



0000153313

MEMORANDUM

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

DATE: May 9, 2014

RE: THE APPLICATION OF ARIZONA WINDSONG REALTY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE. (DOCKET NO. W-02250A-14-0728)

Arizona Corporation Commission
DOCKETED

MAY 09 2014

DOCKETED BY *[Signature]*

Attached is the Staff Report for Arizona Windsong Realty, Inc.'s application for a rate increase. Staff recommends approval of the rate increase application using Staff's recommended rates and charges.

SMO:JLK:tdp\CHH

Originator: Jorn Keller

ORIGINAL

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2014 MAY -9 P 2:59

RECEIVED

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Docket No. W-02250A-14-0028

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

ARIZONA WINDSONG REALTY, INC.

DOCKET NO. W-02250A-14-0028

**APPLICATION FOR A
PERMANENT RATE INCREASE**

MAY 9, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona Windsong Realty, Inc., Docket No. W-02250A-14-0028, was the responsibility of the Staff members listed below. Jorn Keller was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Katrin Stukov 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.


Jorn Keller
Public Utilities Analyst III


Katrin Stukov
Utilities Engineer


Trish Meeter
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
ARIZONA WINDSONG REALTY, INC.
DOCKET NO. W-02250A-14-0028

Arizona Windsong Realty, Inc. ("Windsong" or "Company") filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission") January 31, 2014, and it was deemed sufficient on February 28, 2014.

Windsong is a class D Arizona public service corporation, providing potable water service to approximately 69 metered customers. The Company is located in Apache County, between St. Johns, Arizona and Gallop, New Mexico. The current rates were established by Decision No. 51748, in February, 1981.

Windsong proposes total operating revenue of \$77,379, an increase of \$55,873 or 259.80 percent over the Company's test year revenue of \$21,506. The Company's proposed rates would yield a positive cash flow of \$9,738. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill, with a median usage of 3,736 gallons from \$16.74 to \$65.27, for an increase of \$48.53, or 289.9 percent.

Staff recommends total operating revenue of \$75,000, an increase of \$55,168 or 278.18 percent increase over the Staff-adjusted test year revenue of \$19,832. Staff's recommendation would result in an operating income of \$8,071, for an operating margin of 10.76 per cent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,736 gallons from \$16.74 to \$52.80, for an increase of \$36.06, or 215.4 percent.

STAFF RECOMMENDATIONS

Staff recommends:

1. The approval of its recommended rates and charges as shown in Schedule JLK-4.
2. That the emergency surcharge authorized in Decision No. 74442 cease when new rates become effective.
3. That the Company be ordered to file with Docket Control, as a compliance item in this Docket, a schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
4. That Windsong file with the Utilities Division before December 31, 2014, the Utilities Annual Report for the year ending December 31, 2013.
5. That the Company file all delinquent corporate annual reports of Arizona Windsong Water Co. and meet the requirements of good standing before the Corporations Division within 90 days of the effective date of this order.

6. That the Company file an application with the Commission for approval to transfer of the utility assets and Certificate of Convenience and Necessity ("CCN") of Arizona Windsong Realty, Inc. to Arizona Windsong Water Co. within 90 days of the effective date of this order.
7. That the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
8. That the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.
9. That the Company be ordered to install a wellhead meter. Staff further recommends that the Company file with Docket Control within three months of the effective date of an order in this proceeding, as a compliance item in this docket, documentation demonstrating that the wellhead meter has been installed.
10. That the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system closely and take action to ensure that water loss is less than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10 percent, the Company shall come up with a plan to reduce water loss to less than 10 percent, or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. In no case shall the Company allow water loss to be greater than 15 percent.
11. That the Company file a curtailment tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CurtailmentStandard2009.doc>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

12. That the Company file a backflow prevention tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CrossConnectBackflow.pdf>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.
13. That the Company be required to file with Docket Control, as a compliance item in this docket within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. The Company may request cost recovery of actual expenses associated with the BMPs implemented in its next general rate application.
14. That the depreciation rates delineated in Table B be used by the Company.

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Attachment

Engineering Report.....	Exhibit KS
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FACT SHEET

Company:

Arizona Windsong Realty, Inc. (“Windsong” or “Company”) is a class D public service corporation, providing potable water service to approximately 69 metered customers.

Windsong is a “C” Corporation.

Rates:

Permanent rate increase application filed: January 31, 2014.

Current test year ended: December 31, 2012.

The application became sufficient on February 28, 2014.

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Rates			
Residential Monthly Minimum Charge			
5/8 x 3/4-inch meter	\$ 16.00	\$ 55.00	\$ 37.12
(Gallons included in the minimum)	3,000	0	0
Emergency Surcharge	\$30.00	0	0

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Commodity Rates			
(Per 1,000 gallons above minimum)			

<u>5/8 x 3/4 meters</u>			
All usage over 3,000 gallons	\$ 1.00	\$ NA	\$ NA
0 to 7,000 gallons	\$ NA	\$ 2.75	\$ NA
7,001 to 25,000 gallons	\$ NA	\$ 3.75	\$ NA
Over 25,000	\$ NA	\$ 4.95	\$ NA
0 to 3,000 gallons	\$ NA	\$ NA	\$ 4.00
3,001 to 12,000 gallons	\$ NA	\$ NA	\$ 5.00
Over 12,000 gallons	\$ NA	\$ NA	\$ 6.00

Fact Sheet (Continued)

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
<i>Typical 5/8 x 3/4</i>			
Average use (10,100 gallons)	\$ 23.10	\$ 85.88	\$ 84.62
Median use (3,736 gallons)	\$ 16.74	\$ 65.27	\$ 52.80

Customers

Average Number of customers in the current test year (12/31/12): 69

There are no other meter sizes in use.

Notifications

Affidavit of mailing for the Customer Notification was filed on February 11, 2014.

Complaints

Number of opinions filed against the rate increase application: 1.

Percentage of opinions to customer base: 1.45 percent.

SUMMARY OF FILING

Arizona Windsong Realty, Inc. (“Windsong” or “Company”) proposed a \$55,873 or a 259.80 percent increase over the test year revenue of \$21,506 to \$77,379. The Company’s proposed revenue would result in operating income of \$9,738. The Company’s proposed rates would yield a positive cash flow of \$9,738. The Company proposes an OCRB of \$0. The Company’s proposed rate increase would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,736 gallons from \$16.74 to \$65.27, for an increase of \$48.53, or 289.9 percent.

The test year results as adjusted by Utilities Division Staff (“Staff”) for the Company show total operating revenue of \$19,832, an operating loss of \$43,663 and a negative cash flow of \$43,663, as shown on Schedule JLK-1. The Original Cost Rate Base (“OCRB”) as adjusted by Staff is \$7,024.

Staff recommends a \$55,168 or a 278.18 percent increase over the Staff adjusted test year revenue of \$19,832 to \$75,000. Staff’s recommended revenues would result in an operating income of \$8,071. Staff’s recommend rates would yield a positive cash flow of \$8,071. Staff’s recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,736 gallons from \$16.74 to \$52.80, for an increase of \$36.06, or 215.4 percent.

The Company requests a rate increase to pay the salary of a part-time, ADEQ-certified operator and to address maintenance cost increases.

COMPANY BACKGROUND

Windsong is a class D Arizona public service corporation, providing potable water service to 69 metered customers in Sanders, Arizona, an unincorporated community in Apache County.

The Company’s customers are residential users with 5/8 x 3/4 inch meters. The current permanent rates were authorized by Decision No. 51748 in February, 1981.

Windsong filed an application for a rate increase before the Arizona Corporation Commission (“Commission”) on January 31, 2014. On February 25, 2014, Staff issued a Letter of Sufficiency.

On April 18, 2014 the Commission, in Decision No. 74442, ordered an emergency/interim rate increase of \$30 per connection per month. The purpose of the emergency rate increase was to hire a certified operator in response to the death of Windsong’s owner and manager, Mr. Paulsell. Also on April 18, 2014, the Company filed notice that Mr. Terry Oldham had accepted employment with Windsong as an ADEQ-certified operator.

Staff recommends that the emergency surcharge cease when new rates become effective.

CONSUMER SERVICES

A review of the Commission's records from January, 2011 through April, 2014 found three complaints filed. One complaint remains open, pending investigation. One opinion was filed against the rate increase request.

The Company's affidavit of mailing "Customer Notification" was filed on February 11, 2014.

COMPLIANCE

Windsong is not in good standing with the Corporations Division of the Commission. On November 10, 1979, the Articles of Incorporation for Windsong were revoked for failure to maintain a statutory agent. On April, 30, 2010, Arizona Windsong Water Co., the planned successor to Windsong, was administratively dissolved for failure to file the 2009 annual report.¹

The Utilities Division Compliance Section shows several outstanding compliance issues. On May 16, 2003, the Commission ordered the Company to cure violations alleged by the Arizona Department of Environmental Quality ("ADEQ"). In addition, the Company was ordered to apply for approval to transfer utility assets and the Certificate of Convenience and Necessity ("CC&N") from Arizona Windsong Realty, Inc. to Arizona Windsong Water Co.²

Upon review of the Company's Rate Case Application, Staff discovered that the Company's monthly usage charge of \$18.00 was not the tariffed rate. Decision No. 51748 ordered a monthly minimum of \$16.00 in February, 1981. When contacted, Windsong agreed to immediately begin charging the correct minimum amount.

The Company last filed a Utilities Annual Report with the Utilities Division on April 15, 2008 for the year ending December 31, 2007. Staff recommends that Windsong file its 2013 Utilities Annual Report before December 31, 2014.

ENGINEERING ANALYSIS

Staff inspected Windsong's plant facilities on March 19, 2014. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report.

¹ Arizona Corporation Commission Corporations Division files number 0112772-1 and 1054029-6.

² Decision No. 65918, P. 4, lines 16-20.

RATE BASE

Utility Plant in Service

The Company lists no plant in the Application, stating that existing plant is old and was fully depreciated long ago. Staff notes that the last Annual Report filed for 2007 lists Utility Plant in Service at Original Cost Less Depreciation ("OCLD") totaling \$113,760. Staff is unaware of any plant additions placed in service between 2007 and the test year, 2012.

Staff's Engineering Report describes the Windsong system as consisting of one well, one storage tank, one pressure tank, a booster pump, mains, 76 meters, a brick building and a shed.³

Based on the forgoing, Staff recommends the Commission determine for ratemaking purposes that the Company's Utility Plant in Service is \$0.

Other Rate Base Items

Windsong's rate base consists of its working capital allowance, which consists of cash working capital using the formula method which is 1/24 of purchased power expense and 1/8 of operations and maintenance expense as shown on Schedule JLK -2.

OPERATING INCOME

Operating Revenue

Staff's adjustment to total operating revenue resulted in a net decrease of \$1,674, from \$21,506 to \$19,832, as shown on Schedule JLK-3, page 1. Details of Staff's adjustments are discussed below.

Metered Water Revenue – Adjustment A decreases metered water revenue by \$1,674, from \$21,506 to \$19,832, as shown on Schedule JLK-3, page 1 and 2. Staff's adjustment reflects Staff's correction to the Company's over-collection of the minimum monthly charge.

Operating Expenses

Staff's adjustments to the Company's operating expenses resulted in a net decrease of \$4,146, from \$67,641 to \$63,495, as shown on Schedule JLK-3, page 1. Details of Staff's adjustments are presented below.

Salaries and Wages – Adjustment B decreases salaries and wages expense by \$3,744, from \$40,224 to \$36,480, as shown on Schedule JLK-3, pages 1 and 2. This adjustment reflects Staff's recalculation of salaries and wages expense. \$24,000 is allocated for an ADEQ-certified operator. Mr. Paulsell's original proposed salary was eliminated. Mrs. Paulsell's will be compensated for

³ Engineering Report, April 22, 2014, P. 4.

bookkeeping and billing duties at the rate of \$12.00 per hour for 20 hours per week or \$12,480 annually.

Water Testing – Adjustment C increases water testing expense by \$458, from \$1,836 to \$2,294 as shown on Schedule JLK-3, pages 1 and 2. The Water Testing expense category is adjusted to reflect Staff's estimated annual average water testing expenses, including MAP fees.⁴

Transportation Expense – Adjustment D decreases transportation expense by \$860, from \$1,721 to \$861, as shown on Schedule JLK-3, pages 1 and 2. This adjustment eliminates one half of transportation expense which the Company states consists entirely of maintenance and fuel for the Paulsells' pickup truck.⁵ System repairs and maintenance will now be performed by the certified operator, and Mrs. Paulsell may use the truck incidentally in the course of her bookkeeping duties or for system emergencies.

CASH FLOW AND OPERATING MARGIN

The Company proposed rates and charges would provide operating income of \$9,738, a positive cash flow of \$9,738 and an operating margin of 12.58% as shown on Schedule JLK-1.

Staff's recommended rates and charges would provide an operating income of \$8,071 and would yield a cash flow of \$8,071 and an operating margin of 10.76 percent as also shown on Schedule JLK-1.

REVENUE REQUIREMENT

The Company's rate base is \$7,024. Consequently, Staff uses cash flow to calculate its proposed revenue requirement.

Staff recommends a \$55,168, or a 278.18 percent, increase over the Staff adjusted test year revenue of \$19,832 to \$75,000. Staff's recommended revenues would result in an operating income of \$8,071 for a 10.76 percent operating margin as shown on Schedule JLK-1.

Staff's total revenue requirement of \$75,000, provides the Company with sufficient cash flow to meet normal operating expenses and to fund other contingencies.

RATE DESIGN

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

The Company requested an increase in the total operating revenue of \$55,873. This increase would result in total revenue of \$77,379.

⁴ Staff Engineering Report, Exhibit KS, pp. 8 and 9.

⁵ Company response to Staff Data Request 1.3, February 4, 2014.

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,736 gallons from \$16.74 to \$65.27, for an increase of \$48.53, or 289.9 percent, as shown on Schedule JLK-5.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 3,736 gallons from \$16.74 to \$52.80, for an increase of \$36.06, or 215.4 percent, as shown on Schedule JLK-5.

MISCELLANEOUS SERVICE CHARGES

Staff recommends that "per month" be added to the Proposed Deferred Payment Charge and that the proposed \$20 per month Late Fee be \$5 per month. Otherwise, Staff agrees with the Company's proposed service charges.

SERVICE LINE AND METER INSTALLATION CHARGES

The Company has not requested changes to its service line and meter installation charges as shown on page 12 of the Engineering Report.

Staff has recommended service line and meter installation charges based upon its analysis of costs as discussed in the Engineering Report. Staff recommends approval of Staff's service line and meter installation charges as shown on Schedule JLK-4.

STAFF RECOMMENDATIONS

Staff recommends:

1. The approval of its recommended rates and charges as shown in Schedule JLK-4.
2. That the emergency surcharge authorized in Decision No. 74442 cease when new rates become effective.
3. That the Company be ordered to file with Docket Control, as a compliance item in this Docket, a schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.
4. That Windsong file with the Utilities Division before December 31, 2014, the Utilities Annual Report for the year ending December 31, 2013.
5. That the Company file all delinquent corporate annual reports of Arizona Windsong Water Co. and meet the requirements of good standing before the Corporations Division within 90 days of the effective date of this order.
6. That the Company file an application with the Commission for approval to transfer of the utility assets and Certificate of Convenience and Necessity ("CCN") of

Arizona Windsong Realty, Inc. to Arizona Windsong Water Co. within 90 days of the effective date of this order.

7. That the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
8. That the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.
9. That the Company be ordered to install a wellhead meter. Staff further recommends that the Company file with Docket Control within three months of the effective date of an order in this proceeding, as a compliance item in this docket, documentation demonstrating that the wellhead meter has been installed.
10. That the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system closely and take action to ensure that water loss is less than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10 percent, the Company shall come up with a plan to reduce water loss to less than 10 percent, or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. In no case shall the Company allow water loss to be greater than 15 percent.
11. That the Company file a curtailment tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at www.azcc.gov/divisions/utilities/forms/CurtailmentTariffStandard.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

12. That the Company file a backflow prevention tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at www.azcc.gov/divisions/utilities/forms/CrossConnection/BackflowTariff.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.
13. That the Company be required to file with Docket Control, as a compliance item in this docket within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/Water/forms.asp>. The Company may request cost recovery of actual expenses associated with the BMPs implemented in its next general rate application.
14. That the depreciation rates delineated in Table B be used by the Company.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company	Staff
Revenues:				
Metered Water Revenue	\$21,506	\$19,832	\$77,379	\$75,000
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	0	0	0	0
Total Operating Revenue	\$21,506	\$19,832	\$77,379	\$75,000
Operating Expenses:				
Operation and Maintenance	\$63,921	\$59,775	\$63,921	\$59,775
Depreciation	0	0	0	0
Property & Other Taxes	3,720	3,720	3,720	5,070
Income Tax	0	0	0	2,084
Total Operating Expense	\$67,641	\$63,495	\$67,641	\$66,929
Operating Income/(Loss)	(\$46,135)	(\$43,663)	\$9,738	\$8,071
Rate Base O.C.L.D.	\$0	\$7,024	\$0	\$7,024
Operating Margin 1.	N/M	N/M	12.58%	10.76%

NOTES: 1. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

RATE BASE

	----- Original Cost -----			
	Company	Adjustment		
Plant in Service	\$0	\$0		\$0
Less:				
Accum. Depreciation	0	0		0
Net Plant	\$0	\$0		\$0
Less:				
Plant Advances	\$0	\$0		\$0
Accumulated Deferred Income Taxes	0	0		0
Total Advances	\$0	\$0		\$0
Contributions Gross	\$0	\$0		\$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	\$0	\$0		\$0
Total Deductions	\$0	\$0		\$0
Plus:				
1/24 Power	\$0	\$224	A	\$224
1/8 Operation & Maint.	0	6,800	B	6,800
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$7,024		\$7,024
Rate Base	\$0	\$7,024		\$7,024

Explanation of Adjustment:

A	1/24 POWER EXPENSE - Per Company	\$0		
	Per Staff	224	\$224	
		224	\$224	
B	1/8 Operation & Maintenance - Per Company	\$0		
	Per Staff	6,800	\$6,800	
		6,800	\$6,800	

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	\$21,506	(\$1,674) A		\$19,832
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	0	0		0
Total Operating Revenue	\$21,506	(\$1,674)		\$19,832
Operating Expenses:				
601 Salaries and Wages	\$40,224	(\$3,744) B		\$36,480
610 Purchased Water	0	0		0
615 Purchased Power	5,375	0		5,375
618 Chemicals	664	0		664
620 Repairs and Maintenance	13,337	0		13,337
621 Office Supplies & Expense	764	0		764
630 Outside Services	0	0		0
635 Water Testing	1,836	458 C		2,294
641 Rents	0	0		0
650 Transportation Expenses	1,721	(860) D		861
657 Insurance - General Liability	0	0		0
659 Insurance - Health and Life	0	0		0
666 Regulatory Commission Expense - Rate Case	0	0		0
675 Miscellaneous Expense	0	0		0
403 Depreciation Expense	0	0		0
408 Taxes Other Than Income	3,077	0		3,077
408.11 Property Taxes	643	0		643
409 Income Tax	0	0		0
Total Operating Expenses	\$67,641	(\$4,146)		\$63,495
OPERATING INCOME/(LOSS)	(\$46,135)	\$2,472		(\$43,663)

STAFF ADJUSTMENTS

A	METERED WATER REVENUE - Per Company	\$21,506	
	Per Staff	<u>19,832</u>	<u>(\$1,674)</u>
	To correct metered revenue to reflect a \$16 minimum amount pursuant to the tariff schedule of Decision 51748.		
B	SALARIES AND WAGES - Per Company	\$40,224	
	Per Staff	<u>36,480</u>	<u>(\$3,744)</u>
	To adjust proposed wages to reflect \$24,000 for a certified operator and \$12,480 for part time bookkeeping services.		
C	WATER TESTING - Per Company	\$1,836	
	Per Staff	<u>2,294</u>	<u>\$458</u>
	To reflect Staff's estimated average water testing expense as recommended in the Engineering Report.		
D	TRANSPORTATION EXPENSE - Per Company	\$1,721	
	Per Staff	<u>861</u>	<u>(\$860)</u>
	To remove 1/2 of the maintenance expense of the Paulsell's personal truck to reflect only Mrs. Paulsell's use.		

Arizona Windsong Realty, Inc.

Docket W-02250A-14-0228

Test Year December 31, 2012

Schedule JLK-3

Page 3 of 4

OPERATING INCOME ADJUSTMENT F - PROPERTY TAXES

		[A]	[B]
LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2013	\$ 19,832	\$ 75,000
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 39,664	\$ 150,000
4	Staff Recommended Revenue, Per Schedule JLK-1	19,832	75,000
5	Subtotal (Line 4 + Line 5)	\$ 59,496	\$ 225,000
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 19,832	\$ 75,000
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 39,664	\$ 150,000
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 39,664	\$ 150,000
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	7,338	\$ 27,750
15	Composite Property Tax Rate per Apache Co. (tax/assessed valuation)	8.214%	8.214%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 603	
17	Company Proposed Property Tax	643	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (40)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 2,279
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 603
21	Increase/(Decrease) to Property Tax Expense		\$ 1,677
22	Increase to Property Tax Expense		\$ 1,677
23	Increase in Revenue Requirement		55,168
24	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		3.04%

OPERATING INCOME ADJUSTMENT G - TEST YEAR INCOME TAXES

LINE NO.	<u>DESCRIPTION</u>	(A)	
		Company Test Year	Staff Recommended
	<u>Calculation of Income Tax:</u>		
1	Revenue	\$ 21,506	\$ 75,000
2	Less: Operating Expenses - Excluding Income Taxes	67,641	64,845
3	Less: Synchronized Interest (L17)	-	-
4	Arizona Taxable Income (L1- L2 - L3)	-	10,155.00
5	Arizona State Income Tax Rate	-	6.50%
6	Arizona Income Tax (L4 x L5)	-	660.08
7	Federal Taxable Income (L4 - L6)	-	9,494.93
8	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	-	1,424.24
9	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	-	-
10	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	-	-
11	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	-	-
12	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-	-
13	Total Federal Income Tax	-	1,424.24
14	Combined Federal and State Income Tax (L6 + L13)		2,084.31
18	Income Tax - Per Staff	\$ -	\$ 2,084
19	Income Tax - Per Company	\$ -	\$ -
20	Staff Adjustment	\$ 2,084	

RATE DESIGN

Monthly Usage Charge	Present	-Proposed Rates-	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$16.00	\$55.00	\$37.12
			0.00
Emergency Surcharge	30.00	0.00	0.00
			0.00
Excess of Minimum - per 1,000 Gallons	0.00	0.00	0.00
Gallons Included in Minimum	3,000	0.00	0.00
Commodity Rates (Per 1,000 gallons)			
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	\$0	N/A	N/A
Second Tier - Over 3,000 gallons	1.00	N/A	N/A
5/8 x 3/4 Meter			
First Tier - 0 - 7,000 gallons	N/A	\$ 2.75	N/A
Second Tier - 7,001 to 25,000 gal lons	N/A	\$ 3.75	N/A
Third Tier - Over 25,000 gallons	N/A	\$ 4.95	N/A
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	\$ 4.00
Second Tier - 3,001 - 12,000 gal lons	N/A	N/A	5.00
Third Tier - Over 12,000 gallons	N/A	N/A	6.00

Service Line and Meter Installation Charges	Company Proposed		----Staff Recommended----		
	Current Tariff	Total Charges	Service Line Charges	Meter Charges	Total Charges
5/8" x 3/4" Meter	100.00	621.50	490.00	131.50	\$621.50
3/4" Meter	120.00	722.50	490.00	232.50	722.50
1" Meter	160.00	840.00	547.00	293.00	840.00
1½" Meter	300.00	1,115.00	609.50	505.50	1,115.00
2" Meter	400.00	1,957.50	927.00	1,030.50	1,957.50
3" Meter		2,832.50	1,171.00	1,661.50	2,832.50
4" Meter		4,307.50	1,661.00	2,646.50	4,307.50
6" Meter		7,504.00	2,478.50	5,025.50	7,504.00

Service Charges	Company	Proposed	Staff Recommended
Establishment	\$0.00	\$30.00	\$30.00
Reconnection (delinquent)	5.00	\$30.00	30.00
After Hours Service Charge	0.00	35.00	35.00
Meter Test	0.00	30.00	30.00
Deposit	0.00	0.00	*
Deposit Interest	0.00%	0.00%	*
Re-Establishment (within 12 Months)	25.00	**	**
NSF Check	0.00	20.00	20.00
Deferred Payment (per month)	0.00%	1.50%	1.50%
Meter Re-Read	2.50	15.00	15.00
Late Fee	0.00	20.00	5.00
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	\$0.00	\$0.00	*****
6"	0.00	0.00	*****
8"	0.00	0.00	*****
10"	0.00	0.00	*****
Larger than 10"	0.00	0.00	*****

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

TYPICAL BILL ANALYSIS

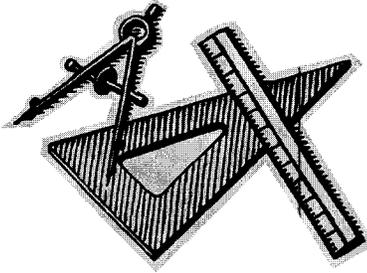
Residential 5/8 X 3/4 - Inch Meter

Average Number of Customers: 69

<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	10,100	\$23.10	\$85.88	\$62.78	271.8%
Median Usage	3,736	\$16.74	\$65.27	\$48.53	289.9%
<u>Staff Recommended</u>					
Average Usage	10,100	\$23.10	\$84.62	\$61.52	266.3%
Median Usage	3,736	\$16.74	\$52.80	\$36.06	215.4%

Present & Proposed Rates (Without Taxes)
Residential 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	\$16.00	\$55.00	243.8%	\$37.12	132.0%
1,000	16.00	57.75	260.9%	41.12	157.0%
2,000	16.00	60.50	278.1%	45.12	182.0%
3,000	16.00	63.25	295.3%	49.12	207.0%
4,000	17.00	66.00	288.2%	54.12	218.4%
5,000	18.00	68.75	281.9%	59.12	228.4%
6,000	19.00	71.50	276.3%	64.12	237.5%
7,000	20.00	74.25	271.3%	69.12	245.6%
8,000	21.00	78.00	271.4%	74.12	253.0%
9,000	22.00	81.75	271.6%	79.12	259.6%
10,000	23.00	85.50	271.7%	84.12	265.7%
15,000	28.00	104.25	272.3%	112.12	300.4%
20,000	33.00	123.00	272.7%	142.12	330.7%
25,000	38.00	141.75	273.0%	172.12	352.9%
50,000	63.00	265.50	321.4%	322.12	411.3%
75,000	88.00	389.25	342.3%	472.12	436.5%
100,000	113.00	513.00	354.0%	622.12	450.5%
125,000	138.00	636.75	361.4%	772.12	459.5%
150,000	163.00	760.50	366.6%	922.12	465.7%
175,000	188.00	884.25	370.3%	1,072.12	470.3%
200,000	213.00	1,008.00	373.2%	1,222.12	473.8%



Engineering Report For
Arizona Windsong Realty, Inc.
Docket No. W-02250A-14-0028 (Rates)
By Katrin Stukov *KS*
Utilities Engineer
April 22, 2014

SUMMARY

Conclusions

1. The Arizona Department of Environmental Quality (“ADEQ”) has reported that the Arizona Windsong Realty, Inc. (“AZWR” or “Company”) water system has monitoring, reporting, operation and maintenance deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.
2. Based on the Company’s water use data for the test year, Arizona Corporation Commission (“ACC” or “Commission”) Utilities Division Staff (“Staff”) concludes that the Company’s water system has adequate water supply capacity to serve the present customer base and reasonable growth. The storage capacity is adequate to serve the present customer base.
3. The Company’s water system is not located in an Arizona Department of Water Resources (“ADWR”) Active Management Area.
4. ADWR has determined that the Company’s water system is not in compliance with ADWR requirements, as the Company failed to file its System Water Plan.
5. The Utilities Division Compliance Section noted that a check of the compliance database indicates that there are two outstanding compliance filings from Decision No. 65918, as the Company has not filed with the Director of the Utilities Division by July 15, 2003, certification of curing ADEQ deficiencies and certification of filing an application to transfer the utility assets and Certificate of Convenience and Necessity to the utility’s current operator.
6. The Company does not have an approved curtailment plan tariff.
7. The Company does not have an approved backflow prevention tariff.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.
3. Staff recommends that the Company be ordered to install a wellhead meter. Staff further recommends that the Company file with Docket Control within three months of the effective date of an order in this proceeding, as a compliance item in this docket, documentation demonstrating that the wellhead meter has been installed.
4. Staff recommends that the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system closely and take action to ensure that water loss is less than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10 percent, the Company shall come up with a plan to reduce water loss to less than 10 percent, or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. In no case shall the Company allow water loss to be greater than 15 percent.
5. Staff recommends that the Company file a curtailment tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CurtailmentStandard2009.doc>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

6. Staff recommends that the Company file a backflow prevention tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CrossConnectBackflow.pdf>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.
7. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. The Company may request cost recovery of actual expenses associated with the BMPs implemented in its next general rate application.
8. Staff recommends an annual water testing expense of \$2,294 be used for purpose of this proceeding.
9. Staff recommends the depreciation rates delineated in Table B be used by the Company.
10. Staff recommends approval of the Company's requested installation charges as shown in Table C.

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I. INTRODUCTION AND LOCATION OF COMPANY

On January 31, 2014, the Arizona Windsong Realty, Inc. ("Company") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission").

The Company water system is located near the Town of Sanders (approximately 50 miles east of Holbrook) in Apache County.

The Company's certificated area covers approximately 2.6 square miles (approximately 1,662 acres). Figure 1 shows the location of the Company within Apache County and Figure 2 delineates the Company's certificated area.

The Company plant facilities were visited on March 19, 2013, by Katrin Stukov, Commission Utilities Division Staff ("Staff") Engineer, in the accompaniment of Ms. Lillie Paulsell, representing the Company. Staff's engineering review and analyses of the pending rate application is presented in this report.

Figure 1

A P A C H E C O U N T Y

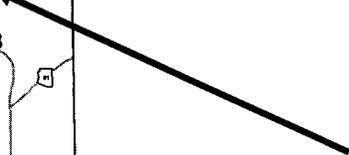
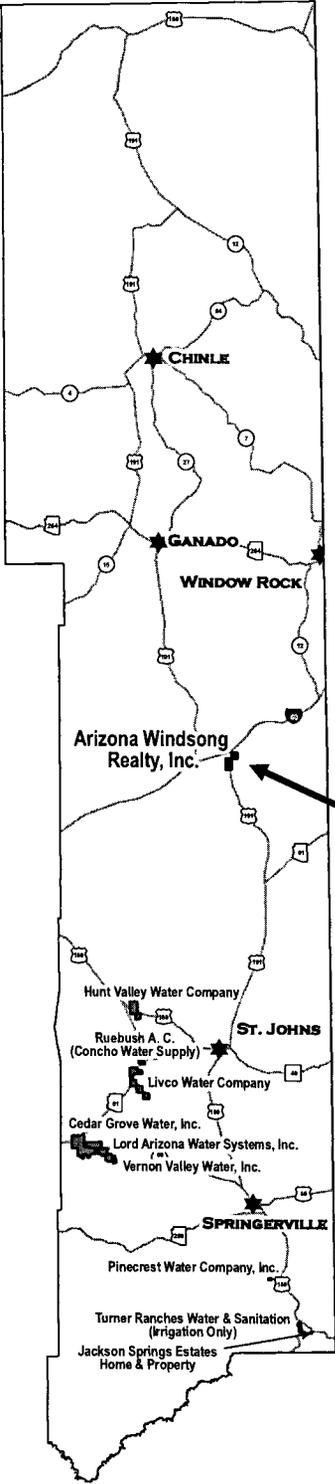
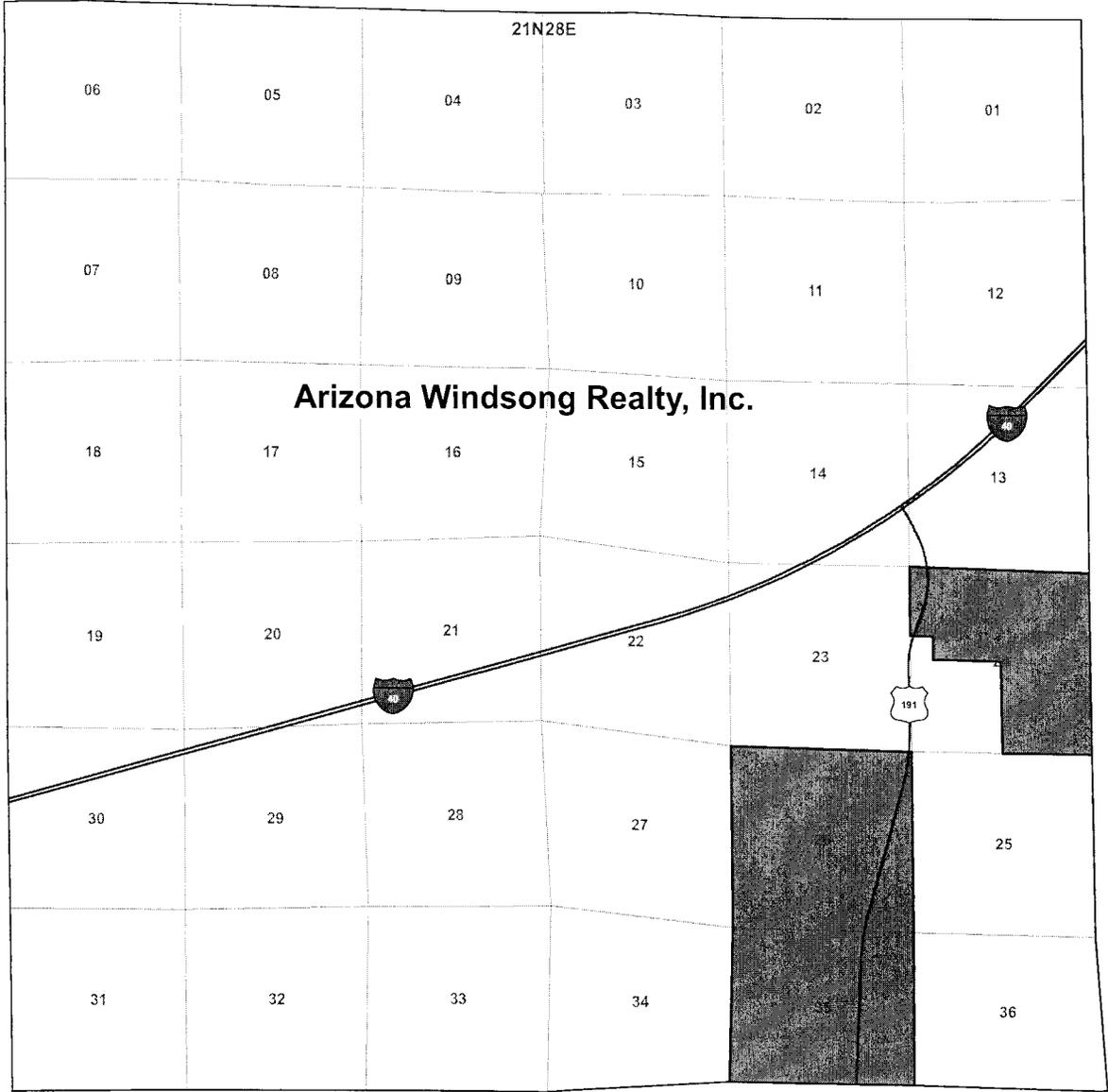


Figure 2

A P A C H E C O U N T Y



II. WATER SYSTEM

1. Description of the Water System

The current operation of the Company's water system consists of one well, one storage tank, one pressure tank and a distribution system serving approximately 69 customers. A water system schematic is shown in Figure 4 and a plant facilities summary¹ is tabulated below:

Well

ADWR Well ID	Pump (HP)	Pump Yield (gallons per minute ("GPM"))	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-806189	5	45	1,000	12	n/a	1951

Storage Tank		Pressure Tank	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity
40,000	1	1,000	1

Booster Pump ²	
Capacity (HP)	Quantity
5	1

Mains		
Size (in inches)	Material	Length (in feet)
2	unknown	unknown

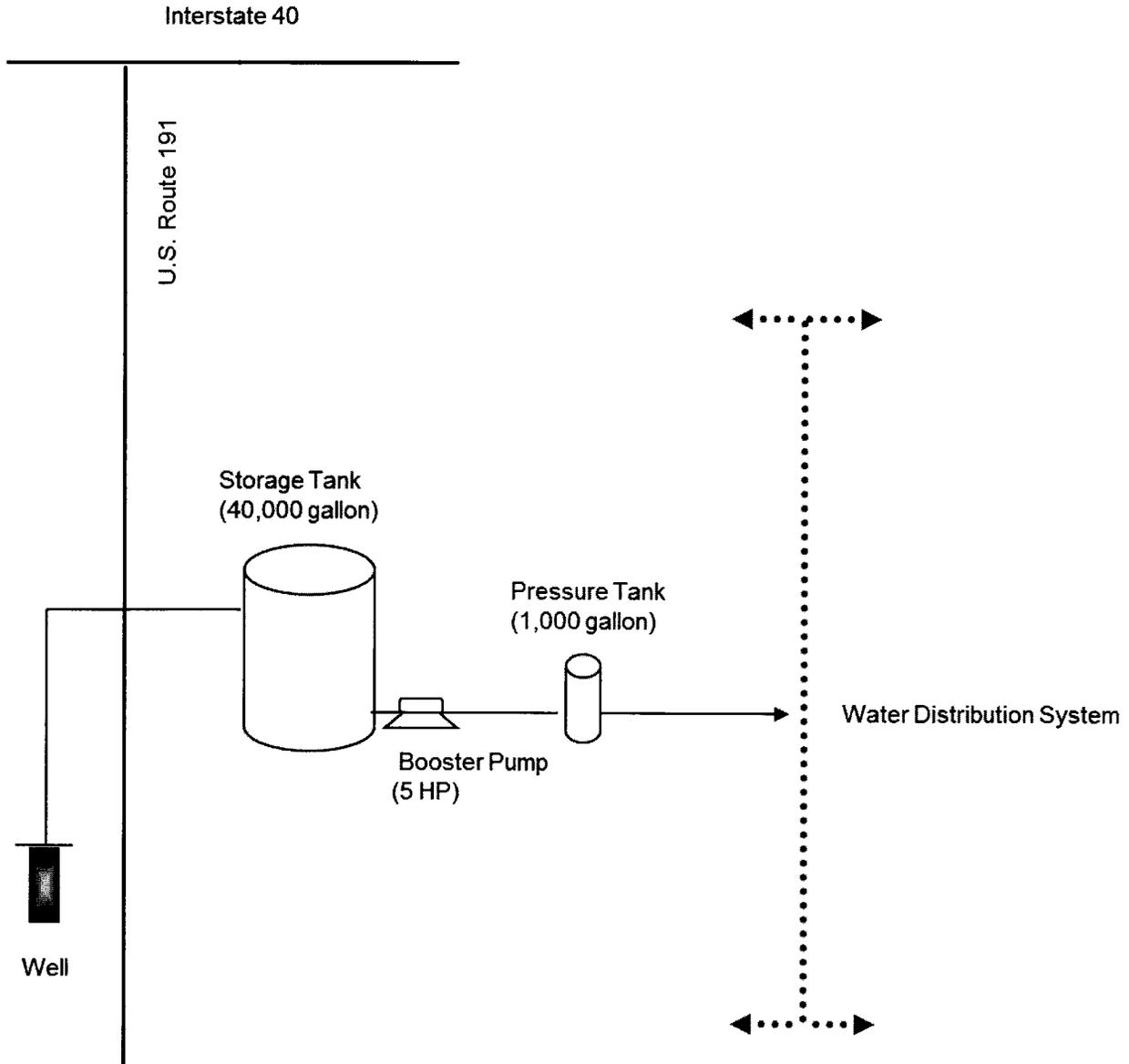
Customer Meters	
Size (inches)	Quantity
5/8x3/4	76

Structures	Quantity
Brick building	1
Shed	2

¹ Per Company's application, responses to data requests and site visit.

² According to the Company's response JK 1.3, the booster pump was replaced in October 2013

Figure 3
Water System Schematic

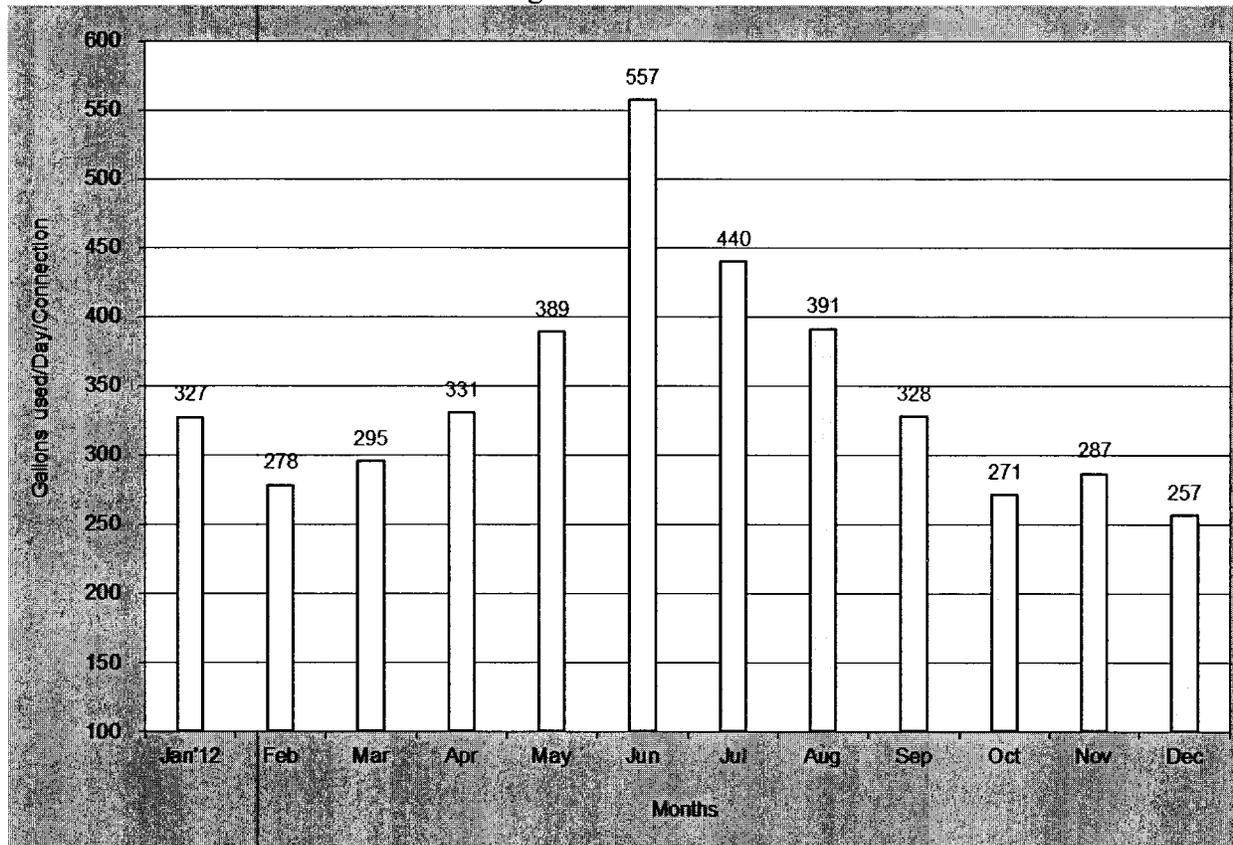


2. *Water Use*

Water Sold:

Figure 4 represents the water consumption data provided by the Company in its water use data sheet for the test year ending December 31, 2012. The customer consumption included a high monthly water use of 557 GPD per connection in June, and the low water use was 257 GPD per connection in December. The average annual use was 346 GPD per connection.

Figure 4 Water Use



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 water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported 8,714,000 gallons sold to its customers for the test year. The Company's system has no wellhead meter. Without a wellhead meter installed, the Company cannot report the number of gallons pumped; therefore the water loss could not be determined.

Staff recommends that the Company be ordered to install a wellhead meter. Staff further recommends that the Company file with Docket Control within three months of the effective date of an order in this proceeding, as a compliance item in this docket, documentation demonstrated that the wellhead meter has been installed.

Staff recommends that the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system closely and take action to ensure that water loss is less than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10 percent, the Company shall come up with a plan to reduce water loss to less than 10 percent, or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. In no case shall the Company allow water loss to be greater than 15 percent.

3. *System Analysis*

Based on the Company's water use data for the test year, Staff concludes that the Company system's production capacity is adequate to serve the present customer base and reasonable growth. The storage capacity is adequate to serve the present customer base.

4. *Growth*

Based on customer data obtained from the Company's Annual Reports³ and this rate application it appears that the water system has actually lost connections. According to the Company no customer growth is expected. A listing of the number of customers at the end of each year from 2003 to 2006⁴ and in 2012 is tabulated below:

2003	2004	2005	2006	2012
75	76	60	52	69

³ The Company did not file its Annual Reports from 2008 to 2012.

⁴ The Company did not provide the number of customers at the end of the year in its 2007 Annual Report.

III. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance

ADEQ has reported that the Company has the following deficiencies⁵.

1. Monitoring and Reporting deficiencies:

- Unresolved maximum contaminant level exceedences for combined uranium (the Company is currently under Environmental Protection Agency ("EPA") order)⁶;
- The Company did not report required water testing samplings for Total Coliform, Lead and Copper, Disinfection By-products, Maximum Residual Disinfection Level and Radionuclides.

2. Operation and Maintenance deficiencies:

- Operator compliance (no certified operator);
- Deficiencies related to the system's well, storage tank and distribution system.

Based upon the monitoring, reporting, operation and maintenance deficiencies noted above, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

Until recently, the Company did not have an ADEQ certified operator for its water system. On April 18, 2014, the Company filed a letter from the certified operator as proof of hiring, pursuant to the provision of Decision No. 74442 (dated April 18, 2014).

Water Testing Expense

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

⁵ Per ADEQ Compliance Status Report dated March 21, 2014.

⁶ EPA issued Notice of Violation ("NOV") in 2008.

The Company reported its water testing expense at \$1,836 for the 2012 test year. Staff has recalculated the testing costs based on tests required by ADEQ. Staff's estimated average annual water testing expenses at \$2,294. Table A shows the cost details of Staff's annual monitoring expense estimate totaling \$2,294 with participation in the MAP⁷.

Table A. Water Testing Expense

Monitoring	Cost per test	No. of test (average annual)	Annual Expense
Total coliform (monthly)	\$25	12	\$300
Maximum Residual Disinfectant Level (monthly)	-	12	-
Disinfection Byproducts (annual)	\$310	1	\$310
Lead & Copper (bi-annual)	\$45	10	\$450
Prep fee	\$15	2	\$30
Radiochemicals (quarterly)	\$60	4	\$240
Combined Uranium	\$165	4	\$660
MAP fee	MAP	MAP	\$404
Total			\$2,294

Staff recommends an annual water testing expense of \$2,294 be used for purpose of this proceeding.

IV. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company's water system is not located in an Arizona Department of Water Resources ("ADWR") Active Management Area.

According to an ADWR compliance status report, dated February 12, 2014, ADWR has determined that the Company's water system is not in compliance with ADWR requirements, as the Company failed to file its System Water Plan.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2014, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.

⁷ Per ADEQ e-mail dated February 11, 2014, the ADEQ MAP invoice for the 2012 Calendar Year was \$404 (rounded).

V. ACC COMPLIANCE

On March 24, 2014, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are two outstanding compliance filings from Decision No. 65918, as the Company has not filed with the Director of the Utilities Division by July 15, 2003, certification of curing ADEQ deficiencies and certification of filing an application to transfer the utility assets and Certificate of Convenience and Necessity to the utility's current operator. Therefore, the Company is not in compliance with ACC Compliance Database.

VI. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table B. Staff recommends that the depreciation rates delineated in Table B be used by the Company.

TABLE B
DEPRECIATION RATE TABLE FOR WATER COMPANIES

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

NOTES:

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

VII. OTHER ISSUES

1. *Service Line and Meter Installation Charges*

The Company has requested changes in its service line and meter installation charges⁸. These charges are refundable advances and the Company requested charges are within Staff's customary range of charges. Staff recommends approval of the Company's requested installation charges as shown in Table C.

Table C
Service Line and Meter Installation Charges

Meter Size	Company Current Tariff ⁹	Company's Requested Charges		
		Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$100	\$490.00	\$131.50	\$621.50
3/4-inch	\$120	\$490.00	\$232.50	\$722.50
1-inch	\$160	\$547.00	\$293.00	\$840.00
1-1/2-inch	\$300	\$609.50	\$505.50	\$1,115.00
2-inch	\$400	\$927.00	\$1,030.50	\$1,957.50
3-inch		\$1,171.00	\$1,661.50	\$2,832.50
4-inch		\$1,661.00	\$2,646.50	\$4,307.50
6-inch		\$2,478.50	\$5,025.50	\$7,504.00

2. *Curtailment Plan Tariff*

The Company does not have an approved curtailment plan tariff.

Staff recommends that the Company file a curtailment tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CurtailmentStandard2009.doc>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

3. *Backflow Prevention Tariff*

The Company does not have an approved backflow prevention tariff.

⁸ Per the Company's Notice of Filing of February 24, 2014

⁹ Became effective on February 1, 1981

Staff recommends that the Company file a backflow prevention tariff with Docket Control, as a compliance item in this same docket, within three months of the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/CrossConnectBackflow.pdf>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

4. *Best Management Practices ("BMPs")*

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. The Company may request cost recovery of actual expenses associated with the BMPs implemented in its next general rate application.