

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

OPEN MEETING ITEM



ARIZONA CORPORATION COMMISSION

RECEIVED

2014 APR 29 P 3:13

AZ CORP COMMISSION
DOCKET CONTROL

DATE: APRIL 29, 2014
DOCKET NOS.: W-01431A-13-0265

ORIGINAL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Opinion and Order on:

THE ESTATE OF WILLIAM F. RANDALL
D/B/A VALLE VERDE WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MAY 8, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MAY 13, 2014 AND MAY 14, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

APR 29 2014

DOCKETED BY 


JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347
WWW.AZCC.GOV

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
THE ESTATE OF WILLIAM F. RANDALL D/B/A
VALLE VERDE WATER COMPANY FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-01431A-13-0265

DECISION NO. _____

OPINION AND ORDER

DATE OF HEARING: March 7, 2014
PLACE OF HEARING: Tucson, Arizona
ADMINISTRATIVE LAW JUDGE: Belinda A. Martin
APPEARANCES: Mr. Steve Wene, MOYES SELLERS & HENDRICKS,
LTD., on behalf of the Estate of William F. Randall
d/b/a Valle Verde Water Company; and
Mr. Charles Hains and Mr. Brian E. Smith, Staff
Attorneys, Legal Division, on behalf of the Utilities
Division of the Arizona Corporation Commission.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

PROCEDURAL HISTORY

1. On July 31, 2013, the Estate of William F. Randall d/b/a Valle Verde Water Company ("Valle Verde" or "Company") filed with the Commission an application for a permanent rate increase and on August 9, 2013, filed an amendment to the application (together, the "Application").
2. On August 30, 2013, the Commission's Utilities Division ("Staff") filed its Letter of Sufficiency stating that the Application met the requirements of Arizona Administrative Code ("A.A.C.") R14-2-103(B)(7), and classifying Valle Verde as a Class C public water utility.

1 3. On September 6, 2013, a Procedural Order was issued setting a hearing on the
2 Application for March 7, 2014, and establishing other procedural deadlines.

3 4. On November 18, 2013, the Company filed an Affidavit averring that it had mailed a
4 copy of the hearing notice to its customers on November 1, 2013, and published the hearing notice in
5 the *Nogales International* on November 5, 2013. No customers filed opinions or comments in
6 response to the notice.

7 5. On January 13, 2014, Staff filed the Direct Testimony of Gerald Becker and filed the
8 Direct Testimony of Dorothy Hains on January 15, 2014.

9 6. Valle Verde docketed the Rebuttal Testimony of Matthew Rowell¹ and Bonnie
10 O'Connor on February 7, 2014.

11 7. On February 14, 2014, Staff docketed a Notice of Settlement Discussions advising that
12 the parties planned to meet on February 21, 2014, to discuss resolution of disputed issues.

13 8. On February 19, 2014, the parties filed a Joint Motion for Extension of Time. In order
14 to facilitate settlement talks, the parties proposed to extend the filing deadline for Staff's surrebuttal
15 testimony to February 27, 2014, and the Company's rejoinder testimony to March 4, 2014.

16 9. On February 21, 2014, the parties filed a Motion for Modification of Procedural
17 Schedule. The parties stated they had resolved the disputed issues, but were still finalizing the
18 agreement's exact terms. Staff and the Company requested the procedural schedule be amended to
19 direct that, in lieu of Staff's surrebuttal testimony and Valle Verde's rejoinder testimony, the parties
20 should instead file the settlement agreement by March 4, 2014.

21 10. A Procedural Order docketed February 26, 2014, granted the motion.

22 11. On March 4, 2014, Staff filed its Notice of Filing Settlement Agreement ("Settlement
23 Agreement"), which is attached to this Decision as Exhibit A.

24 12. The hearing convened on March 7, 2014. The parties appeared through counsel and
25 Ms. O'Connor and Mr. Rowell testified on behalf of Valle Verde and Ms. Hains and Mr. Becker

26 _____
27 ¹ The Company's Application contained the Direct Testimony of Sonn Rowell as Valle Verde's financial witness. Mr.
28 Rowell subsequently replaced Ms. Rowell as the Company's financial witness. At hearing, Mr. Rowell stated that he had reviewed the Application and Ms. Rowell's Direct Testimony and believed he had sufficient knowledge and understanding of their contents to testify competently about the statements contained in those documents. Transcript of March 7, 2014, Hearing, page 59. (Hereinafter "Tr. at ___.")

1 testified for Staff. No members of the public were present for comment. The matter was taken under
2 advisement at the hearing's conclusion.

3 13. On April 7, 2014, Valle Verde docketed a Post-Hearing Exhibit reflecting the total
4 amount owed to the interim manager, Southwestern Utility Management, Inc. ("SUM").

5 BACKGROUND

6 Company Background

7 14. Valle Verde provides water service to approximately 760 customers near the City of
8 Nogales, Arizona, in Santa Cruz County. The Commission granted Valle Verde's Certificate of
9 Convenience and Necessity in Decision No. 28887 (April 27, 1955).

10 15. The Company is owned by the Estate of William F. Randall ("Estate"). Mr. Randall
11 operated the system for many years, but after he died in 2005, the Company was neglected and fell
12 into financial disarray and operational disrepair, resulting in non-compliance with several Arizona
13 Department of Environmental Quality ("ADEQ") regulations. In Decision No. 69882 (August 29,
14 2007), the Commission issued an Order to Show Cause ordering Valle Verde to answer allegations
15 concerning violations of Commission Rules and directing Staff to appoint an interim manager to
16 operate the system. In September 2007, the Commission entered into an agreement with SUM to act
17 as Valle Verde's interim manager. Company witness Bonnie O'Connor is SUM's president.

18 16. The Company's current rates were approved in Decision No. 71899 (September 28,
19 2010). That Decision also authorized a \$1,278,238 loan from the Water Infrastructure Finance
20 Authority of Arizona ("WIFA") for repairs and upgrades.² The funds to meet the debt service on the
21 loan are generated through base rates. The Decision approved a Temporary Surcharge of \$0.60 per
22 1,000 gallons, per customer, per month, to repay the City of Nogales \$95,707.84 for purchased
23 water.³ The Temporary Surcharge was to cease once the debt to the City of Nogales was paid in full.

24 ...

25

26 ² Although the Commission authorized a loan amount of \$1,278,238, Valle Verde only drew approximately \$1 million.
The principal balance as of December 2013 was \$819,790. Tr. at 60 – 61.

27 ³ The Company had to purchase water from the City of Nogales due to contamination of some of Valle Verde's wells.
Valle Verde asked the City of Nogales for a reduced water rate, but the request was denied. At that time, the City's
28 charge per 1,000 gallons was approximately \$2.53 and the Company's was \$1.30. The City's total bill was \$187,158,
which Valle Verde had paid down to \$95,707.84 by the time of the hearing in the previous rate case.

1 17. On May 17, 2012, Valle Verde filed an application pursuant to Arizona Revised
2 Statutes (“A.R.S”) § 40-252 requesting that the Commission amend Decision No. 71899 to allow for
3 continued collection of the Temporary Surcharge after the debt to the City of Nogales was fully paid
4 in order to pay SUM’s delinquent account balance of \$78,589.03. In its A.R.S. § 40-252 application,
5 the Company noted that SUM ensured all other obligations were paid before paying its own invoices,
6 often resulting in SUM receiving only partial payment, or even foregoing any payment of its fees.⁴ In
7 Decision No. 73353 (August 21, 2012), the Commission granted the Company’s request and Valle
8 Verde began applying the Temporary Surcharge collections to SUM’s outstanding balance on
9 September 10, 2012.

10 18. As of March 5, 2014, the Company still owed SUM \$25,835.03 on the initial balance
11 of \$78,589.03.⁵ At hearing, however, Ms. O’Connor testified that Valle Verde now owed SUM an
12 additional \$52,104.72 for a total outstanding balance of \$77,938.75. Ms. O’Connor stated that
13 because of the Company’s on-going financial challenges, SUM continued to pay all other debts
14 before paying its invoices when necessary, causing the past due amount owed to SUM to increase.⁶

15 19. Decision No. 73353 also required Valle Verde to file a rate case by July 31, 2013,
16 using a December 31, 2012, test year.

17 **Water System**

18 20. Valle Verde owns and operates two water systems generally located on opposite sides
19 of Interstate 19—PWS 12-009 and PWS 12-025. PWS No. 12-009 (the “East System”) consists of
20 two wells that have a combined capacity of 480 gallons per minute (“gpm”), a 190,000 gallon storage
21 tank, one 500 gpm Granular Activated Carbon Filtration System, two booster pumps, two pressure
22 tanks and a distribution system presently serving approximately 670 metered customers. The East
23 System has a permanent emergency interconnection to the City of Nogales’ water lines. Staff
24 reported that the East System’s water loss during the test year was 17.1 percent, which exceeds the
25 acceptable ten percent water loss levels. The Company claimed that Staff’s calculations did not
26

27 ⁴ Valle Verde’s Application to Amend Decision No. 71899, docketed May 17, 2012, Docket Nos. W-01431A-09-0360
and W-01431A-09-0361, pages 2, 4.

28 ⁵ Tr. at 16.

⁶ Tr. at 49 – 50; Valle Verde’s Post-Hearing Exhibit, Attachment 1.

1 account for line flushing and/or known leaks during the test year that have since been repaired, and
2 reported that the East System's water loss was at 14 percent.

3 21. PWS No. 12-025 (the "West System") is comprised of two separate water systems.
4 Well No. 5 has a capacity of 300 gpm, an 800,000 gallon storage tank, a booster pump station, two
5 pressure tanks and a distribution system serving approximately 90 metered customers. Water pumped
6 from Well No. 5 contains high levels of arsenic. To address the issue, Valle Verde constructed a
7 water main to connect Well No. 5 to the East System, which has low arsenic levels, and the water is
8 blended. Staff observed that during the test year the Company reported a water loss of 3.2 percent for
9 the Well No. 5 system, which is within acceptable limits.

10 22. The West System's other well, Well No. 10, is not connected to the rest of the West
11 System. Well No. 10 has a capacity of 450 gpm, a 200,000 gallon storage tank, a booster pump
12 station and one pressure tank. This well serves one customer via two 2-inch meters. Staff reported
13 that Well No. 10 system's water loss during the test year was 29 percent. Valle Verde explained that
14 the single connection serves a produce warehouse and it uses water intermittently, causing the water
15 in the storage tank to become stagnant.⁷ The Company has to flush the storage tank at a rate of
16 approximately 150,000 gallons per month, creating an artificially high water loss percentage. Valle
17 Verde notes that after an allowance for flushing the water tank, the water loss for Well No. 10 during
18 the test year was eight percent.⁸ Ms. O'Connor testified that the Company is searching for an
19 affordable way to circulate the water in the storage tank to prevent the water from becoming stagnant
20 and decrease the number of times the storage tank must be flushed.⁹

21 23. Staff concluded that Valle Verde's water systems provide adequate capacity and
22 storage to serve its current customer base and accommodate reasonable growth.

23 24. Staff stated that it received compliance status reports from ADEQ dated August 13,
24 2013, indicating that the East and West Systems are currently delivering water that meets water
25 quality standards required by 40 CFR 141 and A.A.C., Title 18, Chapter 4.

26 ...

27 ⁷ Rebuttal Testimony of Bonnie O'Connor ("O'Connor Rebuttal"), page 2.

28 ⁸ O'Connor Rebuttal, page 2.

⁹ Tr. at 19 - 20.

1 25. Valle Verde is located in the Santa Cruz Active Management Area (“AMA”) and is
 2 subject to AMA reporting and conservation rules. Staff received a compliance status report from the
 3 Arizona Department of Water Resources (“ADWR”) dated August 6, 2013, indicating Valle Verde
 4 was not in compliance with ADWR requirements governing water providers and/or community water
 5 systems due to water losses over ten percent.

6 26. Valle Verde has five approved Best Management Practices Tariffs (“BMPs”), an
 7 approved Curtailment Tariff and an approved Backflow Prevention Tariff on file with the
 8 Commission.

9 **Status of Ownership by the Estate of William F. Randall**

10 27. During the previous rate case, the Commission expressed concern that the Company
 11 was still held by the Estate five years after Mr. Randall’s death. Decision No. 71899 directed Valle
 12 Verde’s owners to file a plan “addressing the long-term ownership of the utility, highlighting possible
 13 actions, including sale, private acquisition or purchase by the City of Nogales.”¹⁰

14 28. On March 18, 2011, the Company filed a copy of a letter from the Estate’s attorney,
 15 William Wissler, stating that the long-term plan for the utility was to form a Sub-Chapter S
 16 Corporation with the same owners and hire SUM as the Company’s manager. Mr. Wissler believed
 17 that Valle Verde’s rates at that time were “too low to make a sale of the company feasible and or
 18 profitable, particularly with the current debt structure and the fact that the company is currently
 19 operating at a loss.”¹¹ Mr. Wissler also related that the City of Nogales was not interested in
 20 purchasing the utility.

21 29. In 2012, in Decision No. 73353 (approving continuation of the Temporary Surcharge),
 22 the Commission directed SUM to notify the Estate that the Commission was considering whether to
 23 discontinue the interim manager arrangement and would make a decision no later than the
 24 Company’s next rate case.¹²

25 ...

26 _____
 27 ¹⁰ Decision No. 71899, page 24.

28 ¹¹ Notice of Compliance Filing RE Long-Term Plan, Attachment 1, filed on March 18, 2011, in Docket Nos. W-01431A-09-0360 and W-01431A-09-0361.

¹² Decision No. 73353, page 3.

1 30. At hearing, Ms. O'Connor provided some background for the delay in the Company's
2 transfer out of the Estate. According to Ms. O'Connor, the Estate's first personal representative,
3 Catalina Randall, Mr. Randall's wife, passed away in 2012, and responsibility for the Estate's
4 management transferred to Mrs. Randall's brother, Bernard Salgado. Subsequently, Mr. Salgado had
5 to resign as the Estate's personal representative because of health issues and management fell to Mr.
6 Salgado's daughter, Beverly Salgado.¹³

7 31. Ms. O'Connor also testified that during the process of preparing for the Company's
8 transfer to the Estate's beneficiaries, Valle Verde learned that one of the line extension agreements
9 signed by Mr. Randall contained a provision that could result in Valle Verde's having to pay
10 hundreds of thousands of dollars to the developer upon the water system's transfer to anyone outside
11 of the Randall family. Valle Verde's attorney and the Estate's attorney worked with the developer to
12 clarify the terms of the line extension agreement to ensure there would be no issues when Valle
13 Verde is distributed to Mr. Randall's beneficiaries.¹⁴ According to Ms. O'Connor, the Estate and the
14 Company are now working toward transferring Valle Verde to the beneficiaries and, to that end, they
15 formed Valle Verde Water, L.L.C. on December 20, 2012.¹⁵

RATE APPLICATION

Summary

18 32. Valle Verde adopted a test year ending December 31, 2012, in its Application. The
19 Company proposed a negative fair value rate base ("FVRB") of \$351,683.¹⁶ Because of its negative
20 FVRB, the Company calculated its revenue requirement based on provision of adequate cash flows.
21 Valle Verde sought total operating revenue of \$643,444, a \$170,653 increase, or 30.69 percent, over
22 test year revenues of \$472,791. Valle Verde projected *pro forma* operating expenses of \$557,345, to
23 provide an operating income of \$86,099 and \$48,195 in cash flow.

24 ...

25

¹³ Tr. at 26 – 32.

¹⁴ Tr. at 32 – 34; O'Connor Rebuttal, pages 3 – 4.

¹⁵ Tr. at 29 – 30. According to the Commission's Corporations Division's records, the L.L.C.'s members are Christina Randall (Mr. Randall's daughter) and the Estate of Catalina Randall.

¹⁶ The Company did not file Reconstruction Cost New Less Depreciation Rate Base schedules, and its Original Cost Rate Base ("OCRB") is deemed to be its FVRB.

28

1 33. In its Direct Testimony, Staff recommended a negative FVRB of \$388,497 and also
 2 used a cash flow methodology to determine Valle Verde's revenue requirement. The recommended
 3 rates would produce revenues of \$530,753, a \$57,962 increase, or 12.26 percent, over the Company's
 4 proposed test year revenues of \$472,791. With proposed *pro forma* operating expenses of \$477,400,
 5 Staff's recommendations would provide operating income of \$53,353 and a cash flow of \$23,490.¹⁷

6 34. In its Rebuttal Testimony, the Company adopted some of Staff's recommended
 7 adjustments to rate base and revised its FVRB to a negative \$389,161, reflecting a difference of \$664
 8 between the parties' positions. Valle Verde lowered its proposed total operating revenue requirement
 9 to \$607,791, which represents an increase of \$135,000, or 28.55 percent, over test year revenues.
 10 The Company also accepted some of Staff's recommended adjustments to operating expenses and
 11 reduced its proposed *pro forma* expenses to \$537,970, resulting in an operating income of \$69,821
 12 and \$48,845 in cash flow.

13 Pre-Settlement Issues

14 35. Prior to entering into settlement negotiations, the parties' pre-filed testimony revealed
 15 several larger disputes, including revenue requirement, office supplies expense, outside services
 16 expense and income tax expense. Valle Verde also objected to Staff's recommendations relating to
 17 reduction of purchased power expense and chemical expense, the effective date of the rate increase,
 18 the Company's ownership structure, and the accounting treatment of the money Valle Verde pays to
 19 WIFA as its debt service reserve fund requirement ("DSRF").

20 Revenue Requirement

21 36. Valle Verde and Staff agreed that the Company's FVRB is negative and both proposed
 22 calculating required revenues using cash flow. Although Staff claimed its calculations resulted in
 23 approximately \$48,000 of cash flow, the Company contended that Staff's revenue recommendation
 24 actually produced only \$23,490 after subtraction of AIAC repayments and argued this was not
 25 enough money to meet the Company's financial obligations and contingencies.

26 ...

27 ¹⁷ Staff's recommendations resulted in a \$47,086 cash flow but Staff did not subtract the Company's advances in aid of
 28 construction ("AIAC") repayments of \$23,596 in its calculations. Direct Testimony of Gerald Becker ("Becker Direct"),
 page 21. The cash flow amount stated here reflects Staff's cash flow less AIAC repayments.

1 **Reduction of Purchased Power Expense and Chemical Expense**

2 37. Staff noted that in Decision No. 71899, the Commission directed Valle Verde to
3 monitor the water loss for both systems and report the losses in its Annual Reports. If the reported
4 water loss for either system was more than ten percent, the Company was to submit either a plan to
5 reduce water loss or a cost/benefit analysis demonstrating that it was not cost effective to reduce
6 water loss. In no case was the Company's water loss to exceed 15 percent.¹⁸ Staff claimed that Valle
7 Verde failed to comply with Decision No. 71899 since the Company's reported water loss exceeded
8 ten percent. Staff concluded that the cost of the power purchased to pump the lost water, and the cost
9 of the chemicals to treat it, did not benefit customers. Staff recommended reducing purchased power
10 expense by \$694 and chemical expense by \$24—amounts proportionate to the level of water loss
11 exceeding ten percent during the test year.¹⁹

12 38. Valle Verde objected to these reductions, arguing it is not appropriate to punish the
13 Company in this manner for its water loss levels.²⁰

14 **Office Supplies Expense**

15 39. Valle Verde claimed an office supplies expense of \$27,333. Staff decreased this
16 expense by \$7,663, to \$19,670, which included, among other things, disallowance of \$954 in trash
17 removal costs and \$5,080 in WIFA administrative fees. Staff asserted that WIFA fees are not
18 operating expenses, but rather are costs of borrowing, which are more appropriately treated as below-
19 the-line expenses and used in cash flow calculations.²¹

20 40. The Company objected to exclusion of the trash removal charges and the WIFA
21 administrative fees from operating expenses. Valle Verde contended that Staff was inappropriately
22 treating the WIFA administrative fees like an interest expense, rather than a legitimate cost of
23 operations, and asserted that the trash removal costs related to a dumpster used in daily operations.²²

24 ...

25 ...

26 ¹⁸ Decision No. 71899, page 23.

27 ¹⁹ Becker Direct, pages 6 – 7.

28 ²⁰ Rebuttal Testimony of Matthew J. Rowell ("Rowell Rebuttal"), page 5.

²¹ Becker Direct, pages 11 – 12.

²² Rowell Rebuttal, pages 5 – 6.

1 **Outside Services Expense**

2 41. Valle Verde proposed a total outside services expense of \$151,235, comprised of
3 \$128,937 for management fees, \$19,498 in legal fees, and \$2,800 in accounting fees. Staff's
4 recommended adjustments reduced the total outside services expense by \$24,968 to \$126,267, by
5 removing \$10,542 from management fees, \$13,426 from legal fees and \$1,000 from accounting fees.

6 42. The Company removed \$9,492 from management fees and decreased its proposed
7 outside services expense to \$141,743, but rejected Staff's conclusions regarding the remainder of the
8 management fees, and the legal and accounting fees, claiming the charges were appropriate.

9 **Income Tax Expense**

10 43. Valle Verde proposed an income tax expense of negative \$7,617. The Company
11 calculated the expense using the federal and state income tax rates for individuals, asserting this was
12 proper since the Company is owned by an estate and the income from an estate flows through to
13 individuals.

14 44. Staff observed that an estate is a pass-through entity and any income tax allowance
15 would be computed in accordance with Commission policy outlined in Decision No. 73739 (February
16 22, 2013), which states that income tax expense must be based on the effective income tax rates of
17 owners who have actual or potential tax liability. During its review of the portion of the Estate's
18 return related to the Company, Staff noted the use of net operation loss ("NOL") carry forwards of
19 \$386,240 at the beginning of the test year and \$321,051 at the end. Staff determined that no taxable
20 income actually flowed through to the Estate's beneficiaries because of the NOL carry forward. Staff
21 concluded that the use of the NOL carry forwards negates any actual or potential tax liability and
22 recommended an increase of \$7,617 to reflect zero income tax expense.

23 **Water Loss and the Rate Increase's Effective Date**

24 45. As noted above, Staff contended that Valle Verde failed to comply with Decision No.
25 71899 because its water loss exceeded ten percent, and also because it did not file a plan to reduce
26 water loss or a detailed cost/benefit analysis. Staff recommended that any approved rate increase
27 should not become effective until the Company files as a compliance item in this docket a water loss
28 reduction plan or a detailed cost benefit analysis for Staff's review and approval.

1 46. Valle Verde responded that it had already filed a water loss reduction plan in the prior
 2 rate case docket²³ and contended Staff's recommendation that the implementation of new rates is
 3 contingent on filing water loss reports was improper.²⁴ In its Water Loss Reports, Valle Verde stated
 4 that replacing malfunctioning customer meters and performing a leak detection study would likely
 5 resolve its largest water losses, but asserted both projects are costly and claimed the Company did not
 6 have the funds to pay for their implementation.²⁵

7 **Treatment of the Debt Service Reserve Fund**

8 47. Valle Verde's monthly payment to WIFA is approximately \$9,401, which includes
 9 \$1,567 per month, or \$18,804 per year, for the DSRF. Presently, money for WIFA payments is
 10 generated by water sales, rather than a WIFA surcharge. Staff observed that the DSRF represents
 11 funds available for the Company's use at a later date. Accordingly, Staff recommended that
 12 beginning on this Decision's effective date, Valle Verde should account for the funds used to pay its
 13 DSRF requirement and record that money as a regulatory liability to be evaluated by the Commission
 14 in a subsequent rate case. To that end, Staff recommended that the Company should file a rate
 15 application by June 30, 2017, using a test year of not later than December 31, 2016.²⁶

16 48. Valle Verde objected to the DSRF recommendation, arguing that given the
 17 Company's negative rate base, the potential regulatory liability will have no impact on future rates
 18 and imposition of a complex accounting requirement provides no value. The Company also
 19 contended that this treatment is not supported by any NARUC Guideline or other accounting
 20 authority and "displays an unfamiliarity of the challenges facing small utilities in rural Arizona."²⁷

21 **Ownership Structure**

22 49. Staff believes that continuation of the present form of ownership is not in the public
 23 interest, noting that the Estate's lengthy control of the Company has resulted in additional legal fees

24 ²³ Valle Verde docketed its Water Loss Reports in Docket Nos. W-01431A-09-0360 and W-01431A-09-0361 on
 25 December 12, 2013, and Revised Water Loss Reports on December 20, 2013. Although these reports were filed before
 26 Staff docketed its Direct Testimony, Staff did not state why these filings were insufficient as water loss reports or water
 loss reduction plans.

26 ²⁴ O'Connor Rebuttal, page 2.

27 ²⁵ Revised Annual Water Loss Reports, docketed December 20, 2013, in Docket Nos. W-01431A-09-0360 and W-
 01431A-09-0361.

28 ²⁶ Becker Direct, page 23.

²⁷ Rowell Rebuttal, pages 11 - 13.

1 that might otherwise be unnecessary. To encourage the Estate and its beneficiaries to move toward
2 the Company's distribution, Staff recommended that none of the Company's cash flow or earnings
3 should be distributed to the owners until: 1) the Estate is settled; 2) Valle Verde is owned under a
4 more traditional form of ownership; 3) the Company hires its own competent, permanent
5 management; and 4) the Company can manage being represented by only one attorney.²⁸

6 SETTLEMENT AGREEMENT

7 Settlement Agreement Terms

8 50. Calculations based on the numbers in the Settlement Agreement's schedules reflect
9 that during the test year, Valle Verde had metered water revenues of \$457,207 and other water
10 revenue of \$15,584, for total operating revenue of \$472,791. After subtracting total operating
11 expenses of \$497,655, the Company had a test year net operating loss of \$24,864.

12 51. The Settlement Agreement states that Staff and the Company determined that Valle
13 Verde's FVRB is negative \$389,161, but for the purposes of the Settlement Agreement, the parties
14 agreed that the Company's FVRB is zero. At hearing, both the Company and Staff testified that the
15 parties intended the FVRB would be reflected as zero in this matter only. In the next rate case, the
16 starting point for the FVRB would be negative \$389,161.²⁹

17 52. Because of Valle Verde's current rate base position, the parties agreed to determine
18 Valle Verde's revenues using a cash flow methodology. The parties negotiated a revenue increase of
19 \$100,000, or 21.15 percent, for an annual revenue requirement of \$527,791, operating income of
20 \$73,927 and approximately \$48,000 of cash flow after subtraction of known financial obligations.

21 53. For the purposes of the Settlement Agreement, Valle Verde agreed to Staff's income
22 tax expense adjustment from negative \$7,617 to \$0.

23 54. Staff accepted Valle Verde's purchased power expense of \$33,909 and chemical
24 expense of \$1,161, and also the Company's rebuttal outside services expense of \$141,743.

25 55. The Company agreed to Staff's removal of \$5,080 in WIFA fees from office supplies
26 expense, instead deducting them as a below-the-line expense for purposes of cash flow calculations.

27 _____
28 ²⁸ Becker Direct, pages 22 – 23.

²⁹ Tr. at 82 – 83, 139 – 140.

1 56. Valle Verde agreed to adopt Staff's recommended depreciation and amortization rates,
2 on a going forward basis, as outlined in the Settlement Agreement, Attachment A, Settlement
3 Schedule C-1B.

4 57. Valle Verde agreed to adopt Staff's recommendation that as of this Decision's
5 effective date, the Company will allocate an amount of \$1,567 per month (\$18,804 per year) of the
6 revenue collected from customers as Valle Verde's DSRF payment for WIFA and record it as a
7 regulatory liability to be evaluated in the subsequent rate case. Staff and the Company expect the
8 DSRF requirement to end in January 2017.³⁰

9 58. Valle Verde will file its next rate application by June 30, 2017, using a test year
10 ending no later than December 31, 2016.

11 59. Valle Verde acknowledged the current form of ownership is not in the public interest
12 and agreed to file an application with the Commission to implement a permanent form of ownership.
13 Ms. O'Connor acknowledged that all Estate distributions must first be approved by the probate
14 court.³¹ Valle Verde agreed to Staff's recommendation that any cash flow or earnings will not be
15 distributed to its owners until the Estate is settled, the Company is owned under a more traditional
16 form of ownership, the Company directly retains its own competent management, and the Company
17 can manage being represented by only one attorney.

18 60. Valle Verde agreed to file with Docket Control, as a compliance item in this docket,
19 within 30 days of the Decision's effective date, a plan to address the Company's long-term
20 management and eliminate the need for a Commission-ordered interim manager. Ms. O'Connor
21 testified that the Estate and the Company are working together to prepare the permanent management
22 plan and to ensure all parties impacted by the plan agree with its terms.³²

23 61. To address its water losses, Valle Verde agreed to file a BMP tariff in the form of
24 Commission BMP Template 4.2 – Meter Repair and/or Replacement, agreeing to replace at least ten
25 improperly functioning customer meters per month until all malfunctioning meters have been

26 ³⁰ At hearing, Mr. Rowell acknowledged that even though the DSRF requirement should terminate in January 2017,
27 WIFA's loan terms require that the Company begin to set aside a similar amount of funds in a replacement reserve
28 account. Tr. at 78.

³¹ Tr. at 48.

³² Tr. at 32.

1 removed. Ms. O'Connor stated the Company will not know exactly how many meters need replacing
 2 until a field inspection is completed. She related that the Company plans to begin the project
 3 immediately after the Decision is issued and anticipates its completion within one-to-two years. The
 4 funds for the project will come from revenues generated under the new rates.³³

5 62. Set forth below are the Company's current rates and those adopted in the Settlement
 6 Agreement.³⁴

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>MONTHLY USAGE CHARGES:</u>		
(All Classes)		
5/8 x 3/4-Inch Meter	\$18.00	\$21.64
3/4-Inch Meter	18.00	21.64
1-Inch Meter	43.00	54.10
1-1/2-Inch Meter	86.00	108.20
2-Inch Meter	138.65	173.12
3-Inch Meter	275.00	346.24
4-Inch Meter	429.00	541.00
6-Inch Meter	857.00	1,082.00
<u>COMMODITY CHARGES:</u>		
(Per 1,000 Gallons)		
<u>5/8 x 3/4-Inch Meter (Residential)</u>		
0 to 3,000 Gallons	\$1.30	N/A
3,001 to 10,000 Gallons	2.90	N/A
Over 10,000 Gallons	4.25	N/A
0 to 3,000 Gallons	N/A	\$0.97
3,001 to 7,000 Gallons	N/A	3.75
Over 7,000 Gallons	N/A	5.22
<u>3/4-Inch Meter (Residential)</u>		
0 to 3,000 Gallons	\$1.30	N/A
3,001 to 10,000 Gallons	2.90	N/A
Over 10,000 Gallons	4.25	N/A
0 to 3,000 Gallons	N/A	\$0.97
3,001 to 7,000 Gallons	N/A	3.75
Over 7,000 Gallons	N/A	5.22
<u>5/8 x 3/4-Inch Meter (Non-Residential)</u>		
0 to 10,000 Gallons	\$2.90	N/A
Over 10,000 Gallons	4.25	N/A
0 to 7,000 Gallons	N/A	\$3.75
Over 7,000 Gallons	N/A	5.22

³³ Tr. at 36 – 38, 45 – 46.

³⁴ Settlement Agreement, Attachment B.

1	<u>3/4-Inch Meter (Non-Residential)</u>		
2	0 to 10,000 Gallons	\$2.90	N/A
2	Over 10,000 Gallons	4.25	N/A
3	0 to 7,000 Gallons	N/A	\$3.75
4	Over 7,000 Gallons	N/A	5.22
	<u>1-Inch Meter (All Classes)</u>		
5	0 to 15,000 Gallons	\$2.90	\$3.75
6	Over 15,000 Gallons	4.25	5.22
	<u>1 1/2 -Inch Meter (All Classes)</u>		
7	0 to 20,000 Gallons	\$2.90	\$3.75
8	Over 20,000 Gallons	4.25	5.22
	<u>2-Inch Meter (All Classes)</u>		
9	0 to 25,000 Gallons	\$2.90	N/A
10	Over 25,000 Gallons	4.25	N/A
11	0 to 50,000 Gallons	N/A	\$3.75
11	Over 50,000 Gallons	N/A	5.22
12	<u>3-Inch Meter (All Classes)</u>		
13	0 to 70,000 Gallons	\$2.90	\$4.50
13	Over 70,000 Gallons	4.25	5.65
14	0 to 100,000 Gallons	N/A	\$3.75
15	Over 100,000 Gallons	N/A	5.22
	<u>4-Inch Meter (All Classes)</u>		
16	0 to 150,000 Gallons	\$2.90	\$3.75
17	Over 150,000 Gallons	4.25	5.22
	<u>6-Inch Meter (All Classes)</u>		
18	0 to 500,000 Gallons	\$2.90	\$3.75
19	Over 500,000 Gallons	4.25	5.22
20	<u>Temporary Interim Manager Surcharge**</u> (Per 1,000 Gallons, All Meter Sizes, All Classes)		
21			
22	All Usage	N/A	\$0.60

**The Temporary Interim Manager Surcharge shall cease once the past due amounts owed to Southwestern Utility Management, Inc. have been paid in full.

24 ...
25 ...
26 ...
27 ...
28 ...

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

	<u>Present Charges</u>			<u>Proposed Charges</u>		
	<u>Service</u>	<u>Meter</u>	<u>Total</u>	<u>Service</u>	<u>Meter</u>	<u>Total</u>
	<u>Line</u>	<u>Installation</u>		<u>Line</u>	<u>Installation</u>	
5/8 x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00	445.00	255.00	700.00
1" Meter	495.00	315.00	810.00	495.00	315.00	810.00
1-1/2" Meter	550.00	525.00	1,075.00	550.00	525.00	1,075.00
2" Turbine Meter	830.00	1,045.00	1,875.00	830.00	1,045.00	1,875.00
2" Compound Meter	830.00	1,890.00	2,720.00	830.00	1,890.00	2,720.00
3" Turbine Meter	1,045.00	1,870.00	2,715.00	1,045.00	1,670.00	2,715.00
3" Compound Meter	1,165.00	2,545.00	3,710.00	1,165.00	2,545.00	3,710.00
4" Turbine Meter	1,490.00	1,737.00	3,227.00	1,490.00	2,670.00	4,160.00
4" Compound Meter	1,670.00	3,645.00	5,315.00	1,670.00	3,645.00	5,315.00
6" Turbine Meter	2,210.00	3,766.00	5,976.00	2,210.00	5,025.00	7,235.00
6" Compound Meter	2,330.00	6,920.00	9,250.00	2,330.00	6,920.00	9,250.00
Over 6"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

SERVICE CHARGES:

	<u>Present</u>	<u>Proposed</u>
	<u>Rates</u>	<u>Rates</u>
Establishment	\$30.00	\$30.00
Establishment (After Hours)	40.00	N/A
Reconnection (Delinquent)	40.00	\$30.00
Reconnection (Delinquent and After Hours)	50.00	N/A
After Hours Service Charge	N/A	\$35.00
Meter Test (If Correct)	\$35.00	35.00
Meter Re-Read (If Correct)	20.00	20.00
NSF Check	25.00	30.00
Deposit	(a)	(a)
Deposit Interest	(a)	(a)
Re-Establishment (Within 12 Months)	(b)	(b)
Late Charge (Per Month)	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%
Moving Customer Meter At Customer Request	N/A	At Cost
Monthly Service Charge for Fire Sprinkler	(c)	(c)

(a) Per Commission Rule A.A.C. R14-2-403(B)

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

(c) 2% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

In addition to the collection of regular rates, the utility may collect from its customers a proportionate share of any privilege, use, and franchise tax. Per Commission Rule A.A.C. R14-2-409(D)(5).

63. Under the proposed rates, a residential customer served by a 5/8 x 3/4-inch meter with average usage of 6,049 gallons per month will experience an increase of \$5.24 per month, or 17.05

1 percent, from \$30.74 to \$35.98. A residential customer with a median usage of 5,171 gallons per
2 month³⁵ will experience an increase of \$4.49, or 15.92 percent, from \$28.20 to \$32.69.

3 64. The Temporary Interim Manager Surcharge will cease upon full payment of the
4 \$25,834 outstanding balance owed to SUM under Decision No. 73353. Currently, a customer with
5 average water use incurs an additional \$3.63 per month for the Surcharge, and a customer with
6 median use incurs an additional \$3.10 per month.

7 **Parties' Statements of the Settlement Agreement's Benefits**

8 65. According to Staff and Valle Verde, the Settlement discussions held on February 14,
9 2014, were open, transparent and inclusive of all participants. The parties assert that the negotiated
10 terms are just, reasonable, fair and in the public interest because they establish just and reasonable
11 rates; promote the convenience, comfort, safety and health of the Company's customers and
12 employees; and resolve the issues arising from the Application. Further, the Settlement Agreement
13 avoids unnecessary litigation expense and delay.³⁶

14 66. Mr. Rowell testified that the terms of the Settlement Agreement are beneficial because
15 the anticipated cash flow will be sufficient to meet the Company's financial obligations and
16 contingencies.³⁷

17 67. Staff testified that the Settlement Agreement is in the public interest because, given
18 the Company's troubled history, the Agreement helped the matter move forward quickly to get the
19 new rates into place and minimize the costs borne by the rate application process. Staff believes the
20 Company and its customers benefit equally from the Settlement Agreement.³⁸

21 ...
22 ...
23 ...
24 ...

25

26 ³⁵ The Settlement Agreement reflects a median usage for a residential customer on a 5/8 x 3/4-inch meter of 5,143
27 gallons, but both the Application and the Becker Direct (Rate Design) show a median usage of 5,171 gallons, which is
reflected here.

27 ³⁶ Settlement Agreement, page 1, §§ 1.2, 1.3.

27 ³⁷ Tr. at 57.

28 ³⁸ Tr. at 127 - 128.

CONCLUSION**Settlement Agreement**

68. The evidence supports a negative FVRB of \$389,161, as set forth in the Settlement Agreement, Attachment A, Settlement Schedule B-1; however, we accept the parties' agreement that, for the purposes of the Settlement Agreement and this rate case only, the FVRB will be zero. We clarify and emphasize that in the next rate case, the beginning point for any FVRB calculations shall be negative \$389,161.

69. We find that the Company had total test year revenues of \$472,791.

70. Given Valle Verde's current FVRB, we agree with the parties that it is reasonable and appropriate for the annual revenue requirement to be calculated using a cash flow methodology.

71. The proposed revenue increase of \$100,000, or 21.15 percent, provides revenues of \$572,791, and after deducting operating expenses of \$498,864, the operating income of \$73,927 and \$48,000 of cash flow allow Valle Verde to meet its financial obligations and contingencies. We find that the negotiated operating revenues and operating expenses are fair and reasonable.

72. The Estate's continuing ownership of Valle Verde and long-term involvement of an interim manager are not in the public interest. We find that the terms in the Settlement Agreement regarding transfer of the Company's ownership out of the Estate, and the placement of permanent management to operate Valle Verde are just, reasonable and in the best interests of the customers and the Company.

73. We find the rate design adopted in the Settlement Agreement is just and reasonable.

74. We conclude that the Settlement Agreement presents a fair and balanced resolution of the issues raised in the rate case, and we find it is in the public interest because it provides for just and reasonable rates, promotes the convenience, comfort, safety and health of Valle Verde's customers and employees, resolves the issues between parties, and avoids unnecessary litigation expense and delay.

Other Staff Recommendations

75. Staff made several recommendations in its Direct Testimony that were not memorialized in the Settlement Agreement. At hearing, the parties stated these recommendations had

1 been acceptable to the Company and were not discussed during the negotiations; however, Staff
2 indicated it still intended for these recommendations to be imposed on Valle Verde and the Company
3 did not object.³⁹

4 76. Staff observed that Well No. 10 is not connected to the rest of the West System and it
5 is the source of water for the single customer connected to the well and concluded that the well's
6 water should be tested to ascertain whether the water meets the standards of the Safe Drinking Water
7 Act. Staff recommended that the Company file with Docket Control, as a compliance item in this
8 docket, no later than December 31, 2014, an affidavit confirming that all water tests on Well No. 10
9 were completed as outlined in the Direct Testimony of Dorothy Hains, Exhibit DMH-1, page 11,
10 Table 3C, and attesting that Well No. 10 is in compliance with A.A.C. R14-2-407(A).

11 77. Because the Company is not in compliance with ADWR regulations regarding water
12 losses, Staff recommended that Valle Verde file with Docket Control, as a compliance item in this
13 docket, no later than December 31, 2014, a letter from ADWR indicating that the Company's water
14 use and monitoring issues have been resolved.

15 **Additional Requirements**

16 78. In an effort to curb water loss levels, the Company will soon begin implementation of
17 its meter replacement project. We believe it is reasonable to require Valle Verde to closely track its
18 non-account water for both systems, taking care to note incidents of flushing or leaks. Until the
19 meter replacement program is complete, the Company shall file with Docket Control every six
20 months, as compliance items in this docket, Water Use Data Reports indicating water pumped, sold
21 and the water loss percentage, and stating any reasons for unusual loss levels. The first report should
22 be filed by December 31, 2014.

23 79. As stated earlier, Valle Verde is currently in debt to SUM for a total of \$77,938.75.⁴⁰
24 The Commission hired SUM as an interim manager in 2007 at a negotiated rate of \$11.25 per meter,
25 per month, as part of the OSC proceeding against Valle Verde. The rate has remained unchanged for
26 almost seven years. We do not believe SUM should be forced to forego payment simply because

27 ³⁹ Tr. at 145, 147 – 148.

28 ⁴⁰ Tr. at 49 – 50. Valle Verde Post-Hearing Exhibit, Attachment 1 is a balance sheet reflecting the past due amount of \$77,938.75.

1 SUM chose to ensure all other creditors were paid before paying itself. Accordingly, we find it is
 2 reasonable to allow Valle Verde to continue to collect the Temporary Interim Manager Surcharge
 3 until the \$77,938.75 debt is fully paid.⁴¹ Although there will be additional property taxes related to
 4 the collection of the surcharge, it should not be a significant amount that would unduly compromise
 5 cash flows. Additionally, there will be no income tax expense impact since the parties have agreed to
 6 an income tax expense of zero.

7 80. Given the negotiated revenues and resulting cash flow, there will be sufficient funds
 8 for Valle Verde to meet all operational and financial obligations and the Company will not need to
 9 forego timely payment of SUM's future invoices. Accordingly, we expect that the \$77,938.75 debt
 10 payable to SUM for prior services will be the final, full amount to be funded by the Temporary
 11 Interim Manager Surcharge. As directed in Decision No. 73353, Valle Verde shall continue to use
 12 the entire amount collected each month via the Surcharge solely to pay its outstanding debt to SUM.
 13 Valle Verde must also continue to file the required quarterly accounting statements.

14 81. In Decision No. 71899, the Commission directed the Company to file as part of its
 15 Annual Report to the Commission's Utilities Division an affidavit attesting that the Company is
 16 current in paying its property taxes in Arizona. We believe it is reasonable to require the Company to
 17 continue filing the property tax affidavit.

18 82. We find it is reasonable to require that any of the terms and conditions stated in the
 19 Settlement Agreement and agreed to by Valle Verde, as well as the Staff recommendations and
 20 additional terms and conditions imposed on Valle Verde in this Decision, that are still in effect at the
 21 time the Company is transferred out of the Estate to beneficiaries will be considered as binding and
 22 continuing obligations of the Company's successor(s)-in-interest.

23 CONCLUSIONS OF LAW

24 1. Valle Verde is a public service corporation within the meaning of Article XV of the
 25 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

26 ...

27 ⁴¹ A comparison of this balance sheet to the balance sheet attached to the Company's A.R.S. § 40-252 application reflects
 28 closely comparable charges ranging between \$9,855 and \$9,877 per month. See, Valle Verde's Application to Amend
 Decision No. 71899, docketed May 17, 2012, in Docket Nos. W-01431A-09-0360 and W-01431A-09-0361, pages 2, 4.

1	<u>5/8 x 3/4-Inch Meter (Non-Residential)</u>	
	0 to 7,000 Gallons	3.75
2	Over 7,000 Gallons	5.22
3	<u>3/4-Inch Meter (Non-Residential)</u>	
	0 to 7,000 Gallons	3.75
4	Over 7,000 Gallons	5.22
5	<u>1-Inch Meter (All Classes)</u>	
	0 to 15,000 Gallons	3.75
6	Over 15,000 Gallons	5.22
7	<u>1 1/2-Inch Meter (All Classes)</u>	
	0 to 20,000 Gallons	3.75
8	Over 20,000 Gallons	5.22
9	<u>2-Inch Meter (All Classes)</u>	
	0 to 50,000 Gallons	3.75
10	Over 50,000 Gallons	5.22
11	<u>3-Inch Meter (All Classes)</u>	
	0 to 100,000 Gallons	3.75
12	Over 100,000 Gallons	5.22
13		
14	<u>4-Inch Meter (All Classes)</u>	
	0 to 150,000 Gallons	3.75
15	Over 150,000 Gallons	5.22
16	<u>6-Inch Meter (All Classes)</u>	
	0 to 500,000 Gallons	3.75
17	Over 500,000 Gallons	5.22
18	<u>Temporary Interim Manager Surcharge**</u> (Per 1,000 gallons All Meter Sizes, All Classes)	
19	All Usage	0.60

**The Temporary Interim Manager Surcharge shall continue until the past due amounts owed to Southwestern Utility Management, Inc. have been paid in full.

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

	<u>Service Line</u>	<u>Meter Installation</u>	<u>Total</u>
24	5/8 x 3/4-Inch Meter	\$ 445.00	\$ 155.00
	3/4-Inch Meter	445.00	255.00
25	1-Inch Meter	495.00	315.00
	1-1/2-Inch Meter	550.00	525.00
26	2-Inch Turbine Meter	830.00	1,045.00
	2-Inch Compound Meter	830.00	1,890.00
27	3-Inch Turbine Meter	1,045.00	1,670.00
	3-Inch Compound Meter	1,165.00	2,545.00
28	4-Inch Turbine Meter	1,490.00	2,670.00
			4,160.00

1	4-Inch Compound Meter	1,670.00	3,645.00	5,315.00
	6-Inch Turbine Meter	2,210.00	5,025.00	7,235.00
2	6-Inch Compound Meter	2,330.00	6,920.00	9,250.00
	Over 6-Inch	At Cost	At Cost	At Cost

3 **SERVICE CHARGES:**

4	Establishment	\$30.00
	Reconnection (Delinquent)	40.00
5	After Hours Service Charge	35.00
	Meter Test (If Correct)	35.00
6	Meter Re-Read (If Correct)	20.00
	NSF Check	30.00
7	Deposit	(a)
	Deposit Interest	(a)
8	Re-Establishment (Within 12 Months)	(b)
	Late Charge per month	1.50%
9	Deferred Payment, Per Month	1.50%
	Moving Customer Meter (At Customer Request)	At Cost
10	Monthly Service Charge for Fire Sprinkler	(c)

- 11 (a) Per Commission Rule A.A.C. R14-2-403(B)
- 12 (b) Number of months off system times the monthly minimum, per Commission Rule A.A.C. R14-2-403(D).
- 13 (c) 2% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The
14 service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary
15 water service line.

16 In addition to the collection regular rates, the Utility will collect from its customers a proportionate share of
17 any privilege, sales, use and franchise tax. A.A.C. R14-2-409(D)(5).

18 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective
19 for all service provided on and after June 1, 2014.

20 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
21 Company shall notify its customers of the approved rates and charges by means of an insert in its
22 next regularly scheduled billing, or by separate mailing, in a form acceptable to the Commission's
23 Utilities Division.

24 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
25 Company shall continue to assess a Temporary Interim Manager Surcharge of \$0.60 per 1,000
26 gallons, per customer, per month until the \$77,938.75 debt currently owed to Southwestern Utility
27 Management, Inc. is paid in full.

28 IT IS FURTHER ORDERED that the amount collected by the Estate of William F. Randall
d/b/a Valle Verde Water Company through the Temporary Interim Manager Surcharge shall be used
only to pay the outstanding debt owed to Southwestern Utility Management, Inc.

1 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
2 Company shall continue to file with Docket Control, as a compliance item in this docket, quarterly
3 statements indicating the beginning balance owed to Southwestern Utility Management, Inc., the
4 amount collected through the Temporary Interim Manager Surcharge during the quarter, the amount
5 paid to Southwestern Utility Management, Inc. during the quarter, and the ending balance. The
6 quarterly reports shall continue to be filed until the debt has been paid in full.

7 IT IS FURTHER ORDERED that upon payment-in-full of the funds owed to Southwestern
8 Utility Management, Inc., the Estate of William F. Randall d/b/a Valle Verde Water Company shall
9 file with Docket Control, as a compliance item in this docket, within 30 days of the cessation of the
10 Temporary Interim Manager Surcharge, an affidavit indicating that the funds have been repaid and
11 the Temporary Interim Manager Surcharge has ceased.

12 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
13 Company shall file with Docket Control, as a compliance item in this docket, no later than December
14 31, 2014, a letter from ADWR indicating that the Company's water use and monitoring issues have
15 been resolved.

16 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
17 Company shall file with Docket Control, as a compliance item in this docket, no later than December
18 31, 2014, an affidavit attesting that all water tests were completed on Well No. 10 as outlined in the
19 Direct Testimony of Dorothy Hains, Exhibit DMH-1, page 11, Table 3C, and attesting that Well No.
20 10 is in compliance with A.A.C. R14-2-407(A).

21 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
22 Company shall continue to monitor its water loss for both systems. Until the meter replacement
23 project outlined in § 6.1 of the Settlement Agreement is complete, the Estate of William F. Randall
24 d/b/a Valle Verde Water Company shall file with Docket Control every six months, as compliance
25 items in this docket, Water Use Data Reports indicating water pumped, water sold, water loss
26 percentage and stating any reasons for unusual levels of water loss. The first report shall be filed by
27 December 31, 2014.

28 ...

1 IT IS FURTHER ORDERED that the Estate of William F. Randall d/b/a Valle Verde Water
2 Company shall continue to file as part of its Annual Report to the Commission's Utilities Division an
3 affidavit attesting that it is current on payment of its property taxes in Arizona.

4 IT IS FURTHER ORDERED that any of the terms and conditions stated in the Settlement
5 Agreement and agreed to by the Estate of William F. Randall d/b/a Valle Verde Water Company, as
6 well as the Staff recommendations and additional terms and conditions imposed by this Decision, that
7 are still in effect at the time the Estate of William F. Randall d/b/a Valle Verde Water Company is
8 transferred out of the Estate of William F. Randall to its beneficiaries shall be binding and continuing
9 obligations of the Company's successor(s)-in-interest.

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

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

12
13 CHAIRMAN

COMMISSIONER

14
15 COMMISSIONER

COMMISSIONER

COMMISSIONER

16
17 IN WITNESS WHEREOF, I, JODI JERICH, Executive
18 Director of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this _____ day of _____ 2014.

22 JODI JERICH
EXECUTIVE DIRECTOR

23 DISSENT _____

24
25 DISSENT _____
BAM/ru

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SERVICE LIST FOR:

THE ESTATE OF WILLIAM F. RANDALL
D/B/A VALLE VERDE WATER COMPANY

DOCKET NO.:

W-01431A-13-0265

Steve Wene
MOYES SELLERS & HENDRICKS, LTD.
1850 North Central Avenue, Suite 1100
Phoenix, AZ 85004

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

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

EXHIBIT A

VALLE VERDE WATER COMPANY
PROPOSED SETTLEMENT AGREEMENT

DOCKET NO. W-01431A-13-0265

March 4, 2014

DECISION NO. _____

TABLE OF CONTENTS

I. RECITALS.....1

II. REVENUE REQUIREMENT AND RATE INCREASE PROVISIONS.....2

III. DISTRIBUTION OF CASH FLOW OR EARNINGS.....3

IV. BILL IMPACT AND RATE DESIGN3

V. DEPRECIATION AND AMORTIZATION.....3

VI. WATER LOSS AND METER REPLACEMENT.....3

VII. MANAGEMENT4

VIII. COMMISSION EVALUATION OF PROPOSED SETTLEMENT4

IX. MISCELLANEOUS PROVISIONS4

SCHEDULES B-1, C-1A AND C-1BATTACHMENT A

RATE DESIGN AND TYPICAL BILL ANALYSISATTACHMENT B

**PROPOSED SETTLEMENT AGREEMENT OF DOCKET NO.
W-01431A-13-0265 ESTATE OF WILLIAM F. RANDALL DBA VALLE
VERDE WATER COMPANY FOR AN INCREASE IN ITS WATER RATES**

The purpose of this Settlement Agreement ("Agreement") is to settle disputed issues related to Docket No. W-0143A-13-0265, Estate of William F. Randall dba Valle Verde Water Company's ("Valle Verde" or "Company") application for an increase in its water rates. This Agreement is entered into by the following parties:

Estate of William F. Randall dba Valle Verde Water Company ("Valle Verde")
Arizona Corporation Commission ("Commission") Utilities Division ("Staff")

These entities shall be referred to collectively as "Signatories;" a single entity shall be referred to individually as a "Signatory."

I. RECITALS.

- 1.1 Valle Verde filed the underlying rate application in Docket No. W-01431A-13-0265 on July 31, 2013. Staff found the application sufficient on August 30, 2013.
- 1.2 Staff filed a Notice of Settlement Discussions on February 14, 2014. Settlement discussions were held February 21, 2014. The settlement discussions were open, transparent, and inclusive of all parties to this Docket who desired to participate. All parties to this Docket were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate.
- 1.3 The terms of this Agreement are just, reasonable, fair, and in the public interest in that they, among other things, establish just and reasonable rates for Valle Verde customers; promote the convenience, comfort and safety, and the preservation of health, of the employees and patrons of Valle Verde; resolve the issues arising from this Docket; and avoid unnecessary litigation expense and delay.
- 1.4 The Signatories agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with any and all other necessary findings, and (2) approve the Agreement such that it and the rates contained herein may become effective the first billing cycle after the effective date of the order approving the Agreement.

TERMS AND CONDITIONS**II. REVENUE REQUIREMENT AND RATE INCREASE PROVISIONS.**

- 2.1 Rate Increase.** Valle Verde shall receive a base rate increase of \$100,000 over adjusted test-year revenues, reflecting a total revenue requirement of approximately \$572,921 as shown in Attachment A.
- 2.2 Operating Income/Cash Flow.**
- 2.2.1 Rates will be set on the basis of a cash flow analysis.** Staff and the Valle Verde agree that Free Cash Flow was negative in the test year. The revenue increase will produce an operating income of \$73,927 which would provide the Company with approximately \$48,000 of cash flow after all expenses and obligations.
- 2.2.2 Income Tax Expense.** Valle Verde agrees to adopt Staff's proposed adjustment which increases Income Tax Expense by \$7,617, from a negative \$7,617 to zero.
- 2.2.3 Outside Services Expense.** Staff agrees to adopt Valle Verde's proposed \$141,743 in Outside Services Expense as set forth in Attachment A.
- 2.2.4 Water Infrastructure Finance Authority of Arizona Fees.** Valle Verde agrees to adopt Staff's proposed adjustment which decreases Office Supplies and Expenses by \$5,080.
- 2.2.5 Debt Service Reserve Fund.** Valle Verde agrees to adopt Staff's recommended treatment of the \$1,567 monthly payment, or \$18,804 annually, for the Company's Debt Service Reserve Fund ("DSRF") to Water Infrastructure Finance Authority of Arizona as set forth at page 23 of the Direct Testimony of Staff witness Gerald Becker. Specifically, Staff recommends that, beginning with the effective date of the decision in this Docket, Valle Verde will be required to record monies collected to meet the DSRF as a regulatory liability to be evaluated in a subsequent rate proceeding. The parties acknowledge that this obligation is expected to cease in January 2017.
- 2.3 Rate Base.** The parties agree that the Company has a negative rate base and, for purposes of settlement, the parties further agree to use \$0 as Valle Verde's fair value rate base.
- 2.4 Test Year.** The rates agreed to herein are based on a test year ending December 31, 2012, with adjustments for known and measurable changes.

- 2.5 **Subsequent Rate Case.** Valle Verde agrees to file its next rate case by June 30, 2017, using a test year no later than December 31, 2016.

III. DISTRIBUTION OF CASH FLOW OR EARNINGS

- 3.1 Valle Verde agrees to Staff's recommendation, as set forth at page 22 of the Direct Testimony of Staff witness Gerald Becker, that any cash flow or earnings of the Company not be distributed to its owners until the Estate of William F. Randall is settled, the Company is owned under a more traditional form of ownership, the Company directly retains its own competent management, and the Company can manage being represented by no more than one counsel.
- 3.2 Valle Verde acknowledges that the current form of ownership is not in the public interest and agrees that it will file an application with the Commission to implement a permanent form of ownership.

IV. BILL IMPACT AND RATE DESIGN.

- 4.1 Upon the effective date of the new rates, the monthly use charges and rates for customers are set forth in Attachment B. Typical bill analyses are also included in Attachment B.

V. DEPRECIATION AND AMORTIZATION.

- 5.1 The depreciation and amortization rates proposed by Staff and contained in the Direct Testimony of Staff witness Gerald Becker shall be adopted until further order of the Commission. The approved depreciation rates are set forth in Schedule C-1B of Attachment A.

VI. WATER LOSS AND METER REPLACEMENT.

- 6.1 Prior to the settlement conference, Valle Verde filed a water loss plan with Staff. As part of the Agreement, the Company agreed to file a best management practice ("BMP") in the form of Commission BMP Template 4.2 – Meter Repair and/or Replacement whereby Valle Verde will replace at least ten (10) improperly functioning meters per month until all improperly functioning Valle Verde meters have been replaced.

VII. MANAGEMENT.

- 7.1 Within 30 days of a Commission decision approving this Agreement, Valle Verde will file for Staff approval, as a compliance item in this docket, a plan to resolve the matter of the long term management of Valle Verde and eliminate the need for a Commission-ordered interim manager.

VIII. COMMISSION EVALUATION OF PROPOSED SETTLEMENT.

- 8.1 All currently filed testimony and exhibits will be offered into the Commission's record as evidence.
- 8.2 The Signatories recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.
- 8.3 This agreement will serve as a procedural device by which the Signatories will submit their proposed settlement of Valle Verde's pending rate case, Docket No. W-01431-13-0265, to the Commission.
- 8.4 The Signatories recognize that the Commission will independently consider and evaluate the terms of this Agreement. If the Commission issues an order adopting all material terms of this Agreement, such action will constitute Commission approval of the Agreement. Thereafter, the Signatories will abide by the terms as approved by the Commission.
- 8.5 If the Commission fails to issue an order adopting all material terms of this Agreement, any or all of the Signatories may withdraw from this Agreement, and such Signatory or Signatories may pursue without prejudice their respective remedies at law. For purposes of this Agreement, whether a term is material will be left to the discretion of the Signatory choosing to withdraw from the Agreement.

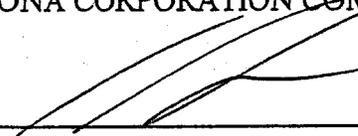
IX. MISCELLANEOUS PROVISIONS.

- 9.1 To achieve consensus for settlement, Signatories are accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because this Agreement, as a whole, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

- 9.2 No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.
- 9.3 Neither this Agreement nor any of the positions taken in this Agreement by any of the Signatories may be referred to, cited, and/or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except to secure approval of this Agreement and enforce its terms.
- 9.4 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.
- 9.5 Each of the terms of this Agreement is in consideration of all other terms of this Agreement. Accordingly, the terms are not severable.
- 9.6 The Signatories shall make reasonable and good faith efforts necessary to obtain a Commission order approving this Agreement. The Signatories shall support and defend this Agreement before the Commission. Subject to Paragraph 8.5 above, if the Commission adopts an order approving all material terms of the Agreement, the Signatories will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.
- 9.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

DATED this 4th day of March, 2014.

ARIZONA CORPORATION COMMISSION

By 

Title DIRECTOR, UTILITIES DIVISION

Date 3-4-14

ESTATE OF WILLIAM F. RANDALL DBA
VALLE VERDE WATER COMPANY

By 

Title 

Date 3/4/14

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

	<u>Settlement Rate Base*</u>
1 Gross Utility Plant in Service	\$ 4,144,263
2 Less: Accumulated Depreciation	<u>(2,040,319)</u>
3 Net Utility Plant in Service	\$ 2,103,944
4 Less:	
5 Advances in Aid of Construction	\$ (1,435,957)
6 Contributions in Aid of Construction	(1,261,919)
7 Customer Security Deposits	(24,348)
8 Add:	
9 Amortization of Contributions	\$ 229,119
10 Allowance for Working Capital	<u>-</u>
11 Total Rate Base	<u><u>\$ (389,161)</u></u>

* Including pro forma adjustments

ATTACHMENT A

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

Settlement Schedule C-1A
 Settlement Operating Statement

Acct	Description	Company Proposed Original Filing	Settlement Proposal
	Operating Revenues:		
1	461 Metered Water Revenue	\$ 627,860	\$ 557,207
2	461.1 Surcharge Revenue	-	-
3	474 Other Water Revenue	15,584	15,584
4	Total Operating Revenue	\$ 643,444	\$ 572,791
	Operating Expenses:		
5	601 Salaries & Wages	\$ 102,402	\$ 102,402
6	610 Purchased Water	-	-
7	615 Purchased Power	33,909	33,909
8	618 Chemicals	1,161	1,161
9	620 Repairs & Maintenance	18,882	18,882
10	621 Office Supplies and Expense	27,333	20,624
11	630 Outside Services	151,235	141,743
12	635 Water Testing	7,584	8,165
13	641 Rental Expense	-	-
14	650 Transportation Expense	6,717	6,717
15	657 Insurance - General Liability	13,290	10,967
16	659 Insurance - Health and Life	-	-
17	666 Rate Case Expense	12,000	12,000
18	675 Miscellaneous Expense	2,626	2,626
19	403 Depreciation & Amortization	101,017	111,266
20	408 Taxes Other Than Income	9,490	9,490
21	408.11 Property Taxes	20,789	18,376
22	409 Income Taxes	48,374	-
23	427.2 Customer Security Deposit Interest	536	536
24	Total Operating Expenses	\$ 557,345	\$ 498,864
25	OPERATING INCOME/(LOSS)	\$ 86,099	\$ 73,927
26			
27			
28	CASH FLOW		
29	Operating Income	\$ 86,099	\$ 73,927
30	Add Depreciation	101,017	111,266
31	Minus Principal, Interest and Fees*	88,928	94,008
32	Minus WIFA DSRF	18,804	18,804
33	Minus AIAC repay	23,596	23,596
34	FREE CASH FLOW	\$ 55,788	\$ 48,785
35			
36	PROPOSED REVENUE INCREASE	\$ 170,653	\$ 100,000
37			

*The Company proposed accounting for WIFA Fees above the line under account 621, Office Supplies & Exp. Staff proposed accounting for them below the line here. Staff's position is adopted in the settlement

ATTACHMENT A

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

Settlement Schedule C-1B
 Settlement Depreciation

Acct No.	Description	Depreciation Rate	Plant Amount	Depr Exp
302	Franchises	0.00%	\$ 125	\$ -
303	Land & Land Rights	0.00%	86,093	-
304	Structures & Improvements	3.33%	510,517	17,000
307	Wells & Springs	3.33%	606,177	20,186
311	Pumping Equipment	12.50%	397,979	49,747
320	Water Treatment Equipment	0.00%	-	-
320.1	Water Treatment Plants ¹	3.33%	442,254	14,576
320.2	Solution Chemical Feeders	20.00%	345	69
330	Distribution Reservoirs & Standpipes	0.00%	-	-
330.1	Storage Tanks	2.22%	573,575	12,733
330.2	Pressure Tanks.	5.00%	80,630	4,032
331	Transmission & Distribution Mains	2.00%	944,180	18,884
333	Services ²	3.33%	79,299	939
334	Meters & Meter Installations	8.33%	101,768	8,477
335	Hydrants	2.00%	36,714	734
339	Other Plant and Misc Equipment	6.67%	-	-
340	Office Furniture & Equipment ³	6.67%	16,552	-
340.1	Computers and Software	20.00%	-	-
341	Transportation Equipment ⁴	20.00%	71,364	-
343	Tools, Shop, and Garage Equipment	5.00%	12,063	603
345	Power Operated Equipment	5.00%	44,869	2,243
348	Other Tangible Plant	10.00%	139,758	13,976
Totals			\$ 4,144,263	\$ 164,200
			CIAC Amortization	\$ (52,933)
			Depreciation Expense	\$ 111,266

¹ \$4,533 of the balance in this account is fully depreciated.

² \$51,108 of the balance in this account is fully depreciated.

³ The total amount in this account is fully depreciated.

⁴ The total amount in this account is fully depreciated.

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

H-3 Settlement
 Changes in Representative Rate
 Schedules - Page 1 of 2

Explanation:
 Schedule comparing present rate schedules with proposed
 rate schedule.

(Rates apply to both residential and commercial usage)

Description	Present Rate	Proposed Rate	Percent change
MONTHLY USAGE CHARGE:			
5/8" x 3/4" Meter	\$ 18.00	\$ 21.64	20.2%
3/4" Meter	18.00	21.64	20.2%
1" Meter	43.00	54.10	25.8%
1-1/2" Meter	86.00	108.20	25.8%
2" Meter	138.00	173.12	25.4%
3" Meter	275.00	346.24	25.9%
4" Meter	429.00	541.00	26.1%
6" Meter	857.00	1,082.00	26.3%
COMMODITY CHARGES:			
5/8 x 3/4-inch and 3/4-inch meter (Residential)			
0 - 3,000 Gallons	\$ 1.30	N/A	
3,001 to 10,000 Gallons	2.90	N/A	
Over 10,000 Gallons	4.25	N/A	
0 - 3,000 Gallons	N/A	\$ 0.97	
3,001 to 7,000 Gallons	N/A	3.75	
Over 7,000 Gallons	N/A	5.22	
5/8 x 3/4-inch and 3/4-inch meter (Non-Residential)			
0 - 10,000 Gallons	\$ 2.90	N/A	
Over 10,000 Gallons	4.25	N/A	
0 - 7,000 Gallons	N/A	\$ 3.75	
Over 7,000 Gallons	N/A	5.22	
1 - inch meter (All Meters)			
0 to 15,000 Gallons	\$ 2.90	\$ 3.75	
Over 15,000 Gallons	4.25	5.22	
1 1/2 - inch meter (All Meters)			
0 to 20,000 Gallons	\$ 2.90	\$ 3.75	
Over 20,000 Gallons	4.25	5.22	
2 - inch meter (All Meters)			
0 to 25,000 Gallons	\$ 2.90	N/A	
Over 25,000 Gallons	4.25	N/A	
0 to 50,000 Gallons	N/A	3.75	
Over 50,000 Gallons	N/A	5.22	
3 - inch meter (All Meters)			
0 to 70,000 Gallons	\$ 2.90	N/A	
Over 70,000 Gallons	4.25	N/A	
0 to 100,000 Gallons	N/A	3.75	
Over 100,000 Gallons	N/A	5.22	
4 - inch meter (All Meters)			
0 to 150,000 Gallons	\$ 2.90	\$ 3.75	
Over 150,000 Gallons	4.25	5.22	
6 - inch meter (All Meters)			
0 to 500,000 Gallons	\$ 2.90	\$ 3.75	
Over 500,000 Gallons	4.25	5.22	
Temporary Interim Manager Surcharge (per 1,000 gallons) *			
All gallons	\$ 0.60	\$ 0.60	

* Interim Manager Surcharge shall cease once
 past due amounts are paid

DECISION NO. _____

ATTACHMENT B

H-3 Settlement

Changes in Representative Rate

Schedules - Page 2 of 2

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

Description	Present Rate	Proposed Rate	Percent change
<u>SERVICE CHARGES:</u>			
Establishment	\$ 30.00	\$ 30.00	0%
Establishment (After Hours)	40.00	Eliminate	N/A
Reconnection (Delinquent)	40.00	30.00	-25%
Reconnection (Delinquent) after hours	50.00	Eliminate	N/A
After Hours Service Charge	N/A	\$35	N/A
Meter Test (If Correct)	35.00	\$35	0%
Deposit	(a)	(a)	N/A
Deposit Interest	(a)	(a)	N/A
Re-Establishment (within 12 months)	(b)	(b)	N/A
NSF Check	\$ 25.00	30.00	20%
Late Fee (per month)	1.50%	1.50%	0%
Deferred Payment (per month)	1.50%	1.50%	0%
Meter Re-read (If Correct)	\$ 20.00	20.00	0%
Monthly Service Charge for Fire Sprinkler	(c)	(c)	N/A
Moving Customer Meter at Customer Request	N/A	Cost	N/A

SERVICE LINE AND METER INSTALLATION CHARGES:

Description	Present Rates			Proposed Rates			Percent change
	Service Line	Meter Installation	Total	Service Line	Meter Installation	Total	
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00	\$ 445.00	\$ 155.00	\$ 600.00	0%
3/4" Meter	445.00	255.00	700.00	445.00	255.00	700.00	0%
1" Meter	495.00	315.00	810.00	495.00	315.00	810.00	0%
1-1/2" Meter	550.00	525.00	1,075.00	550.00	525.00	1,075.00	0%
2" Meter - Turbine	830.00	1,045.00	1,875.00	830.00	1,045.00	1,875.00	0%
2" Meter - Compound	830.00	1,890.00	2,720.00	830.00	1,890.00	2,720.00	0%
3" Meter - Turbine	1,045.00	1,670.00	2,715.00	1,045.00	1,670.00	2,715.00	0%
3" Meter - Compound	1,165.00	2,545.00	3,710.00	1,165.00	2,545.00	3,710.00	0%
4" Meter - Turbine	1,490.00	1,737.00	3,227.00	1,490.00	2,670.00	4,160.00	29%
4" Meter - Compound	1,670.00	3,645.00	5,315.00	1,670.00	3,645.00	5,315.00	0%
6" Meter - Turbine	2,210.00	3,766.00	5,976.00	2,210.00	5,025.00	7,235.00	21%
6" Meter - Compound	2,330.00	6,920.00	9,250.00	2,330.00	6,920.00	9,250.00	0%
Over 6"	Cost	Cost	Cost	Cost	Cost	Cost	

(a) Per Commission Rule A.A.C. R14-2-403(B)

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

(c) 2% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, use, and franchise tax. Per Commission Rule R14-2-409(D)(5).

DECISION NO. _____

ATTACHMENT B

Valle Verde Water Company
 Test Year Ended December 31, 2012
 W-01431A-13-0265

Schedule H-4 SETTLEMENT

Typical Bill
 Analysis

5/8" x 3/4" Meter and 3/4" Meter - (Residential)

Median Usage Gallons	Present Bill	Proposed Bill	Increase	% Increase
5143	\$ 28.11	\$ 32.59	\$ 4.47	15.9%

Monthly Consumption	Present Bill	Proposed Bill	Increase	Percent Increase
-	\$ 18.00	\$ 21.64	\$ 3.64	20.22%
1,000	19.30	22.61	3.31	17.15%
2,000	20.60	23.58	2.98	14.47%
3,000	21.90	24.55	2.65	12.10%
4,000	24.80	28.30	3.50	14.11%
5,000	27.70	32.05	4.35	15.70%
6,000	30.60	35.80	5.20	16.99%
7,000	33.50	39.55	6.05	18.06%
8,000	36.40	44.77	8.37	22.99%
9,000	39.30	49.99	10.69	27.20%
10,000	42.20	55.21	13.01	30.83%
15,000	63.45	81.31	17.86	28.15%
20,000	84.70	107.41	22.71	26.81%
25,000	105.95	133.51	27.56	26.01%
50,000	212.20	264.01	51.81	24.42%
75,000	318.45	394.51	76.06	23.88%
100,000	424.70	525.01	100.31	23.62%