886
Net Plant	\$65,387	\$28,958		\$94,345
Less:				
Plant Advances	\$0	\$0		\$0
Accumulated Deferred Income Taxes	0	0		0
Total Advances	\$0	\$0		\$0
Contributions Gross	\$0	\$4,200	C	\$4,200
Less:				
Amortization of CIAC	0	1,234	D	1,234
Net CIAC	\$0	\$2,966		\$2,966
Total Deductions	\$0	\$2,966		\$2,966
Plus:				
1/24 Power	\$0	\$329	E	\$329
1/8 Operation & Maint.	0	1,434	F	1,434
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$1,763		\$1,763
Rate Base	\$65,387	\$27,756		\$93,143

Explanation of Adjustment:

- A - For Rate Base adjustment A, see Sch BAB-2, page 2
- B - For Rate Base adjustment B, see Sch BAB-2, page 4
- C - For Rate Base adjustment C, see Sch BAB-2, page 3
- D - For Rate Base adjustment D, see Sch BAB-2, page 5
- E - For Rate Base adjustment E, see Sch BAB-2, page 5
- F - For Rate Base adjustment F, see Sch BAB-2, page 5

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$0	\$0	\$0
302 Franchises	0	0	0
303 Land & Land Rights	5,000	0	5,000
304 Structures & Improvements	29,277	0	29,277
307 Wells & Springs	32,000	0	32,000
310 Power Generation Equipment	0	21,508 a	21,508
311 Pumping Equipment	37,030	14,331 b	51,361
320 Water Treatment Equipment	1,085	0	1,085
320.1 Water Treatment Plants	0	5,024 c	5,024
320.2 Solution Chemical Feeders	0	546 d	546
330 Distribution Reservoirs & Standpipes	0	0	0
330.1 Storage Tanks	27,000	0	27,000
330.2 Pressure Tanks	20,730	0	20,730
331 Transmission & Distribution Mains	58,800	0	58,800
333 Services	3,500	0	3,500
334 Meters & Meter Installations	3,000	0	3,000
335 Hydrants	1,400	0	1,400
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	0	0	0
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipment	0	0	0
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	0	0	0
105 C.W.I.P.	10,000	(10,000) e	0
TOTALS	\$228,822	\$31,409	\$260,231

STAFF PLANT ADJUSTMENT

a	- Power Generation Equipment	Per Company	\$0	
		Per Staff	\$21,508	<u>\$21,508</u>

The Association purchased a generator to be able to provide continuous service in the event of a power failure during the test year.

b	- Pumping Equipment	Per Company	\$37,030	
		Per Staff	\$51,361	<u>\$14,331</u>

The Association added a booster pump to increase fire suppression capabilities during the test year.

c	- Water Treatment Plants	Per Company	\$0	
		Per Staff	\$5,024	<u>\$5,024</u>

	Point of use arsenic treatment filters		
	Contributions-in-aid-of-construction	\$4,200	
	Company Purchased	<u>\$824</u>	<u>\$5,024</u>

The Association had 21 reverse osmosis filters donated in 2004 and 2005. The Association has purchased 3 more units for new customers 2005, 2007 and 2013 and 1 to replaced a failed unit in 2013.

d	- Solution Chemical Feeders	Per Company	\$0	
		Per Staff	\$546	<u>\$546</u>

The Association purchased a new chlorine pump post-test year.

e	- C.W.I.P.	Per Company	\$10,000	
		Per Staff	\$0	<u>-\$10,000</u>

The Construction Work in Process as reported by the company includes a \$10,000 deposit paid to the vendor for the generator purchased. See adjustment "a" for more information.

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$163,435
Accumulated Depreciation - Per Staff	<u>165,886</u>
Total Adjustment	<u>\$2,451</u> B

Accumulated depreciation for new plant additions:

Acct No.	Description	Per Company	Per Staff	
310	Power Generation Equipment	\$0	\$538	
311	Pumping Equipment	\$24,501	\$25,397	
320.1	Water Treatment Plants	\$0	\$1,455	
330.1	Storage Tanks	\$20,264	\$19,826	
	Total	<u>\$44,765</u>	<u>\$47,216</u>	<u>\$2,451</u>

Explanation of Adjustment:

- B - To adjust accumulated depreciation for new plant additions and other errors.

STAFF RATE BASE ADJUSTMENTS

D	- Amortization of CIAC	Per Company	\$0
		Per Staff	\$1,234
			\$1,234

To reflect Staff's calculation of amortization of CIAC based upon Staff's recommendations. Staff used the half year convention for the first year that the units were placed into service as noted below.

Year placed into service	Num of Units	Amortization of CIAC	
2004	19	\$1,129	
2005	2	\$105	
			\$1,234

E	- WORKING CAPITAL (1/24 PURCHASED POWER & WATER) -	Per Company	\$0
		Per Staff	\$329
			\$329

To reflect Staff's calculation of working capital based upon Staff's recommendations for purchased power and water.

F	- WORKING CAPITAL (1/8 OPERATION & MAINT EXP) -	Per Company	\$0
		Per Staff	\$1,434
			\$1,434

To reflect Staff's calculation of working capital based upon Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted	Staff Adjustments	Staff Recommended
Revenues:					
461 Metered Water Revenue	\$25,207	\$0	\$25,207	\$9,150	\$34,357
460 Unmetered Water Revenue	0	0	0		\$0
474 Other Water Revenues	403	(188) A	215		\$215
Total Operating Revenue	\$25,610	(\$188)	\$25,422	\$9,150	\$34,572
Operating Expenses:					
601 Salaries and Wages	\$0	\$0	\$0		\$0
610 Purchased Water	0	0	0		\$0
615 Purchased Power	7,892	0	7,892		\$7,892
618 Chemicals	0	0	0		\$0
620 Repairs and Maintenance	263	5,148 B	5,411		\$5,411
621 Office Supplies & Expense	0	0	0		\$0
630 Outside Services	3,060	0	3,060		\$3,060
635 Water Testing	4,730	(3,748) C	982		\$982
641 Rents	17	0	17		\$17
650 Transportation Expenses	0	0	0		\$0
657 Insurance - General Liability	1,853	0	1,853		\$1,853
659 Insurance - Health and Life	0	0	0		\$0
666 Regulatory Commission Expense - Rate Case	0	0	0		\$0
675 Miscellaneous Expense	151	0	151		\$151
403 Depreciation Expense	9,064	2,565 D	11,629		\$11,629
408 Taxes Other Than Income	0	0	0		\$0
408.11 Property Taxes	905	0	905	60	\$965
409 Income Tax	(373)	373 E	0		\$0
Total Operating Expenses	\$27,562	\$4,338	\$31,900	\$60	\$31,960
OPERATING INCOME/(LOSS)	(\$1,952)	(\$4,526)	(\$6,478)	\$9,090	\$2,612
Other Income/(Expense):					
419 Interest and Dividend Income	\$433	\$0	\$433		\$433
421 Non-Utility Income	0	0	0		\$0
427 Interest Expense	0	0	0		\$0
4XX Reserve/Replacement Fund Deposit	0	0	0		\$0
426 Miscellaneous Non-Utility Expense	0	0	0		\$0
Total Other Income/(Expense)	\$433	\$0	\$433	\$0	\$433
NET INCOME/(LOSS)	(\$1,519)	(\$4,526)	(\$6,045)	\$9,090	\$3,045

STAFF ADJUSTMENTS

A - OTHER WATER REVENUES - Per Company	\$403	
Per Staff	215	(\$188)

The Association incorrectly included a sale tax adjustment as other water revenues.

B - REPAIRS AND MAINTENANCE - Per Company	\$263	
Per Staff	5,411	\$5,148

The company included maintenance performed on its arsenic treatment filters as water testing when those expenditures should have been included as repair and maintenance. This adjustment also includes a Pro forma adjustment to normalize these expenditures. Staff used the average of the repair and maintenance, not including the arsenic filter maintenance, from 2009 to 2013 (post-test year).

Arsenic treatment filters		\$3,748
Pro forma adjustment	Year	Amount
	2013	\$1,933
	2012	\$263
	2011	\$1,219
	2010	\$2,073
	2009	\$2,826
		\$1,663
		\$5,411

C - WATER TESTING - Per Company	\$4,730	
Per Staff	982	(\$3,748)

To reflect Staff's calculation of water testing expense.

STAFF ADJUSTMENTS (Cont.)

D - DEPRECIATION - Per Company	\$9,064
Per Staff	11,629
	<u>\$2,565</u>

To reflect Staff's calculation of depreciation expense.

Acct No.	Description	PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
301	Organization	\$0		\$0	0.00%	\$0
302	Franchises	\$0		\$0	0.00%	\$0
303	Land & Land Rights	\$5,000	\$5,000	\$0	0.00%	\$0
304	Structures & Improvements	\$29,277		\$29,277	3.33%	\$975
307	Wells & Springs	\$32,000		\$32,000	3.33%	\$1,066
310	Power Generation Equipment	\$21,508		\$21,508	5.00%	\$1,075
311	Pumping Equipment	\$51,361		\$51,361	12.50%	\$6,420
320	Water Treatment Equipment	\$1,085		\$1,085	3.33%	\$36
320.1	Water Treatment Plants	\$5,024		\$5,024	3.33%	\$167
320.2	Solution Chemical Feeders	\$546		\$546	20.00%	\$109
330	Distribution Reservoirs & Standpipes	\$0		\$0	0.00%	\$0
330.1	Storage Tanks	\$27,000		\$27,000	2.22%	\$599
330.2	Pressure Tanks	\$20,730	\$20,730	\$0	5.00%	\$0
331	Transmission & Distribution Mains	\$58,800		\$58,800	2.00%	\$1,176
333	Services	\$3,500		\$3,500	3.33%	\$117
334	Meters & Meter Installations	\$3,000	\$3,000	\$0	8.33%	\$0
335	Hydrants	\$1,400		\$1,400	2.00%	\$28
336	Backflow Prevention Devices	\$0		\$0	6.67%	\$0
339	Other Plant and Misc. Equipment	\$0		\$0	6.67%	\$0
340	Office Furniture & Equipment	\$0		\$0	6.67%	\$0
341	Transportation Equipment	\$0		\$0	20.00%	\$0
343	Tools Shop & Garage Equipment	\$0		\$0	5.00%	\$0
344	Laboratory Equipment	\$0		\$0	10.00%	\$0
345	Power Operated Equipment	\$0		\$0	5.00%	\$0
346	Communication Equipment	\$0		\$0	10.00%	\$0
347	Miscellaneous Equipment	\$0		\$0	10.00%	\$0
348	Other Tangible Plant	\$0		\$0	0.00%	\$0
	Total Plant	\$260,231	\$28,730	\$231,501		\$11,769

Depreciation Expense Before Amortization of CIAC:	\$11,769
Less Amortization of CIAC *:	\$140
Test Year Depreciation Expense - Staff:	\$11,629
Depreciation Expense - Company:	\$9,064
Staff's Total Adjustment:	\$2,565

* Amortization of CIAC:	
Contribution(s) in Aid of Construction (Gross)	\$4,200
Less: Non Amortizable Contribution(s)	0
Fully Amortized Contribution(s)	0
Amortizable Contribution(s)	\$4,200
Times: Staff Proposed Amortization Rate	3.33%
Amortization of CIAC	\$140

E - INCOME TAX - Per Company	(\$373)
Per Staff	0
	<u>\$373</u>

The Association is a non-profit entity and is therefore not subject to income taxes.

STAFF ADJUSTMENTS (Cont.)

LINE NO.	Property Tax Calculation	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$25,422
2	Weight Factor	2
3	Subtotal (Line 1 * Line 2)	<u>\$50,844</u>
4	Staff Recommended Revenue, Per Schedule BaB-1	<u>\$34,572</u>
5	Subtotal (Line 4 + Line 5)	\$85,416
6	Number of Years	<u>3</u>
7	Three Year Average (Line 5 / Line 6)	\$28,472
8	Department of Revenue Mutilplier	<u>2</u>
9	Revenue Base Value (Line 7 * Line 8)	\$56,944
10	Plus: 10% of CWIP -	-
11	Less: Net Book Value of Licensed Vehicles	<u>\$0</u>
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$56,944
13	Assessment Ratio	19.0%
14	Assessment Value (Line 12 * Line 13)	\$10,819
15	Composite Property Tax Rate	<u>5.20%</u>
		\$0
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	
17	Company Proposed Property Tax	
18	Staff Test Year Adjustment (Line 16-Line 17)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)	\$563
20	Staff Test Year Adjusted Property Tax Expense (Line 16)	\$502
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement	<u>\$60</u>
22	Increase to Property Tax Expense	\$60
23	Increase in Revenue Requirement	\$9,150
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)	0.66%

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates			Staff Recommended Rates		
		1ST YEAR	2ND YEAR	3RD YEAR	1ST YEAR	2ND YEAR	3RD YEAR
Meter Size (All Classes):							
5/8 x 3/4 Inch	\$18.00	\$20.00	\$22.50	\$25.00	\$20.00	\$25.00	\$30.00
3/4 Inch	\$21.00	\$23.00	\$25.50	\$28.00	\$23.00	\$28.00	\$33.00
1 Inch	\$24.00	\$26.00	\$28.50	\$31.00	\$26.00	\$31.00	\$36.00
1 1/2 Inch	\$32.00	\$34.00	\$36.50	\$39.00	\$34.00	\$39.00	\$44.00
2 Inch	\$55.00	\$57.00	\$59.50	\$62.00	\$57.00	\$62.00	\$67.00
3 Inch	\$78.00	\$80.00	\$82.50	\$85.00	\$80.00	\$85.00	\$90.00
4 Inch	\$154.00	\$156.00	\$158.50	\$161.00	\$156.00	\$161.00	\$166.00
6 Inch	\$279.00	\$281.00	\$283.50	\$286.00	\$281.00	\$286.00	\$291.00
Commodity Charge - Per 1,000 Gallons							
All Meter Sizes							
First 5,000 gallons	\$3.75	N/A	N/A	N/A	N/A	N/A	N/A
5,001 to 40,000 gallons	\$5.91	N/A	N/A	N/A	N/A	N/A	N/A
Over 40,000 gallons	\$7.00	N/A	N/A	N/A	N/A	N/A	N/A
First 5,000 gallons	N/A	\$4.10	\$4.50	\$5.00	N/A	N/A	N/A
5,001 to 30,000 gallons	N/A	\$6.50	\$7.20	\$7.86	N/A	N/A	N/A
Over 30,000 gallons	N/A	\$7.70	\$8.20	\$8.75	N/A	N/A	N/A
First 5,000 gallons	N/A	N/A	N/A	N/A	\$3.75	\$3.85	\$4.00
5,001 to 12,000 gallons	N/A	N/A	N/A	N/A	\$6.20	\$6.67	\$7.15
Over 12,000 gallons	N/A	N/A	N/A	N/A	\$7.30	\$7.75	\$8.78
Other Service Charges							
Establishment	\$30.00			\$50.00			\$50.00
Reconnection (Delinquent)	\$30.00			\$40.00			\$40.00
After Hours Service Charges	\$35.00			\$50.00			\$50.00
Meter Test (If Correct)	\$40.00			\$45.00			\$45.00
NSF Check	\$25.00			\$30.00			\$25.00
Meter Reread (If Correct)	\$30.00			\$40.00			\$30.00
Deposit	*			*			*
Deposit Interest (Per Month)	**			**			**
Deferred Payment (Per Month)	***			***			***
Late Charge (Per Month)	\$3.00			\$5.00			****
Re-establishment (Within 12 Months)	*****			*****			*****

* Per Commission Rule A.A.C. R-14-2-403(B)(7).

** Per Commission Rule A.A.C. R-14-2-403(B)(3).

*** 1.50% of unpaid monthly balance.

**** 1.50% per month or \$5.00, whichever is greater.

***** Month off system times the monthly minimum A.A.C. R14-2-403(D).

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 14-2-409D(5).

Service and Meter Installation Charges

Description	Total Present Charge	Proposed			Recommended		
		Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge
5/8 x 3/4 Inch	\$450			\$450	\$338	\$112	\$450
3/4 Inch	\$500			\$500	\$340	\$160	\$500
1 Inch	\$600			\$600	\$396	\$204	\$600
1 1/2 Inch	\$850			\$850	\$433	\$417	\$850
2 Inch Turbine	\$1,500			\$1,500	\$600	\$900	\$1,500
2 Inch Compound	N/A			N/A	N/A	N/A	N/A
3 Inch Turbine	\$2,100			\$2,100	\$756	\$1,344	\$2,100
3 Inch Compound	N/A			N/A	N/A	N/A	N/A
4 Inch Turbine	\$3,200			\$3,200	\$1,056	\$2,144	\$3,200
4 Inch Compound	N/A			N/A	N/A	N/A	N/A
6 Inch Turbine	\$6,000			\$6,000	\$1,680	\$4,320	\$6,000
6 Inch Compound	N/A			N/A	N/A	N/A	N/A
Over 6-inch	N/A			N/A	N/A	N/A	N/A

TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter
1ST YEAR

Average Number of Customers: 24

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	12,973	\$83.89	\$92.33	\$8.44	10.1%
Median Usage	7,438	\$51.18	\$56.34	\$5.16	10.1%

<u>Staff Recommend</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	12,973	\$83.89	\$89.26	\$5.37	6.4%
Median Usage	7,438	\$51.18	\$53.86	\$2.68	5.2%

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

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$18.00	\$20.00	11.1%	\$20.00	11.1%
1,000	21.75	24.10	10.8%	23.75	9.2%
2,000	25.51	28.20	10.6%	27.50	7.8%
3,000	29.26	32.30	10.4%	31.25	6.8%
4,000	33.02	36.40	10.2%	35.00	6.0%
5,000	36.77	40.50	10.1%	38.75	5.4%
6,000	42.68	47.00	10.1%	44.95	5.3%
7,000	48.59	53.50	10.1%	51.15	5.3%
8,000	54.50	60.00	10.1%	57.35	5.2%
9,000	60.41	66.50	10.1%	63.55	5.2%
10,000	66.32	73.00	10.1%	69.75	5.2%
15,000	95.87	105.50	10.0%	104.05	8.5%
20,000	125.42	138.00	10.0%	140.55	12.1%
25,000	154.97	170.50	10.0%	177.05	14.2%
50,000	313.62	357.00	13.8%	359.55	14.6%
75,000	488.62	549.50	12.5%	542.05	10.9%
100,000	663.62	742.00	11.8%	724.55	9.2%
125,000	838.62	934.50	11.4%	907.05	8.2%
150,000	1,013.62	1,127.00	11.2%	1,089.55	7.5%
175,000	1,188.62	1,319.50	11.0%	1,272.05	7.0%
200,000	1,363.62	1,512.00	10.9%	1,454.55	6.7%

TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter
2ND YEAR

Average Number of Customers: 24

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	12,973	\$83.87	\$102.41	\$18.54	22.1%
Median Usage	7,438	\$51.16	\$62.55	\$11.39	22.3%
<u>Staff Recommend</u>					
Average Usage	12,973	\$83.87	\$98.55	\$14.68	17.5%
Median Usage	7,438	\$51.16	\$60.53	\$9.37	18.3%

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

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$18.00	\$22.50	25.0%	\$25.00	38.9%
1,000	21.75	27.00	24.1%	28.85	32.6%
2,000	25.50	31.50	23.5%	32.70	28.2%
3,000	29.25	36.00	23.1%	36.55	25.0%
4,000	33.00	40.50	22.7%	40.40	22.4%
5,000	36.75	45.00	22.4%	44.25	20.4%
6,000	42.66	52.20	22.4%	50.93	19.4%
7,000	48.57	59.40	22.3%	57.61	18.6%
8,000	54.48	66.60	22.2%	64.29	18.0%
9,000	60.39	73.80	22.2%	70.97	17.5%
10,000	66.30	81.00	22.2%	77.65	17.1%
15,000	95.85	117.00	22.1%	114.26	19.2%
20,000	125.40	153.00	22.0%	153.01	22.0%
25,000	154.95	189.00	22.0%	191.76	23.8%
50,000	313.60	389.00	24.0%	385.51	22.9%
75,000	488.60	594.00	21.6%	579.26	18.6%
100,000	663.60	799.00	20.4%	773.01	16.5%
125,000	838.60	1,004.00	19.7%	966.76	15.3%
150,000	1,013.60	1,209.00	19.3%	1,160.51	14.5%
175,000	1,188.60	1,414.00	19.0%	1,354.26	13.9%
200,000	1,363.60	1,619.00	18.7%	1,548.01	13.5%

TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter
3RD YEAR/OVERALL

Average Number of Customers: 24

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	12,973	\$83.89	\$112.67	\$28.78	34.3%
Median Usage	7,438	\$51.18	\$69.16	\$17.98	35.1%

<u>Staff Recommend</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	12,973	\$83.89	\$108.60	\$24.71	29.5%
Median Usage	7,438	\$51.18	\$67.43	\$16.25	31.8%

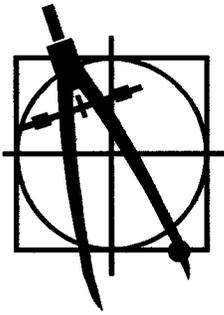
Present & Proposed Rates (Without Taxes)
General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$18.00	\$25.00	38.9%	\$30.00	66.7%
1,000	21.75	30.00	37.9%	34.00	56.3%
2,000	25.51	35.00	37.2%	38.00	49.0%
3,000	29.26	40.00	36.7%	42.00	43.5%
4,000	33.02	45.00	36.3%	46.00	39.3%
5,000	36.77	50.00	36.0%	50.00	36.0%
6,000	42.68	57.86	35.6%	57.15	33.9%
7,000	48.59	65.72	35.3%	64.30	32.3%
8,000	54.50	73.58	35.0%	71.45	31.1%
9,000	60.41	81.44	34.8%	78.60	30.1%
10,000	66.32	89.30	34.7%	85.75	29.3%
15,000	95.87	128.60	34.1%	126.39	31.8%
20,000	125.42	167.90	33.9%	170.29	35.8%
25,000	154.97	207.20	33.7%	214.19	38.2%
50,000	313.62	421.50	34.4%	433.69	38.3%
75,000	488.62	640.25	31.0%	653.19	33.7%
100,000	663.62	859.00	29.4%	872.69	31.5%
125,000	838.62	1,077.75	28.5%	1,092.19	30.2%
150,000	1,013.62	1,296.50	27.9%	1,311.69	29.4%
175,000	1,188.62	1,515.25	27.5%	1,531.19	28.8%
200,000	1,363.62	1,734.00	27.2%	1,750.69	28.4%

CASH FLOW ANALYSIS POST 3-YEAR PHASE-IN

Line No.

	Staff Recommended
1 INCOME STATEMENT	
2	
3 Operating Revenue	
4 Metered Water Revenue	\$33,218
5 Unmetered Revenue	\$0
6 Other Water Revenues	\$215
7 Total Operating Rev:	<u>\$33,433</u>
8	
9 Operating Expenses	
10 601 Salaries and Wages	\$0
11 610 Purchased Water	\$0
12 615 Purchased Power	\$7,892
13 618 Chemicals	\$0
14 620 Repairs and Maintenance	\$5,411
15 621 Office Supplies & Expense	\$0
16 630 Outside Services	\$3,060
17 635 Water Testing	\$982
18 641 Rents	\$17
19 650 Transportation Expenses	\$0
20 657 Insurance - General Liability	\$1,853
21 659 Insurance - Health and Life	\$0
22 666 Regulatory Commission Expense - Rate Case	\$0
23 675 Miscellaneous Expense	\$151
24 403 Depreciation Expense	\$11,629
25 408 Taxes Other Than Income	\$0
26 408.11 Property Taxes	\$958
27 409 Income Tax	<u>\$0</u>
28 Total Operating Expense	<u>\$31,953</u>
29	
30 Operating Income	\$1,480
31	
32 Interest Income	\$433
33 Total Other Interest Expense/Income	\$433
34	
35 Net Income	\$1,913
36	
37 Rate Base	\$93,143
38	
39 Rate of Return (Line 30 / Line 37)	1.59%
40	
41 Operating Margin (Line 30 / Line 7)	4.43%
42	
43 Cash Flow (Line 24 + Line 35)	\$13,542



Engineering Report
Michaels Ranch Water User Association
By Dorothy Hains, P. E. DH
Docket No. W-02624A-13-0367 (Rates)

January 14, 2014

EXECUTIVE SUMMARY

Recommendations:

1. Arizona Corporation Commission (“ACC” or “Commission”) Utilities Division Staff (“Staff”) recommends that Michaels Ranch Water Users Association (“Michaels Ranch” or “Company”) use depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category, as delineated in Exhibit 5. (See §K and Exhibit 5 for a discussion and a tabulation of the recommended rates.)
2. Staff recommends approval of the Company’s proposed and Staff’s recommended service line and meter installation charges listed in Table 5. (See §L of report for discussion and details.)
3. Annual testing expenses should be adjusted to \$982. (See §J and Table 4 for discussion and details.)
4. The calculated water loss during the test year in Michaels Ranch was a negative 7.2 percent. A negative water loss calls into question the validity of the water use data reported for the system.

Staff recommends that the Company monitor the water system closely and take action to ensure the water loss is below 10 percent. Staff further recommends that the Company be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2014 Annual Report filed in 2015. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted, shall be docketed as a compliance item before the Company files its next rate increase application. Any future rate case filed by the Company may be found insufficient if these items are not properly submitted. (See §E for discussion and details.).

5. Staff recommends that Michaels Ranch file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends that Michaels Ranch use the templates created by Staff that are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application. (See §L of report for discussion and details.)

Conclusions:

1. Arizona Department of Environment Quality stated that Michaels Ranch water system Public Water System ("PWS") No. 13-109 has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (See §G of report for discussion and details.)
2. Michaels Ranch is not located in any Arizona Department of Water Resources ("ADWR") Active Management Area. ADWR reported that Michaels Ranch is currently compliant with departmental requirements governing water providers and/or community water systems. (See §H of report for discussion and details.)
3. A check of the Commission's Compliance Section database dated December 12, 2013, indicated that the Company had no ACC delinquent compliance items. (See §I of report for discussion and details.)
4. Staff concludes that Michaels Ranch water system has adequate production and storage capacities to serve existing customers and reasonable growth. (See §C of report for discussion and details.)
5. Michaels Ranch has approved Cross Connection/Backflow, Point-of-Use and Curtailment Tariffs on file with the Commission. (See §K of report for discussion and details.)
6. Staff identified recent plant additions that are used and useful to the Company's provision of service (See §L of report for discussion and details.)

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**ENGINEERING REPORT
MICHAELS RANCH WATER USERS ASSOCIATION
DOCKET NO. W-02624A-13-0367 (RATES)**

A. PURPOSE OF REPORT AND INTRODUCTION

This report was prepared in response to the rate application filed by Michaels Ranch Water Users Association (“Michaels Ranch” or “Company”) with the Arizona Corporation Commission (“ACC” or “Commission”) on October 30, 2013. On November 2, 2013, Commission Utilities Division Staff (“Staff”) informed the Company that the application met the sufficiency requirements outlined in the Arizona Administrative Code R-14-2-103.B.7. Staff classified the Company as a Class E utility. Staff’s engineering review and analysis of the rate application is presented in this report. An inspection and evaluation of the Company’s water system was conducted by Dorothy Hains, Staff Engineer, and Briton Baxter, Staff Accountant, accompanied by Company representatives, Mario Gonyea (System Operator) and Jeannie Falen (Company Manager) on December 4, 2013.

B. LOCATION OF SYSTEM

The Company is located in an unincorporated area along Highway 89A near the City of Sedona in Yavapai County. Attached Exhibits 1 and 2 detail the location of the Company’s service area in relation to other Commission regulated companies in Yavapai County and in the immediate area. The Company serves an area approximately one-fourth of one square mile in size that includes a portion of Section 14 in Township 17 North, Range 5 East.

C. DESCRIPTION OF SYSTEM

I. System Description

The Michaels Ranch Public Water System (“PWS”) No. 13-109 consists of one production well, one storage tank, a booster pump station, 24 Reverse Osmosis (“RO”) residential units to remove arsenic from the well water and a distribution system serving approximately 25 metered customers during the test year ending December 2012. Detailed plant items are listed as follows:

Table 1 Plant in Michaels Ranch Water System

Active Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-518864	1987	8	805	2	7.5	28	260 Elmerville Rd, Sedona, Az

Active Arsenic Removal Treatment Plant

Location	Equipment	Capacity
24 residential	Each household unit includes on Watts Premier Reverse Osmosis ("RO") unit, one 3 gallons storage tank, one bacteriostatic filter, one carbon filter, one taste/odor filter	9 gallons per day per unit

Active Storage, Pumping (in PWS No. 13-109)

Location	Structure or equipment	Capacity
260 Elmerville Rd, Sedona, Az	Storage Tank	One 75,000 gal
260 Elmerville Rd, Sedona, Az	Pressure Tank	One 2,000 gal
260 Elmerville Rd, Sedona, Az	Booster pump station	Two 5-HP & one 10-HP

Distribution Mains in Michaels Ranch CC&N Area

Diameter (inches)	Material	Length (feet)
6	polyvinyl chloride ("PVC")	4,500

Meters in Michaels Ranch CC&N Area

Size (inches)	Quantity
5/8 x 3/4	24 (residential)
5/8 x 3/4	1 (irrigation)
3/4	N/A
1	N/A
1 1/2	N/A
2	N/A
3 (comp)	N/A

The majority of the Company's customers are residential. Exhibit 3 is schematic drawing of the water system.

II. System Analysis

The System has a total source capacity of 28 GPM and storage capacity of 75,000 gallons. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

D. WATER USAGE

Table 2 summarizes water usage in the Michaels Ranch service area. Exhibit 4 is a graph that shows water consumption data in gallons per day ("GPD") per connection for the System during the test year.

Table 2 Water Usage in Michaels Service Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 12	23	183,460	184,300	0	257
Feb 12	23	179,020	174,300	0	278
Mar 12	23	180,650	173,700	0	253
Apr 12	23	240,000	225,300	0	348
May 12	23	407,230	387,900	0	571
Jun 12	23	588,840	486,800	0	853
Jul 12	23	548,550	511,100	0	769
Aug 12	23	432,270	394,700	0	606
Sep 12	24	336,400	302,200	0	467
Oct 12	24	400,360	373,000	0	538
Nov 12	24	208,670	215,600	0	290
Dec 12	24	120,670	140,600	0	162
total		3,826,120	3,569,500	0	
Average					449

Based on information provided by the Company, during the test year, Michaels Ranch experienced an overall daily average use of 449 GPD per customer, a high use of 853 GPD per customer, and a low use of 162 GPD per customer. The highest total monthly use occurred in June, when a total of 588,840 gallons were sold to 23 customers. The lowest total monthly use occurred in December, when 120,670 gallons were sold to 24 customers.

E. Non-account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between the 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, etc.

The calculated water loss during the test year in Michaels Ranch was a negative 7.2 percent. A negative water loss calls into question the validity of the water use data reported for the system since a negative water loss is impossible. At the request of Staff, the Company provided additional water use data for the period from January 2013 to September 2013. During this period, the Michael Ranch pumped a total of 2,643,162 gallons of water and sold a total of 2,699,086 gallons of water which equates to a water loss of negative 2.2 percent which means Michael Ranch has not resolved the problem.

Staff recommends that the Company monitor the water system closely and take action to ensure the water loss is below 10 percent. Staff further recommends that the Company be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2014 Annual Report filed in 2015. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed plan to reduce water loss to 10 percent or less. If the Company believes it is not cost

effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, whichever is submitted, shall be docketed as a compliance item before the Company files its next rate increase application. Any future rate case filed by the Company may be found insufficient if these items are not properly submitted.

F. GROWTH PROJECTION

Based on the service meter data contained in the Company’s annual reports the number of customers served between 2005 and 2012 remained the same. During this period growth in the Michaels Ranch service area was flat remaining at 24 connections. Growth is expected to remain flat through 2016.

Table 3 Actual and Projected Growth (Michaels Ranch)

Year	Nos. of Customers	
2002	21	Reported
2003	21	Reported
2004	N/A	Reported
2005	24	Reported
2006	24	Reported
2007	25	Reported
2008	25	Reported
2009	25	Reported
2010	23	Reported
2011	24	Reported
2012	24	Reported
2013	24	Estimated
2014	24	Estimated
2015	24	Estimated
2016	24	Estimated

G. ADEQ COMPLIANCE

Staff received a compliance status report from ADEQ dated December 10, 2013, in which ADEQ stated that Michaels Ranch water system (PWS No. 13-109) has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

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

Michaels Ranch is not located in Any Active Management Area (“AMA”) as designated by ADWR. Staff received a Compliance Status Report from ADWR for Michaels Ranch on November 5, 2013. ADWR reported that the Michaels Ranch is compliant with departmental requirements governing water providers and/or community water systems.

I. ACC COMPLIANCE

A check of the Utilities Division Compliance Section database dated December 12, 2013, indicated that Michaels Ranch has no delinquent compliance items.

J. WATER TESTING EXPENSES

Michaels Ranch proposed a water testing expense of \$4,730¹. Michaels Ranch is subject to mandatory participation in the ADEQ Monitoring Assistance Program (“MAP”). Staff calculated the Company’s testing expense based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an annualized basis.
3. All monitoring expenses are based on Staff’s best knowledge of lab costs and methodology and one point of entry.
4. The estimated water testing expenses represent a minimum cost based on no “hits” other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs could dramatically increase.

Water testing expenses should be adjusted to Staff’s annual expense amount of \$982 shown in Table below.

Table 4 Water Testing Cost (Michaels Ranch Water)

Monitoring – 1 wells & 1 POED (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$20	36	\$720	\$240
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC’s, SOC’s, VOC’s	\$2,805	MAP	MAP	MAP
Nitrites	\$25	MAP	MAP	MAP
Nitrates – annual	\$25	MAP	MAP	MAP

¹ The Company informed Staff that \$4,730 included expenses associated with replacing filters in the RO systems and water quality tests.

Asbestos – per 9 years	\$180	2½	MAP	MAP
Lead & Copper – annual*	\$40	5	\$200	\$66.67
TTHM/HHA5	\$350	3	\$1,050	\$350
Arsenic	\$20	2	\$40	\$13.33
Maximum chlorine residual levels	\$0	72	\$0	\$0
MAP Fee ¹				\$311.68
Total				\$981.68

Note 1) Based on ADEQ MAP Fee invoice for calendar year 2013.

K. DEPRECIATION RATES

Staff’s typical and customary depreciation rates, which vary by National Association of Regulatory Utility Commissioners (“NARUC”) plant categories, are illustrated in Exhibit 5. These rates represent typical and customary values within a range of anticipated equipment life. Staff recommends that Michaels Ranch use the depreciation rates presented in Exhibit 5 on a going forward basis.

L. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company did not request to modify its existing Service Line and Meter Installation Charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff using the Company’s current total charges. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 5.

Table 5 Service Line and Meter Installation Charges (Michaels Ranch)

Meter Size	Current Service Line Charges (Decision #65652)	Current Meter & Charges (Decision #65652)	Current Total Meter & Service Line Installation Charges (Decision #65652)	Proposed Service Line Charges	Proposed Meter Charges	Proposed Total installation Charge	Staff Recommendation (Service Line installation charge)	Staff Recommendation (Meter charges)	Staff Recommended total charges
5/8 x 3/4-inch	N/A	N/A	\$450	N/A	N/A	\$450	\$338	\$112	\$450
3/4-inch	N/A	N/A	\$500	N/A	N/A	\$500	\$340	\$160	\$500
1-inch	N/A	N/A	\$600	N/A	N/A	\$600	\$396	\$204	\$600

1½-inch	N/A	N/A	\$850	N/A	N/A	\$850	\$433	\$417	\$850
2-inch (Turbine)	N/A	N/A	\$1,500	N/A	N/A	\$1,500	\$600	\$900	\$1,500
2-inch (Compound)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3-inch (Turbine)	N/A	N/A	\$2,100	N/A	N/A	\$2,100	\$756	\$1,344	\$2,100
3-inch (Compound)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4-inch (Turbine)	N/A	N/A	\$3,200	N/A	N/A	\$3,200	\$1,056	\$2,144	\$3,200
4-inch (Compound)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6-inch (Turbine)	N/A	N/A	\$6,000	N/A	N/A	\$6,000	\$1,680	\$4,320	\$6,000
6-inch (Compound)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Over 6-inch	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

II. Curtailment Tariff

The Company has an approved Curtailment tariff on file with the Commission.

III. Cross Connection/Backflow Tariff

The Company has an approved Cross Connection/Backflow prevention tariff on file with the Commission.

IV. Point-of-Use Treatment Device Tariff

The Company has an approved Point-of-Use Treatment Device tariff for arsenic removal on file with the Commission.

V. Best Management Practices (“BMPs”) Tariff

Staff recommends that Michaels Ranch file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission’s review and consideration. Staff further recommends that the Company use the templates created by Staff that are available on the Commission’s website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

A maximum of two BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

VI. *Plant Items Used and Useful*

i. On-site Generator

During its field inspection, Staff learned that Michaels Ranch installed a 60-kW generator in order to meet Sedona Fire Department requirements. A November 7, 2012 invoice from AGM Sales & Service, LLC indicated that the 60-kW generator was purchased for \$21,508. The \$21,508 should be classified in NARUC Account No. 310 (Power Generation Equipment).

ii. Chlorination Injector

Michaels Ranch replaced its chlorine disinfection unit in April 2013. An April 1, 2013 invoice from CWO indicated that Michaels Ranch purchased a chlorine pump to replace a broken pump. The \$546 should be classified in NARUC Account No. 320.2 (Solution Chemical Feeders).

iii. 10-HP Fire Flow Pump

A 10-HP pump designated for fire flow use only was installed during the test year, this plant item is in service and therefore used and useful (see reference to On-site Generator addition above). Based on the invoices provided by the Company the total cost of the pump was \$14,330 should be classified in NARUC Account No. 311 (Pumping Equipment).

iv. Arsenic Treatment - Reverse Osmosis ("RO") Units

Staff believes that \$200 per unit for the Watt's RO system is reasonable. The costs of these RO Units should be classified as Water Treatment Plant (under NARUC Account No. 320.1).

EXHIBIT 1

MICHAELS RANCH CERTIFICATE SERVICE AREA

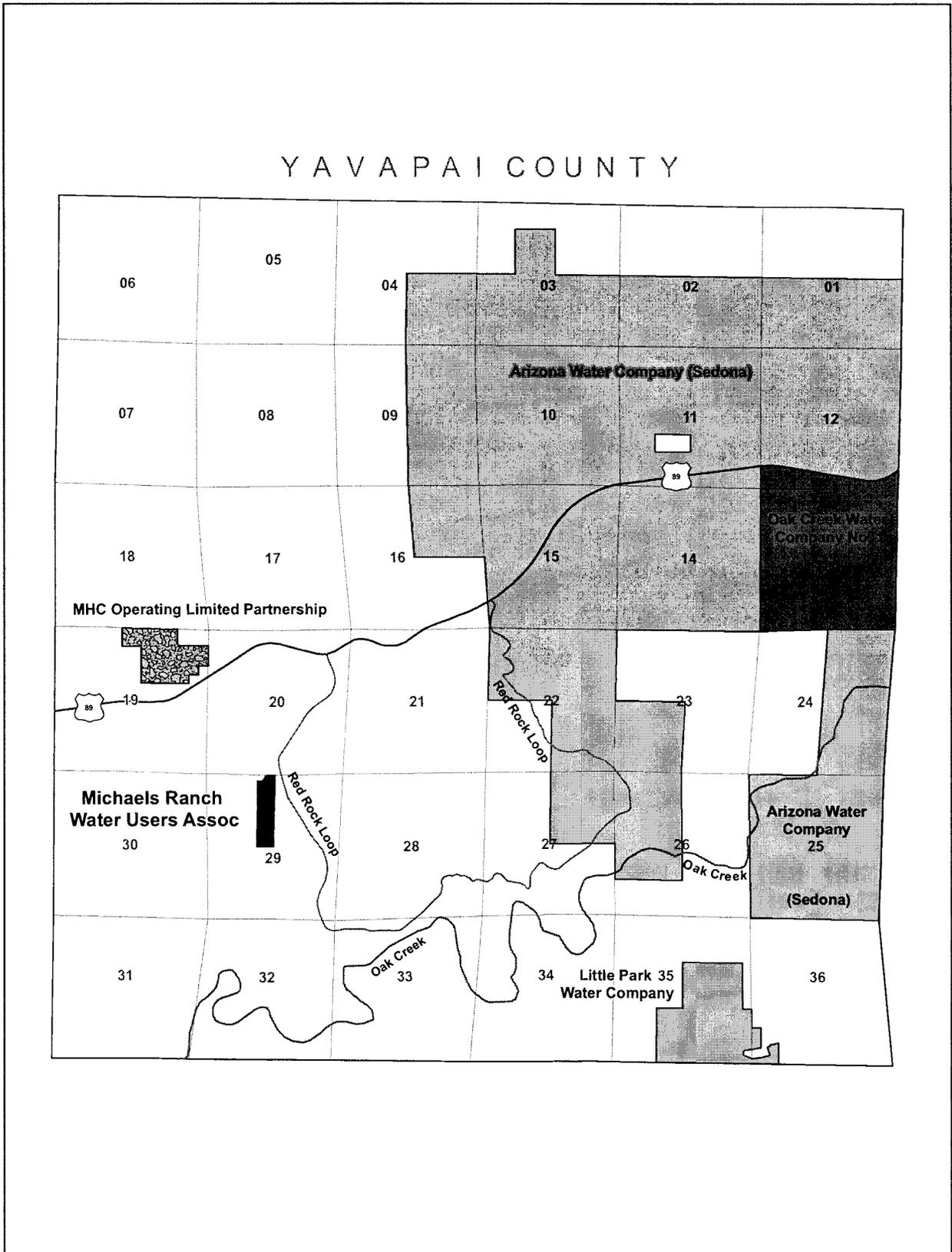


EXHIBIT 2.

LOCATION OF MICHAELS RANCH SERVICE AREA

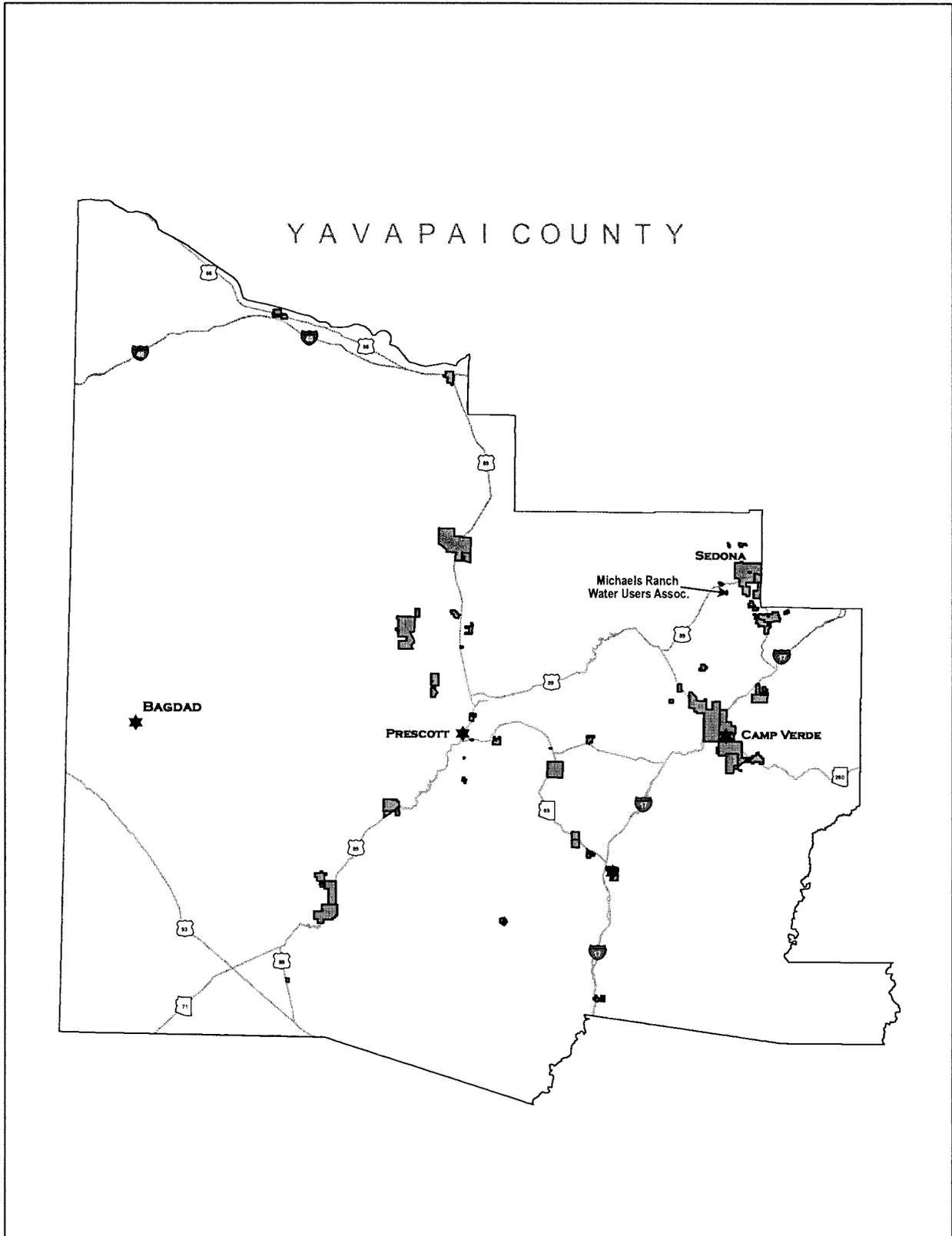


EXHIBIT 3

SYSTEMATIC DRAWING (MICHAELS RANCH)

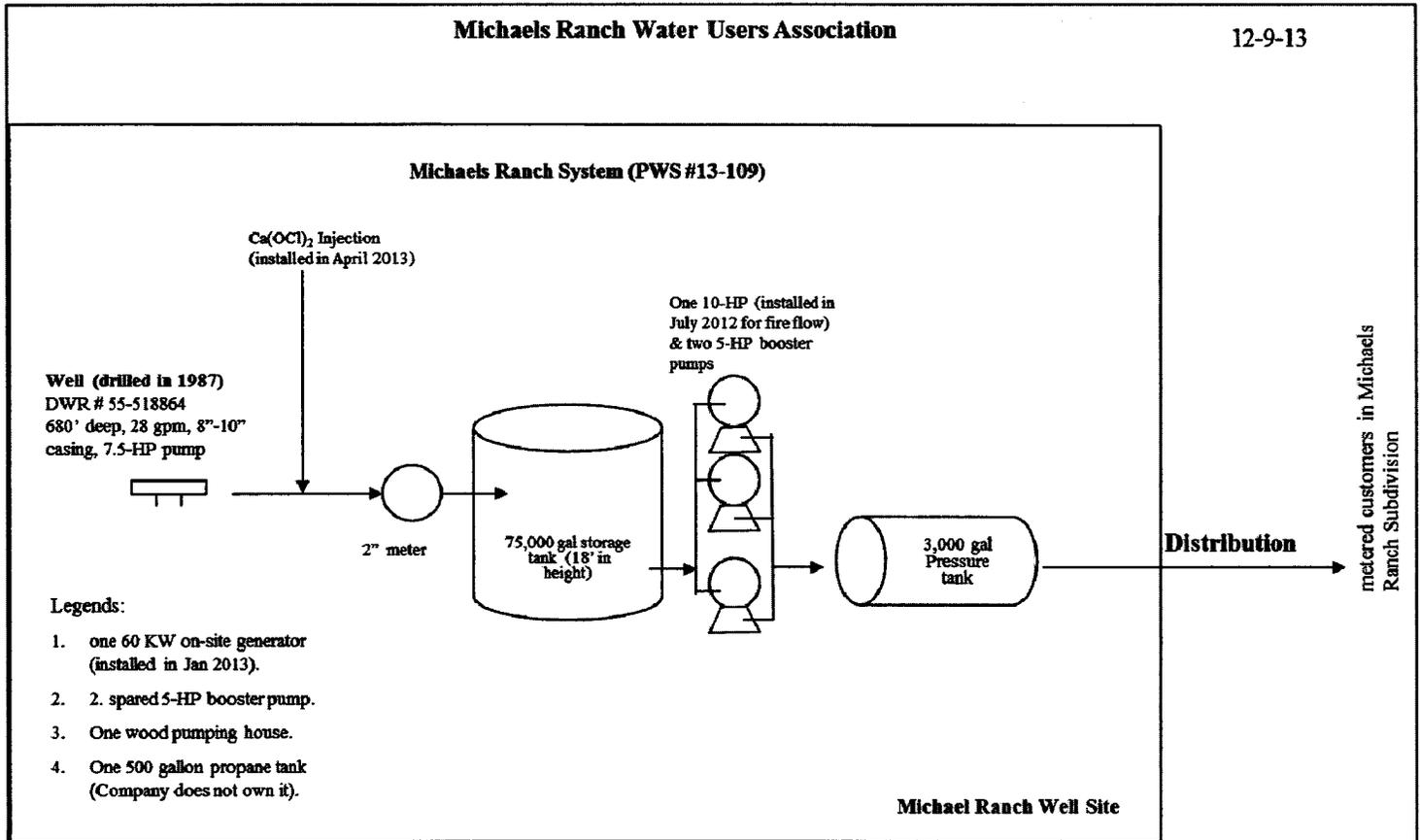


EXHIBIT 4

WATER USAGE IN THE MICHAELS RANCH SERVICE AREA

**During Test Year (Jan 2012 - Dec 2012) Water Usage In
Michaels Ranch Water (PWS #13-109) CC&N Area**

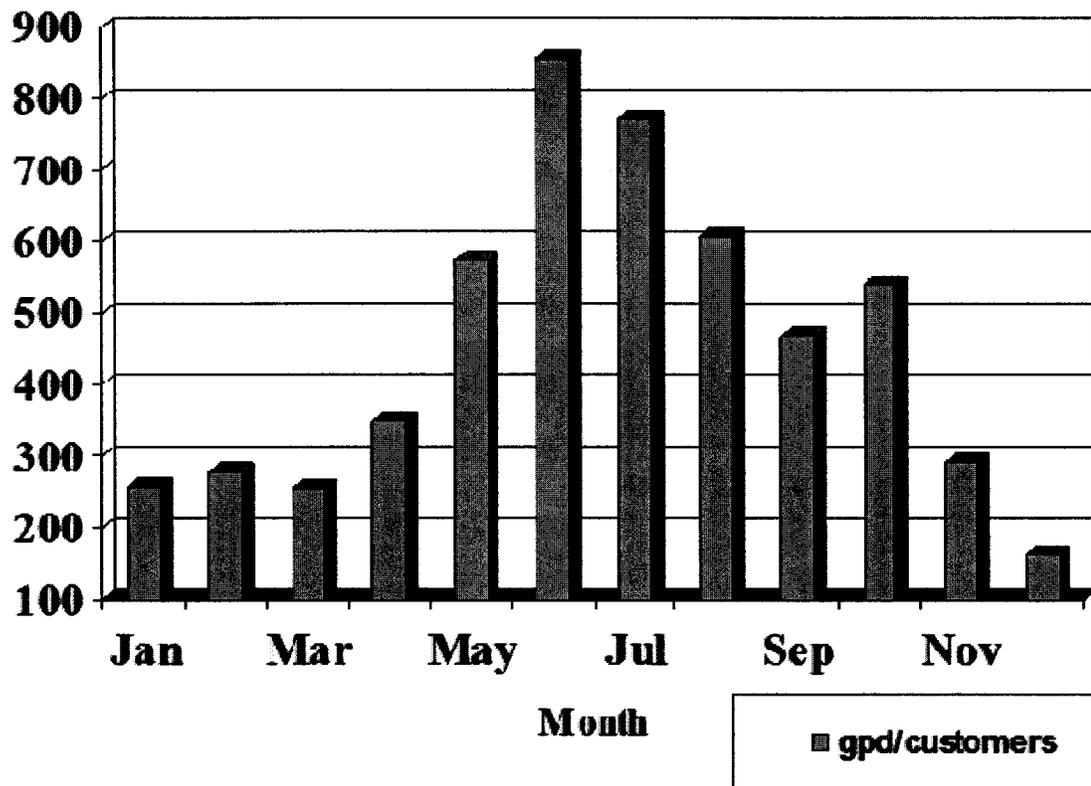


EXHIBIT 5

WATER DEPRECIATION RATES (Michaels Ranch)

Acct. No.	Depreciable Plant	Decision # 65652 (approved rate %)	Company proposed	Staff recommended Rate (%)
301	Organization	N/A	0	0.00
302	Franchises	N/A	0	0.00
303	Land & Land Rights	N/A	N/A	0.00
304	Structures & Improvements	3.33	3.33	3.33
305	Collecting & Impounding Reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equipment	5.00	N/A	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment Equipment		3.33	
320.1	Water Treatment Plants	3.33	0	3.33
320.2	Solution Chemical Feeders	20.0	0	20.0
330	Distribution Reservoirs & Standpipes		0	
330.1	Storage Tanks	2.22	2.22	2.22
330.2	Pressure Tanks	5.00	5.00	5.00
331	Transmission & Distribution Mains	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	0	6.67
339	Other Plant & Misc Equipment	6.67	0	6.67
340	Office Furniture & Equipment	6.67	0	6.67
340.1	Computers & Software	20.00	0	20.00
341	Transportation Equipment	20.00	0	20.00
342	Stores Equipment	4.00	0	4.00
343	Tools, Shop & Garage Equipment	5.00	0	5.00
344	Laboratory Equipment	10.00	0	10.00
345	Power Operated Equipment	5.00	0	5.00
346	Communication Equipment	10.00	0	10.00
347	Miscellaneous Equipment	10.00	0	10.00
348	Other Tangible Plant	----	0	----