ORIGINAL

0000154853

MEMORANDUM

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: June 23, 2014

RE: STAFF REPORT FOR DATELAND PUBLIC SERVICE COMPANY'S APPLICATION FOR A RATE INCREASE (DOCKET NO. W-02027A-13-0470)

Attached is the Staff Report for Dateland Public Service Company's ("Dateland") application for a rate increase. Staff recommends approval of the rate increase application using Staff's recommended rates and charges. Because Staff's recommended revenue increase is higher than that proposed by Dateland, Staff recommends that Dateland re-notice its customers in a form acceptable to Staff.

Any party who wishes may file comments to the Staff report with the Commission's Docket Control by 4:00 P.M. on or before July 3, 2014.

SMO:JLK:tdp|ML

Originator: Jorn Keller

Arizona Corporation Commission
DOCKETED
JUN 23 2014
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AZ CORP COMMISSION
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Service List for: (Dateland Public Service Company, Inc.)
Docket No. W-02027A-13-0470

Ms. Michelle Lane
Dateland Public Service Co., Inc.
P.O. Box 3011
Dateland, Arizona 85333

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

DATELAND PUBLIC SERVICE COMPANY, INC.

DOCKET NO. W-02027A-13-0470

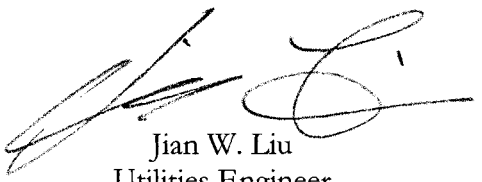
APPLICATION FOR A
PERMANENT RATE INCREASE

JUNE 23, 2014

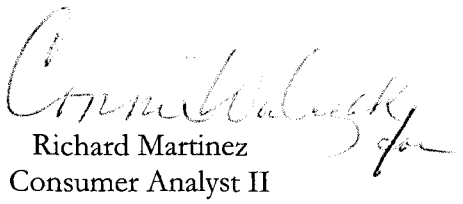
STAFF ACKNOWLEDGMENT

The Staff Report for Dateland Public Service Company, Inc., Docket No. (W-02027A-13-0470), was the responsibility of the Staff members listed below. Jorn L. Keller was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Jian W. Lin was responsible for the engineering and technical analysis. Richard Martinez 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



Jian W. Liu
Utilities Engineer



Richard Martinez
Consumer Analyst II

EXECUTIVE SUMMARY
DATELAND PUBLIC SERVICE COMPANY, INC.
DOCKET NO. W-02027A-13-0470
RATE INCREASE REQUEST
TEST YEAR END: DECEMBER 31, 2012

Dateland Public Service Company, Inc. ("Dateland" or "Company") filed an application for a rate increase before the Arizona Corporation Commission ("Commission") on December 26, 2013, and it was subsequently amended. On January 24, 2014, Staff issued a Letter of Sufficiency.

Dateland is a class D not-for-profit Arizona public service corporation, providing potable water service to approximately 112 metered customers. The Company is located in Yuma County, approximately 50 miles southwest of Gila Bend, Arizona. The current rates were authorized in Decision No. 70847, dated March 11, 2009.

The Company proposes total operating revenue of $80,073, an increase of $26,757 or 50.19 percent over the Company's test year revenue of $53,316. The Company's proposed revenue would yield a positive cash flow of $20,779 and no operating margin. Staff noted that the Company's proposed revenue does not equal the revenue that would be generated by the Company's proposed rate design.[1] Staff determined that the Company has proposed an original cost rate base ("OCRB") of $1,407,271. The Company did not propose a fair value rate base that differs from its OCRB. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter residential bill, with a median usage of 5,475 gallons from $34.00 to $56.00, for an increase of $22.00, or 64.7 percent.

Staff recommends an increase in operating revenue of $50,570 to be phased in over a period of three years. The first year's increase of $32,643 would be a 68.82 per cent increase over the Company's adjusted test year revenue of $47,430. The second year's increase of $41,607 would be an 87.72 percent increase over the Company's adjusted test year revenue. The third year's increase of $50,570 would be a 106.62 percent increase over the Company's adjusted test year revenue.

Staff's final recommended revenue in year one would yield a positive cash flow of $598 and no operating margin. Year two would yield a positive cash flow of $9,247 and an operating margin of 1.21 percent. Year three would yield a positive cash flow of $18,096 and an operating margin of 10.19 percent. Staff recommends an OCRB of $21,375. Staff does not propose a fair value rate base that differs from its OCRB.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,475 gallons from $34.00 to $49.67, for an increase of $15.67, or 46.10 percent in the first year; from $34.00 to $55.52, for an increase of $21.52, or 63.3 percent in the second year; and from $34.00 to $59.19 for an increase of $25.19 or 74.1 percent in the third year.

Staff's three-year, phased-in rate increase would promote rate increase gradualism and provide revenue for maintenance and repair of the system.

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[1] Dateland proposes an $80,073 revenue increase; however, the Company's proposed rates would generate revenue of $78,625.

STAFF RECOMMENDATIONS

1. Approval of its recommended rates and charges as shown in Schedule JLK-4.

2. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

3. The Company be ordered to use the depreciation rates presented in Table B of the attached Engineering Report.

4. The Company provide a copy of all annual audit reports provided to the United States Department of Agriculture ("USDA") as required by that agency within 30 days from the date the report is submitted to the USDA.

5. The Company be ordered to obtain qualified assistance to create an accounting system in compliance with National Association of Residential Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"). The system shall include a general ledger, a journal and financial statements, as well as an inventory of plant and the depreciation and amortization schedules recommended herein. Within 180 days of the effective date of a decision in this proceeding, the Company shall file as a compliance item in this docket a report detailing the results of its efforts to create a viable accounting system.

6. The Company file a rate case no later than June 1, 2018, with a test year ending in 2017.

7. The Company work with utility plant vendors to develop and adopt a verifiable plant maintenance and replacement schedule. The schedule will include cost estimates and a maintenance and replacement schedule for the next five years. The Company should use this system in planning and managing ongoing operations. Within 180 days of the effective date of this Decision, the Company should file the maintenance and replacement schedule as a compliance item in this docket

8. The Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

9. The Company keep records on any non-account water used for legitimate purposes such as the water used for water treatment system operation, dust control, distribution system flushing, etc.

10. The Dateland BMP tariffs attached hereto as Exhibit A to the Engineering Report be approved and that Dateland shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request.

11. The BMP tariffs authorized herein shall go into effect 30 days after the date notice is sent to customers. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

TABLE OF CONTENTS

SCHEDULES

EXHIBIT

FACT SHEET

Company:

Type of Ownership: Arizona Not-for-Profit Corporation.

Dateland Public Service Corporation is a class D not-for-profit Arizona public service corporation that provides potable water service to approximately 112 metered customers.

Rates:

Permanent rate increase application filed: December 26, 2013.

Current test year ended: December 31, 2012.

Prior test year ended: December 31, 2007.

The application became sufficient on January 24, 2014.

	Company Current Rates	Company Proposed Rates	Staff Recommended Rates Year 1	Staff Recommended Rates Year 2	Staff Recommended Rates Year 3
Monthly Minimum Rates					
Residential Monthly Minimum Charge					
5/8 x 3/4 inch meters	$ 26.00	$ 40.00	$ 36.00	$ 36.00	$ 36.60
Gallons included in the minimum	0	0	0	0	0
Commodity Rates (Per 1,000 gallons)					
5/8 x 3/4 inch meters					
1 to 3,000 gallons	$ 1.00	$ 2.00	$ 2.00	$ 3.00	$ 3.20
3001 to 7,000 gallons	1.25	2.50	3.10	4.25	5.25
Over 7,000 gallons	1.50	3.00	4.40	5.00	6.25
Typical 5/8 x 3/4 residential bill					
Average use, (7,405 gallons)	$ 34.61	$ 57.22	$ 56.18	$ 64.03	$ 69.73
Median use (5,475 gallons)	34.00	56.00	49.67	55.52	59.19

Customers

Average Number of customers in the current test year (12/31/12): 112

There are no other meter sizes in use.

Notifications

Affidavit of mailing for the Customer Notification was filed on December 26, 2013.

Complaints

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

Percentage of opinions to customer base: .89 percent (1/112).

No customer complaints were filed against the company from January 1, 2011 through March 14, 2014.

SUMMARY OF FILING

The test year results as adjusted by Utilities Division Staff ("Staff") for Dateland Public Service Company's ("Dateland" or "Company") rate application show total operating revenue of $47,430 and an operating loss, as shown on Schedule JLK-1. The Original Cost Rate Base ("OCRB") as adjusted by Staff is $21,375.

The Company proposed a $26,757 or a 50.19 percent increase over the test year revenue of $53,316 to $80,073. It is noted that the Company's proposed revenue differs from the revenue generated by its proposed rates, which produces $78,625. The Company proposed revenue would result in an operating loss of $53,722. The Company's proposed rates would yield a negative cash flow. The Company proposed an original cost rate base ("OCRB") of $1,407,271. The Company did not propose a fair value rate base that differs from its OCRB. The Company's proposed rate increase would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,475 gallons from $34.00 to $56.00, for an increase of $22.00, or 64.7 percent.

Staff recommends an increase in operating revenue of $50,570 to be phased in over a period of three years. The first year's increase of $32,643 would be a 68.82 percent increase over the Company's adjusted test year revenue of $47,430. The second year's increase of $41,607 would be an 87.72 percent increase over the Company's adjusted test year revenue. The third year's increase of $50,570 would be a 106.62 percent increase over the Company's adjusted test year revenue.

Staff's final recommended revenue would yield a positive cash flow of $18,096. Staff recommends an original cost rate base ("OCRB") of $21,324. Staff does not propose a fair value rate base that differs from its OCRB.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,475 gallons from $34.00 to $49.67, for an increase of $15.67, or 46.10 percent, in the first year, from $34.00 to $55.52, for an increase of $21.52, or 63.3 percent, in the second year and from $34.00 to $59.19 for an increase of $25.19 or 74.1 percent in the third year.

Staff was unable to derive the revenue requirement by applying a rate of return on rate base because the Company's rate base was insufficient.

The Company requests a rate increase due to increases in maintenance costs caused by the acquisition of new plant. The Company also requests a rate increase for increased expenses for a Class 2 operator and for billing and accounting expense.

COMPANY BACKGROUND

Dateland is a class D not-for-profit Arizona public service corporation, providing potable water service to 112 metered customers in Dateland, Arizona, a community in Yuma, County.

The Company's only customers are residential users with 5/8 x 3/4 inch meters. The current permanent rates were authorized by Decision No. 70847 on March 17, 2009, utilizing a 2007 test year.

Dateland filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission") on December 26, 2013. The application was amended on January 21, 2014, January 31, 2014 and February 18, 2014. It was deemed sufficient on January 24, 2014.

USDA GRANTS

In 2005, Dateland applied for and received a RUS Colonia grant from the United States Department of Agriculture - Rural Development ("USDA-RD"). The purpose of the grant was to provide funds to purchase and update utility plant for the Dateland system in anticipation of system growth. The initial amended amount of the grant was $726,100. The grant included funds for development, engineering, legal, administration, consulting, surveying, permitting and other areas. Receipt of the grant was noted in Decision No. 70847 of the prior rate case, Docket No. W-02027A-08-0321[2]. "Dateland is receiving approximately $726,000 in grant funds from the Rural Utilities Service, a division of the United States Department of Agriculture-Rural Development, to make substantial improvements to its system in order to support the population growth in the area and replace aging system components."

Grant funds increased in 2008 to $1,476,100, and by 2012, total funds awarded were $2,661,285 per the following schedule.

Date Awarded:	12/4/2006	8/13/2008	9/23/2010	unknown	2/15/2012
Purpose:					
Construction	$ 69,627	$ 675,000	$ 338,023		$ 1,082,650
Additional Grant Funds	152,626				152,626
Land	30,000				30,000
Legal/Admin	91,767		6,000		97,767
Engineering Services	291,611		122,139		413,750
Solar System	90,469		345,162	200,000	635,631
Contingency		75,000	123,861	50,000	248,861
TOTAL	**$ 726,100**	**$ 750,000**	**$ 935,185**	**$ 250,000**	**$ 2,661,285**

Grant-funded plant placed in service included two additional building lots, the rehabilitation of an existing building, two new wells with booster pumps, a Doosan Reverse Osmosis system, with computer system, a storage tank, a pressure tank, the rehabilitation of an existing storage tank, an electrical service line, a solar system and additional equipment. An office building has been approved, and construction will commence in the near future. A list of the specific utility plant may be found on Schedule JLK-2, page 2. The Doosan Reverse Osmosis system was the focal investment of the grant-funded plant. Originally, the electrical system was upgraded to

[2] Decision 70847, Page 2, footnote 1. "Dateland is receiving approximately $726,000 in grant funds from the Rural Utilities Service, a division of the United States Department of Agriculture-Rural Development, to make substantial improvements to its system in order to support the population growth in the area and replace aging system components."

accommodate the reverse osmosis system. A solar system was then installed to power the utility at more economical cost. The solar system powered the Dateland facility equal to that required by older treatment plant that had been replaced.[3]

All grant funds were awarded through the USDA - RD, first through the Yuma office and later through Phoenix. An additional grant was received through another agency, the Rural Community Assistance Program ("RCAC"). Dateland's RUS Colonia grant required that the system be within 150 miles of the Mexican border.

The structure of the grant required that the grant recipient select, with USDA - RD assistance, an engineering firm that would plan and coordinate all construction activities. Dateland selected first Nickolas Engineering then Pace Engineering of Phoenix. The building contractor, Citywide Construction was selected through a bidding process. In addition, subcontractors were chosen to provide and install specialty items such as the computer system for the reverse osmosis system and the solar system.

Expense categories, as listed in the chart above, included construction, legal costs, permitting, security, administration, land, engineering services and other categories. A definitive, final breakdown of all grant expenditures was not made available. All grant-funded plant was placed in service in the test year, 2012. The Company states in its Application that $1,490,020 in plant was funded in the test year. Staff has adjusted this number to $1,611,593, as shown in Exhibit JLK 2. In addition, a building has been permitted and will be built for construction costs of $87,684 and total costs of $106,176. If Staff's adjusted figure, plus the construction cost of the new building is subtracted from total grant funds allocated, the results indicate $1,273,036 in costs not ultimately included in rate base. These costs include the expense categories summarized above as engineering services, legal costs, administration, permitting, consulting, and other expenses. Staff was unable to reconcile these amounts. The Company has no general ledger, and the USDA did not verify actual costs of the entire project. As a percentage of total allocated costs, soft costs comprised 43.68 percent, while engineering services allocated consisted of 15.55 percent of grant funds allocated.

Staff believes the investment level shown on Schedule JLK-2 should be used for ratemaking purposes. However, it makes no specific findings or recommendation regarding the other funds provided to the Company through the various USDA grants.

Arizona rules require utilities to employ the Uniform System of Accounts ("USOA") as outlined by the National Association of Regulatory Utility Commissioners ("NARUC"). Utilities are required to follow NARUC accounting. Pursuant to the provisions of NARUC USOA for Class A utilities at p. 88, donations are treated as reductions to rate base. The Company did not treat the donated plant as CIAC, so Staff made adjustments on Schedule JLK-2. The deduction of CIAC reduces rate base and necessitates the calculation of revenue requirement by relying on cash flow. Amortization of CIAC offsets depreciation expense and lowers total expenses.

Staff has assessed the grant-funded plant and reviewed available grant material. No excess

[3] Dateland Potable Water Treatment Upgrades, Pace Engineering, March, 2010, P. 71.

capacity has been found; however, the plant may be extremely complex for a utility of Dateland's size to own and manage. The Dateland system has 112 connections and test year adjusted revenue of $47,430. Staff's recommended revenue is phased in over three years: $80,073 the first year, $89,037 the second year and $98,000 the third year. Future estimated operation and maintenance costs of the new system vary. Pace Engineering estimated that the operation and maintenance costs of the reverse osmosis system, with solar power, as $63,000 per year. [4] In its application, the Company estimates 2014 repair and maintenance costs of $58,288.[5]

According to the Company's Annual Reports filed with the Utilities Division, the growth in annual connections is as described in the following table:

Year	Connections
2006	100
2007	104
2008	110
2009	111
2010	110
2011	114
2012	112
2013	112

Moreover, the Company states that most rate payers are retired and living on fixed incomes, compounding the effects of rate shock.

Receipt and utilization of the USDA - RD-funded plant pose an operational risk to the Dateland system customers. The Company states that all manufacturer warranties have expired and that the manufacturer of the solar invertors has gone out of business. As an example of this operational risk, Staff noted that on May 12, 2014, Dateland reported that the reverse osmosis system had failed and was being operated manually. In addition, the sensor on the new storage tank had failed, and a replacement at a cost of $1,100 is required.

Staff is also concerned that Dateland's manner of reporting grant funds received on U. S. Form number 990 federal income tax return may pose a tax audit risk and a future tax liability to the Company.

To mitigate the risk of the USDA - RD grant-funded utility plant in service, Staff recommends that:

1. The Company adopt NARUC accounting standards and seek qualified assistance to review past income tax returns.

[4] Ibid.
[5] Rate Application, Dateland Public Service Co., Inc., W-02027A-13-0470, December 26, 2013, approximately P. 13.

2. Dateland adopt a verifiable plant maintenance and replacement schedule with cost estimates.

3. The Company should consider advice in tax planning to assure it has proper tax accounting records to support plant and future income tax liability.

CONSUMER SERVICES

A review of the Commission's records for the period beginning March 17, 2009 to April 9, 2014 found no complaints and one opinion filed against the rate increase request.

The Company's affidavit of mailing "Customer Notification" was filed on December 26, 2013.

COMPLIANCE

The Utilities Division Compliance Section shows no outstanding compliance issues.

Dateland is current on its property and Transaction Privilege Tax obligations. The Company is in good standing with the Corporations Division of the Commission.

ENGINEERING ANALYSIS

Staff inspected Dateland's plant facilities on March 3, 2014. A complete discussion of Staff's technical findings, recommendations and a description of the water system are provided in the attached Engineering Report. Staff notes that the Company reports 15,971,501 gallons of water pumped and 9,984,132 gallons sold, indicating a water loss rate of 37.49%.

RATE BASE

Staff's adjustments decreased the Company's calculated rate base by $1,385,896, from $1,407,271 to $21,375 as shown on Schedule JLK-2, page 1. Details of Staff's adjustments are discussed below.

Utility Plant in Service

Adjustment A increases plant in service by $259,916 from $1,490,020 to $1,749,936, as shown on Schedule JLK-2, pages 1 and 2. These adjustments properly reflect the plant in service account balances per Decision No. 70847, the removal of retired plant and the inclusion of new plant. The Company failed to include plant balances authorized by Decision No. 70847 in its calculation of utility plant in service.

Structures and Improvements – Adjustment "a" increases this account by $4,405 from $125,799 to $130,204 as shown on Schedule JLK-2, pages 2 and 3. Staff increased this account by to add plant approved by Decision No. 70847 in the prior rate case.

Pumping Equipment – Adjustment "b" increases this account by $21,686 from $66,658 to $88,344 as shown on Schedule JLK-2, pages 2 and 3. Staff increased this account to add plant approved by Decision No. 70847 in the prior rate case.

Water Treatment Equipment – Adjustment "c" increases this account by $167,398 from $185,528 to $352,926 as shown on Schedule JLK-2, pages 2 and 3. Staff increased this account to add two evaporative ponds, retire a well and add a well ordered in the prior rate case.

Distribution Reservoirs and Standpipes – Adjustment "d" increases this account by $5,914 from $1,449 to $7,363 to add plant that had been ordered by Decision No. 70842 in the earlier rate case as shown on Schedule JLK-2, pages 1 and 2. The Company had neglected to add the original plant to its utility plant in service.

Transmission and Distribution Mains and Pumps – Adjustment "e" increases this account by $77,306 from $55,519 to $132,825 to add plant that had been ordered by Decision No. 70842 in the earlier rate case as shown on Schedule JLK-2, pages 1 and 2. The Company had neglected to add the original plant to its utility plant in service.

Services – Adjustment "f" decreases this account by $169,373 from $184,589 to $15,486 to reclassify electrical lines as Services to Account 348, Other Tangible Equipment.

Meters and Installations – Adjustment "g" increases this account by $9,171 from $0 to $9,171 to add plant that had been ordered by Decision No. 70842 in the earlier rate case as shown on Schedule JLK-2, pages 1 and 2. The Company had neglected to add the original plant to its utility plant in service.

Office Furniture and Equipment – Adjustment "h" increases this account by $493 from $144 to $637 to add plant that had been ordered by Decision No. 70842 in the earlier rate case as shown on Schedule JLK-2, pages 1 and 2. The Company had neglected to add the original plant to its utility plant in service.

Power Operated Equipment – Adjustment "i" increases this account by $1,572 from $1,056 to $2,628 to add plant that had been ordered by Decision No. 70842 in the earlier rate case as shown on Schedule JLK-2, pages 1 and 2. The Company had neglected to add the original plant to its utility plant in service.

Other Tangible Equipment – Adjustment "j" increases this account by $141,344 from $311,000 to $452,344 to add plant that had been ordered by Decision No. 70842 in the earlier rate case, deduct a solar system rebate and reassign electrical lines as shown on Schedule JLK-2, pages 1 and 2.

Accumulated Depreciation

Accumulated Depreciation - Adjustment B increases accumulated depreciation by $108,528 from $74,501 to $183,029, as shown on Schedule JLK-2, pages 1 and 8. The Company did not use

the depreciation rates ordered in Decision 70847. It applied the composite rate of 5% to test year invested plant only and did not calculate accumulated depreciation.

Accumulated Amortization of contribution-in-aid-of-construction

The Company did not calculate CIAC or accumulated amortization of CIAC. Adjustment D adds amortization of CIAC of $64,018 on Schedule JLK-2, pages 1 and 7 and JLK-3, page 2. This adjustment reflects Staff's recognition of CIAC amortization since plant was contributed in the 2012 test year.

Working Capital

Dateland did not claim a working capital allowance. Staff's adjustments E and F resulted in a net increase to working capital of $9,961, from $0 to $9,961, as shown on Schedule JLK-2, pages 1 and 5. Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

Security Deposits –Adjustment "G" adds security deposits on account in the estimated amount of $279.

OPERATING INCOME STATEMENT

Operating Revenue

Staff's adjustment to total operating revenue resulted in a net decrease of $5,886, from 53,316 to $47,430, as shown on Schedule JLK-3, page 1. Details of Staff's adjustments are discussed below.

Other Water Revenue – Adjustment A eliminates other water revenue in the amount of $5,886 as shown on JLK-3, page 1 and 2. The Company states that this revenue consisted of reimbursement for electric usage and security services. As the other water revenue is non-recurring, it is excluded from the test year.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of $46,312, from $133,795 to $87,483 as shown on Schedule JLK-3, pages 1, 2 and 3. Details of Staff's adjustments are presented below.

Purchased Power – Adjustment B decreases purchased power expense by $3,241, from $12,036 to $8,795, as shown on Schedule JLK-3, pages 1 and 2. This adjustment reflects Staff's normalization of purchased power costs. The Company installed a solar power system in 2012, and they anticipate considerable savings in power costs. Using information supplied by Dateland, Staff averaged three years of electric costs to arrive at a normalized test year amount.

Repairs and Maintenance – Adjustment C increases Repairs and Maintenance expense by $3,000, from $8,030 to $11,030 as shown on Schedule JLK-3, pages 1 and 2. Increased repair and maintenance cost are expected due to plant received during the test year.

Outside Services – Adjustment D increases Outside Services expense by $25,412, from $17,588 to $43,000 as shown on Schedule JLK-3, pages 1 and 2. The Outside Services expense category consists of the cost of salaries for Dateland's operations management and for accounting. The adjustment allocates $25,000 for a part-time Class 2 water operator $12,000 for a part-time bookkeeper and $6,000 to provide tax advice and accounting services to assure compliance with NARUC USOA.

Water Testing Expense – Adjustment E decreases water testing expense by $853, from $2,319 to $1,466, as shown on Schedule JLK-3, pages 1 and 2. This adjustment reflects the annual water testing costs determined in Staff's Engineering Report.

Rate Case Expense – Adjustment F increases annual rate case expense by $490, from $10 to $500, as shown on Schedule JLK-3, pages 1 and 2.

Depreciation Expense – Adjustment G decreases depreciation expense by $66,076, from $74,501 to $8,425, as shown on Schedule JLK-3, pages 1 and 3. Staff's depreciation expense reflects application of Staff's recommended depreciation rates as applied to Staff's recommended plant balances. Dateland used a composite depreciation rate of 5% rather than the depreciation rates ordered in Decision 70847 of the last rate case. The composite rate is correctly used from December 31. 2007 through March, 2009, at which time depreciation rates ordered by Decision No. 70847 became effective.

Amortization of CIAC in the amount of $64,018, as shown on Schedule JLK-3, page 3, is deducted from depreciation expense. Staff's CIAC amortization reflects application of Staff's recommended depreciation rates to plant considered CIAC.

Taxes Other Than Income – Adjustment H decreases taxes other than income by $4,041, from $4,041 to $0 as shown on Schedule JLK-3, pages 1 and 4. This amount is sales tax. As it is charged directly to the ratepayers and not included in revenue, this tax is not considered an operating expense.

Property Tax Expense – Adjustment I decreases property tax expense by $666, from $2,422 to $1,756 as shown on Schedule JLK-3, pages 1 and 4. Staff calculated property tax amount using a modified version of the Arizona Department of Revenue's ("ADOR") property tax method.

CASH FLOW AND OPERATING MARGIN

The Company proposed revenue and charges would provide an operating loss of $53,722 and would yield a positive cash flow of $20,779 as shown on schedule JLK-1. It is noted that the Company's proposed revenue does not equal the revenue generated by its proposed rates.

Staff's recommended revenue and charges would provide an operating loss of $7,834 the first year, operating income of $1,075 the second year and operating income of $9,988 the third year. Staff's recommended revenue would yield cash flow of $598 the first year, $9,247 the second year and $18,096 the third year.

REVENUE REQUIREMENT

The Company states that a rate increase is needed to pay for additional costs of management, namely the costs of a Class 2 Operator and accounting services.

Dateland has an adjusted rate base of $21,375. Consequently, Staff elects to use cash flow in calculating the revenue requirement. Staff was unable to derive the revenue requirement by applying a rate of return on rate base because the Company's rate base does not produce any revenue to meet operating needs.

Staff recommends a $32,643, or a 68.82 percent, increase over the Staff adjusted test year revenue of $47,430 to $80,073 in the first year, a $41,607, or a 87.72 percent, increase over the Staff adjusted test year revenue of $47,430 to $89,037 in the second year and a $50,570, or a 106.62 percent increase over the Staff adjusted test year revenue of $47,430 to $98,000 in the third year.

Staff's recommended revenues would result in no operating income, cash flow of $598, and no operating margin in the first year, an operating income of $1,075, cash flow of $9,247, and a 1.21 percent operating margin in the second year and an operating income of $9,988, cash flow of $18,096, and a 10.19 percent operating margin in the third year as shown on Schedule JLK-1.

Staff's three-phased revenue requirements of $80,073, $89,037 and $98,000 promote rate increase gradualism shock to ratepayers and provide the Company with sufficient cash flow to meet normal operating expenses and 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 $26,757. This increase would result in total revenue of $80,073. However, Dateland's proposed rates would actually produce total revenue of $78,625 resulting in a shortfall of $1,448.

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,475 gallons from $34.00 to $56.00, for an increase of $22.00, or 64.7 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 5,475 gallons from $34.00 to $49.67, for an increase of $15.67, or 46.10 percent in the first year, from $34.00 to $55.52, for an increase of $21.52, or 63.3 percent, in the

second year and from $34.00 to $59.19 for an increase of $25.19, or 74.1 percent in the third year, as shown on Schedule JLK-5.

MISCELLANEOUS SERVICE CHARGES

Staff recommends the Establishment Charge and Reconnection (Delinquent) be in alignment; although the Establishment Charge requires additional work when opening new service, the Reconnection (Delinquent) serves as a deterrent for disconnection.

SERVICE LINE AND METER INSTALLATION CHARGES

The Company has requested changes to its service line and meter installation charges as shown on page 8 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.

NOTICE

Dateland has agreed to give notice of the potential increase by special mailing to ratepayers upon the Staff Report in this matter so that ratepayers will be advised of Staff's increased rate recommendation.

STAFF RECOMMENDATIONS

1. Approval of its recommended rates and charges as shown in Schedule JLK-4.

2. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

3. The Company be ordered to use the depreciation rates presented in Table B of the attached Engineering Report.

4 The Company provide a copy of all annual audit reports provided to the United States Department of Agriculture ("USDA") as required by that agency within 30 days from the date the report is submitted to the USDA.

5 The Company be ordered to obtain qualified assistance to create an accounting system in compliance with NARUC USOA. The system shall include a general ledger, a journal and financial statements, as well as an inventory of plant and the depreciation and amortization schedules recommended herein. Within 180 days of the effective date of a decision in this proceeding, the Company will file as a compliance item in this docket a report detailing the results of its efforts to create a viable accounting system.

6. The Company file a rate case no later than June 1, 2018, with a test year ending in 2017.

7. The Company work with utility plant vendors to develop and adopt a verifiable plant maintenance and replacement schedule. The schedule will include cost estimates and a maintenance and replacement schedule for the next five years. The Company should use this system in planning and managing ongoing operations. Within 180 days of the effective date of this Decision, the Company should file the maintenance and replacement schedule as a compliance item in this docket.

8. That Dateland monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

9. The Company keep records on any non-account water used for legitimate purposes such as the water used for water treatment system operation, dust control, distribution system flushing, etc.

10. The Dateland BMP tariffs attached hereto as Exhibit A to the Engineering Report be approved and that Dateland shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request.

11. The BMP tariffs authorized herein shall go into effect 30 days after the date notice is sent to customers. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

Dateland Public Service Company, Inc.
Docket No. W-02027A-13-0470
Test Year Ended December 31, 2012

Schedule JLK-1

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	-- Proposed Rates --		
	Company as Filed	Staff as Adjusted	Company as Proposed	Staff as Recommended Year 1	Staff as Recommended Year 2	Staff as Recommended Year 3
Revenues:						
Metered Water Revenue	$47,430	$47,430	$80,073	$80,073	$89,037	$98,000
Unmetered Water Revenue	0	0	0	0	0	0
Other Water Revenues	5,886	0	0	0	0	0
Total Operating Revenue	$53,316	**$47,430**	$80,073	**$80,073**	**$89,037**	**$98,000**
Operating Expenses:						
Operation and Maintenance	$52,831	$77,302	$52,831	$77,302	$77,302	$77,302
Depreciation	74,501	8,425	74,501	8,425	8,425	8,425
Property & Other Taxes	6,463	1,756	6,463	2,180	2,235	2,285
Income Tax	0	0	0	0	0	0
Total Operating Expense	$133,795	**$87,483**	$133,795	**$87,907**	**$87,962**	**$88,012**
Operating Income/(Loss)	($80,479)	**($40,053)**	($53,722)	**($7,834)**	**$1,075**	**$9,988**
Rate Base O.C.L.D.	$1,407,271	$21,375	$1,407,271	$21,375	$21,375	$21,375
Rate of Return - O.C.L.D.	N/M	N/M	N/M	N/M	5.03%	46.73%
Operating Margin	N/M	N/M	N/M	N/M	1.21%	10.19%

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

N/M = Not Meaningful

RATE BASE

	Original Cost			
	Company	Adjustment		Staff
Plant in Service	$1,490,020	$259,916	A	$1,749,936
Less:				
Accum. Depreciation	74,501	108,528	B	183,029
Net Plant	$1,415,519	$151,388		**$1,566,907**
Less:				
Service Line and Meter Advances	$8,248	$0		$8,248
Total Advances	$8,248	$0		$8,248
Contributions Gross	$0	$1,611,593	C	$1,611,593
Less:				
Amortization of CIAC	0	64,018	D	64,018
Net CIAC	$0	$1,547,575		$1,547,575
Total Deductions	$8,248	$1,547,575		**$1,555,823**
Plus:				
1/24 Power	$0	$366	E	$366
1/8 Operation & Maint.	0	9,646	F	9,646
Security Deposits	0	279	G	279
Prepayments	0	0		0
Total Additions	$0	$10,291		**$10,291**
Rate Base	**$1,407,271**	**($1,385,896)**		**$21,375**

Explanation of Adjustment:

A - Refer to Schedule JLK-2, Page 2
B - Refer to Schedule JLK-2, Page 5
C - Refer to Schedule JLK-2, Page 6
D - Refer to Schedule JLK-2, Page 7
E - Refer to Schedule JLK-2, Page 7
F - Refer to Schedule JLK-2, Page 7

PLANT ADJUSTMENT

	Company Exhibit Plant in Service Per Balance Sheet	Adjustment		Staff Adjusted
301 Organization	$1,473	-		$1,473
302 Franchises	0	-		$0
303 Land & Land Rights	23,000	-		$23,000
304 Structures & Improvements	125,799	4,405	a	$130,204
307 Wells & Springs	51,018	-		$51,018
311 Pumping Equipment	66,658	21,686	b	$88,344
320.1 Water Treatment Equipment	185,528	167,398	c	$352,926
320.2 Solution Chemical Feeders	134,000			$134,000
330 Distribution Reservoirs & Standpipes	1,449	5,914	d	$7,363
330.1 Storage Tanks	148,000			$148,000
330.2 Pressure Tanks	21,000			$21,000
331 Transmission & Dist. Mains & Pumps	55,519	77,306	e	$132,825
333 Services	184,859	(169,373)	f	$15,486
334 Meters & Meter Installations	0	9,171	g	$9,171
335 Hydrants	0	-		$0
336 Backflow Prevention Devices	0	-		$0
339 Other Plant and Misc. Equipment	59,587	-		$59,587
340 Office Furniture & Equipment	144	493	h	$637
340.1 Computer & Software	90,000			$90,000
341 Transportation Equipment	3,890	-		$3,890
343 Tools Shop & Garage Equipment	16,500	-		$16,500
344 Laboratory Equipment	0	-		$0
345 Power Operated Equipment	1,056	1,572	i	$2,628
346 Communication Equipment	0	-		$0
347 Miscellaneous Equipment	9,540	-		$9,540
348 Other Tangible Plant	311,000	141,344	j	$452,344
TOTALS	$1,490,020	$259,916		**$1,749,936**

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	$47,430	$0		$47,430
460 Unmetered Water Revenue	0	0		0
474 Other Water Revenues	5,886	(5,886)	A	0
Total Operating Revenue	$53,316	($5,886)		**$47,430**
Operating Expenses:				
601 Salaries and Wages	$0	$0		$0
610 Purchased Water	0	0		0
615 Purchased Power	12,036	(3,241)	B	8,795
618 Chemicals	1,677	0		1,677
620 Repairs and Maintenance	8,030	3,000	C	11,030
621 Office Supplies & Expense	4,857	0		4,857
630 Outside Services	17,588	25,412	D	43,000
635 Water Testing	2,319	(853)	E	1,466
641 Rents	0	0		0
650 Transportation Expenses	1,646	0		1,646
657 Insurance - General Liability	3,113	0		3,113
659 Insurance - Health and Life	0	0		0
666 Regulatory Commisssion Expense - Rate Case	10	153	F	163
675 Miscellaneous Expense	1,555	0		1,555
403 Depreciation Expense	74,501	(66,076)	G	8,425
408 Taxes Other Than Income	4,041	(4,041)	H	0
408.11 Property Taxes	2,422	(666)	I	1,756
409 Income Tax	0	0		0
Total Operating Expenses	$133,795	($46,312)		**$87,483**
OPERATING INCOME/(LOSS)	**($80,479)**	**$40,426**		**($40,053)**

STAFF ADJUSTMENTS

A - OPERATING REVENUE - Per Company		$53,316	
Per Staff		47,430	($5,886)
To remove non-recurring revenue	(5,886)		
	(5,886)		
B - PURCHASED POWER - Per Company		$12,036	
Per Staff		8,795	($3,241)
To normalize purchased power over three years to mediate to mediate the effect of a solar system.			
C - REPAIRS AND MAINTENANCE - Per Company		$8,030	
Per Staff		11,030	$3,000
To increase repairs and maintenance expense to maintain new plant.			
D - OUTSIDE SERVICES - Per Company		$17,588	
Per Staff		43,000	$25,412
To increase Outside services to pay the salaries of	25,000		
a part-time Class 2 Operator, a bookkeeper, and	12,000		
to pay for accounting services.	6,000		
	43,000		
E - WATER TESTING - Per Company		$2,319	
Per Staff		1,466	($853)
Water testing is adjusted per staff's calculations.			
F - REGULATORY COMMISSION EXPENSE - RATE CASE - Per Company		$10	
Per Staff		163	$153
To increase rate case expense to $500 and amortize over 3 years			

STAFF ADJUSTMENTS (Cont.)

G -	DEPRECIATION - Per Company	$74,501	
	Per Staff	8,425	($66,076)

Explanation of Adjustment:

Pro Forma Annual Depreciation Expense:

Plant in Service	$1,749,936
Less: Non Depreciable Plant	24,473
Fully Depreciated Plant	0
Depreciable Plant	$1,725,463
Times: Staff Proposed Depreciation Rate	4.20%
Credit to Accumulated Depreciation	$0
Less: Amort. of CIAC* @ 0.00%	0
Pro Forma Annual Depreciation Expense	**$72,443**

H **Amortization of CIAC:**

Contribution(s) in Aid of Construction (Gross)	$1,611,593
Less: Non Amortizable Contribution(s)	0
Fully Amortized Contribution(s)	0
Amortizable Contribution(s)	$1,611,593
Times: Staff Proposed Amortization Rate	3.97%
Amortization of CIAC	**$64,018**

I -	TAXES OTHER THAN INCOME - Per Company	$4,041	
	Per Staff	0	($4,041)

To eliminate taxes identified by the Company as sales tax, which is billed to the ratepayers and omitted from revenue.

J -	PROPERTY TAXES - Per Company	$2,422	
	Per Staff	1,756	($666)

To reflect property tax expense using the Arizona Department of Revenue property method.

OPERATING INCOME ADJUSTMENT F - PROPERTY TAXES PHASE 1

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2012	$ 47,430	$ 47,430
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 94,860	$ 94,860
4	Staff Recommended Revenue, Per Schedule JLK-1	47,430	80,073
5	Subtotal (Line 4 + Line 5)	$ 142,290	$ 174,933
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 47,430	$ 58,311
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 94,860	$ 116,622
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	3,890	3,890
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 90,970	$ 112,732
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	17,284	$ 21,419
15	Composite Property Tax Rate (Obtained from Yuma County Treasurer)	10.176%	10.176%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 1,759	
17	Company Proposed Property Tax	2,422	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (663)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 2,180
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 1,759
21	Increase to Property Tax Expense		$ 421
22	Increase to Property Tax Expense		$ 421
23	Increase in Revenue Requirement		32,643
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.29%

F -	PROPERTY TAXES - Per Company	2,422	
	Per Staff	$ 1,759	(663)

To reflect property tax expense using the Arizona Department of Revenue property method.

OPERATING INCOME ADJUSTMENT F - PROPERTY TAXES PHASE 2

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2012	$ 47,430	$ 47,430
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 94,860	$ 94,860
4	Staff Recommended Revenue, Per Schedule JLK-1	47,430	89,037
5	Subtotal (Line 4 + Line 5)	$ 142,290	$ 183,897
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 47,430	$ 61,299
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 94,860	$ 122,598
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	3,890	3,890
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 90,970	$ 118,708
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	16,829	$ 21,961
15	Composite Property Tax Rate (Obtained from Yuma County Treasurer)	10.176%	10.176%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 1,713	
17	Company Proposed Property Tax	2,422	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (709)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 2,235
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 1,713
21	Increase to Property Tax Expense		$ 522
22	Increase to Property Tax Expense		$ 522
23	Increase in Revenue Requirement		41,607
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.26%

F -	PROPERTY TAXES - Per Company	2,422	
	Per Staff	$ 1,713	(709)

To reflect property tax expense using the Arizona Department of Revenue property method.

OPERATING INCOME ADJUSTMENT F - PROPERTY TAXES PHASE 3

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2012	$ 47,430	$ 47,430
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 94,860	$ 94,860
4	Staff Recommended Revenue, Per Schedule JLK-1	47,430	98,000
5	Subtotal (Line 4 + Line 5)	$ 142,290	$ 192,860
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 47,430	$ 64,287
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 94,860	$ 128,573
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	3,890	3,890
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 90,970	$ 124,683
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	16,375	$ 22,443
15	Composite Property Tax Rate (Obtained from Yuma County Treasurer)	10.176%	10.176%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	$ 1,666	
17	Company Proposed Property Tax	2,422	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (756)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 2,285
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 1,666
21	Increase to Property Tax Expense		$ 619
22	Increase to Property Tax Expense		$ 619
23	Increase in Revenue Requirement		50,570
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.22%

F -	PROPERTY TAXES - Per Company	2,422	
	Per Staff	$ 1,666	(756)

To reflect property tax expense using the Arizona Department of Revenue property method.

RATE DESIGN – PHASE 1

Monthly Usage Charge	Present Rates	Proposed Rates Company	Staff
5/8" x 3/4" Meter	$26.00	$40.00	$36.00
3/4" Meter	0.00	0.00	36.00
1" Meter	0.00	0.00	75.00
1½" Meter	0.00	0.00	150.00
2" Meter	0.00	0.00	240.00
3" Meter	0.00	0.00	480.00
4" Meter	0.00	0.00	750.00
6" Meter	0.00	0.00	1,500.00
Excess of Minimum - per 1,000 Gallons	$0.00	$0.00	$0.00
Gallons Included in Minimum	0	0	0
Commodity Rates (Per 1,000 gallons)			
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	$1.00	$ 2.00	$ 2.00
Second Tier - Over 3,000 gallons	1.25	$ 2.50	3.10
Third Tier - Over 7,000 gallons	1.50	$ 3.00	4.40
3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	$ 2.00
Second Tier - Over 3,000 gallons	N/A	N/A	3.10
Third Tier - Over 7,000 gallons	N/A	N/A	4.40
1" Meter			
First Tier - 0 - 40,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 40,000 gallons	N/A	N/A	4.40
1 1/2" Meter			
First Tier - 0 - 120,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 120,000 gallons	N/A	N/A	4.40
2" Meter			
First Tier - 0 - 225,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 225,000 gallons	N/A	N/A	4.40
3" Meter			
First Tier - 0 - 500,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 500,000 gallons	N/A	N/A	4.40
4" Meter			
First Tier - 0 - 800,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 800,000 gallons	N/A	N/A	4.40
6" Meter			
First Tier - 0 - 1,500,000 gallons	N/A	N/A	$ 3.10
Second Tier - Over 1,500,000 gallons	N/A	N/A	4.40

Meter Sizes	Current Service Line Charges	Current Meter Charges	Current Total Charges	Company Proposed Total Charges	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges
5/8" x 3/4"	$400	$100	$500	$600	$450	$150	$600
3/4"	415	205	620	750	415	205	620
1"	465	265	730	1,000	465	265	730
1-1/2"	520	475	995	1,250	520	475	995
2" - Turbine	800	995	1,795	1,795	800	995	1,795
2" - Compound	800	1,840	2,640	2,640	800	1,840	2,640
3" - Turbine	1,015	1,620	2,635	2,635	1,015	1,620	2,635
3" - Compound	1,135	2,495	3,630	3,630	1,135	2,495	3,630
4" - Turbine	1,430	2,570	4,000	4,000	1,430	2,570	4,000
4" - Compound	1,610	3,545	5,155	5,155	1,610	3,545	5,155
6" - Turbine	2,150	4,925	7,075	7,075	2,150	4,925	7,075
6" - Compound	2,270	6,820	9,090	9,090	2,270	6,820	9,090

Service Charges			
Establishment	$35.00	$50.00	$40.00
Reconnection (delinquent)	35.00	$65.00	40.00
After Hours Service Charge	50.00	50.00	50.00
Meter Test	Cost	Cost	30.00
Deposit	0.00	0.00	*
Deposit Interest	*	*	*
Re-Establishment (within 12 Months)	**	**	**
NSF Check	35.00	35.00	35.00
Deferred Payment (per month)	1.50%	1.50%	1.50%
Meter Re-Read	5.00	5.00	10.00
Late Fee	1.50%	1.50%	1.5%
Monthly Service Charge for Fire Sprinkler			
4" to Larger than 10"	$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)
*** 2.00% 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 seperate and distinct from the primary water service line.

RATE DESIGN -- PHASE 2

Monthly Usage Charge	Present Rates	Proposed Rates Company	Staff
5/8" x 3/4" Meter	$26.00	$40.00	$36.00
3/4" Meter	0.00	0.00	36.00
1" Meter	0.00	0.00	75.00
1½" Meter	0.00	0.00	150.00
2" Meter	0.00	0.00	240.00
3" Meter	0.00	0.00	480.00
4" Meter	0.00	0.00	750.00
6" Meter	0.00	0.00	1,500.00
Excess of Minimum - per 1,000 Gallons	$0.00	$0.00	$0.00
Gallons Included in Minimum	0	0	0
Commodity Rates (Per 1,000 gallons)			
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	$1.00	$ 2.00	$ 3.00
Second Tier - Over 3,000 gallons	1.25	$ 2.50	4.25
Third Tier - Over 7,000 gallons	1.50	$ 3.00	5.00
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	$ 3.00
Second Tier - 3,001 - 12,000 gallons	N/A	N/A	4.25
Third Tier - Over 12,000 gallons	N/A	N/A	5.00
3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	$ 3.00
Second Tier - Over 3,000 gallons	N/A	N/A	4.25
Third Tier - Over 7,000 gallons	N/A	N/A	5.00
1" Meter			
First Tier - 0 - 40,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 40,000 gallons	N/A	N/A	5.00
1 1/2" Meter			
First Tier - 0 - 120,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 120,000 gallons	N/A	N/A	5.00
2" Meter			
First Tier - 0 - 225,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 225,000 gallons	N/A	N/A	5.00
3" Meter			
First Tier - 0 - 500,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 500,000 gallons	N/A	N/A	5.00
4" Meter			
First Tier - 0 - 800,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 800,000 gallons	N/A	N/A	5.00
6" Meter			
First Tier - 0 - 1,500,000 gallons	N/A	N/A	$ 4.25
Second Tier - Over 1,500,000 gallons	N/A	N/A	5.00

Meter Sizes	Current Service Line Charges	Current Meter Charges	Current Total Charges	Company Proposed Total Charges	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges
5/8" x 3/4"	$400	$100	$500	$600	$450	$150	$600
3/4"	415	205	620	750	415	205	620
1"	465	265	730	1,000	465	265	730
1-1/2"	520	475	995	1,250	520	475	995
2" - Turbine	800	995	1,795	1,795	800	995	1,795
2" - Compound	800	1,840	2,640	2,640	800	1,840	2,640
3" - Turbine	1,015	1,620	2,635	2,635	1,015	1,620	2,635
3" - Compound	1,135	2,495	3,630	3,630	1,135	2,495	3,630
4" - Turbine	1,430	2,570	4,000	4,000	1,430	2,570	4,000
4" - Compound	1,610	3,545	5,155	5,155	1,610	3,545	5,155
6" - Turbine	2,150	4,925	7,075	7,075	2,150	4,925	7,075
6" - Compound	2,270	6,820	9,090	9,090	2,270	6,820	9,090

Service Charges			
Establishment	$35.00	$50.00	$40.00
Reconnection (delinquent)	35.00	$65.00	40.00
After Hours Service Charge	50.00	50.00	50.00
Meter Test	Cost	Cost	30.00
Deposit	0.00	0.00	*
Deposit Interest	*	*	*
Re-Establishment (within 12 Months)	**	**	**
NSF Check	35.00	35.00	35.00
Deferred Payment (per month)	1.50%	1.50%	1.50%
Meter Re-Read	5.00	5.00	10.00
Late Fee	1.50%	1.50%	1.5%
Monthly Service Charge for Fire Sprinkler			
4" to Larger than 10"	$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)
*** 2.00% 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 seperate and distinct from the primary water service line.

RATE DESIGN -- PHASE 3

Monthly Usage Charge	Present Rates	Proposed Rates Company	Staff
5/8" x 3/4" Meter	$26.00	$40.00	$36.60
3/4" Meter	0.00	0.00	36.60
1" Meter	0.00	0.00	75.00
1½" Meter	0.00	0.00	150.00
2" Meter	0.00	0.00	240.00
3" Meter	0.00	0.00	480.00
4" Meter	0.00	0.00	750.00
6" Meter	0.00	0.00	1,500.00
Excess of Minimum - per 1,000 Gallons	$0.00	$0.00	$0.00
Gallons Included in Minimum	0	0	0
Commodity Rates (Per 1,000 gallons)			
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	$1.00	$ 2.00	$ 3.20
Second Tier - Over 3,000 gallons	1.25	$ 2.50	5.25
Third Tier - Over 7,000 gallons	1.50	$ 3.00	6.25
5/8 x 3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	$ 3.20
Second Tier - 3,001 - 12,000 gallons	N/A	N/A	5.25
Third Tier - Over 12,000 gallons	N/A	N/A	6.25
3/4 Meter			
First Tier - 0 - 3,000 gallons	N/A	N/A	$ 3.20
Second Tier - Over 3,000 gallons	N/A	N/A	5.25
Third Tier - Over 7,000 gallons	N/A	N/A	6.25
1" Meter			
First Tier - 0 - 40,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 40,000 gallons	N/A	N/A	6.25
1 1/2" Meter			
First Tier - 0 - 120,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 120,000 gallons	N/A	N/A	6.25
2" Meter			
First Tier - 0 - 225,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 225,000 gallons	N/A	N/A	6.25
3" Meter			
First Tier - 0 - 500,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 500,000 gallons	N/A	N/A	6.25
4" Meter			
First Tier - 0 - 800,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 800,000 gallons	N/A	N/A	6.25
6" Meter			
First Tier - 0 - 1,500,000 gallons	N/A	N/A	$ 5.25
Second Tier - Over 1,500,000 gallons	N/A	N/A	6.25

Meter Sizes	Current Service Line Charges	Current Meter Charges	Current Total Charges	Company Proposed Total Charges	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges
5/8" x 3/4"	$400	$100	$500	$600	$450	$150	$600
3/4"	415	205	620	750	415	205	620
1"	465	265	730	1,000	465	265	730
1-1/2"	520	475	995	1,250	520	475	995
2" - Turbine	800	995	1,795	1,795	800	995	1,795
2" - Compound	800	1,840	2,640	2,640	800	1,840	2,640
3" - Turbine	1,015	1,620	2,635	2,635	1,015	1,620	2,635
3" - Compound	1,135	2,495	3,630	3,630	1,135	2,495	3,630
4" - Turbine	1,430	2,570	4,000	4,000	1,430	2,570	4,000
4" - Compound	1,610	3,545	5,155	5,155	1,610	3,545	5,155
6" - Turbine	2,150	4,925	7,075	7,075	2,150	4,925	7,075
6" - Compound	2,270	6,820	9,090	9,090	2,270	6,820	9,090

Service Charges			
Establishment	$35.00	$50.00	$40.00
Reconnection (delinquent)	35.00	$65.00	40.00
After Hours Service Charge	50.00	50.00	50.00
Meter Test	Cost	Cost	30.00
Deposit	0.00	0.00	*
Deposit Interest	*	*	*
Re-Establishment (within 12 Months)	**	**	**
NSF Check	35.00	35.00	35.00
Deferred Payment (per month)	1.50%	1.50%	1.50%
Meter Re-Read	5.00	5.00	10.00
Late Fee	1.50%	1.50%	1.5%
Monthly Service Charge for Fire Sprinkler			
4" to Larger than 10"	$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)
*** 2.00% 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 seperate and distinct from the primary water service line.

TYPICAL BILL ANALYSIS -- PHASE 1

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 112

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,405	$34.61	$57.22	$22.61	65.3%
Median Usage	5,475	$34.00	$56.00	$22.00	64.7%
Staff Proposed					
Average Usage	7,405	$34.61	$56.18	$21.58	62.3%
Median Usage	5,475	$34.00	$49.67	$15.67	46.1%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$26.00	$40.00	53.8%	$36.00	38.5%
1,000	27.00	42.00	55.6%	38.00	40.7%
2,000	28.00	44.00	57.1%	40.00	42.9%
3,000	29.00	46.00	58.6%	42.00	44.8%
4,000	30.25	48.50	60.3%	45.10	49.1%
5,000	31.50	51.00	61.9%	48.20	53.0%
6,000	32.75	53.50	63.4%	51.30	56.6%
7,000	34.00	56.00	64.7%	54.40	60.0%
8,000	35.50	59.00	66.2%	58.80	65.6%
9,000	37.00	62.00	67.6%	63.20	70.8%
10,000	38.50	65.00	68.8%	67.60	75.6%
15,000	46.00	80.00	73.9%	89.60	94.8%
20,000	53.50	95.00	77.6%	111.60	108.6%
25,000	61.00	110.00	80.3%	133.60	119.0%
50,000	98.50	185.00	87.8%	243.60	147.3%
75,000	136.00	260.00	91.2%	353.60	160.0%
100,000	173.50	335.00	93.1%	463.60	167.2%
125,000	211.00	410.00	94.3%	573.60	171.8%
150,000	248.50	485.00	95.2%	683.60	175.1%
175,000	286.00	560.00	95.8%	793.60	177.5%
200,000	323.50	635.00	96.3%	903.60	179.3%

TYPICAL BILL ANALYSIS --PHASE 2

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 112

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,405	$34.61	$57.22	$22.61	65.3%
Median Usage	5,475	$34.00	$56.00	$22.00	64.7%
Staff Proposed					
Average Usage	7,405	$34.61	$64.03	$29.42	85.0%
Median Usage	5,475	$34.00	$55.52	$21.52	63.3%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$26.00	$40.00	53.8%	$36.00	38.5%
1,000	27.00	42.00	55.6%	39.00	44.4%
2,000	28.00	44.00	57.1%	42.00	50.0%
3,000	29.00	46.00	58.6%	45.00	55.2%
4,000	30.25	48.50	60.3%	49.25	62.8%
5,000	31.50	51.00	61.9%	53.50	69.8%
6,000	32.75	53.50	63.4%	57.75	76.3%
7,000	34.00	56.00	64.7%	62.00	82.4%
8,000	35.50	59.00	66.2%	67.00	88.7%
9,000	37.00	62.00	67.6%	72.00	94.6%
10,000	38.50	65.00	68.8%	77.00	100.0%
15,000	46.00	80.00	73.9%	102.00	121.7%
20,000	53.50	95.00	77.6%	127.00	137.4%
25,000	61.00	110.00	80.3%	152.00	149.2%
50,000	98.50	185.00	87.8%	277.00	181.2%
75,000	136.00	260.00	91.2%	402.00	195.6%
100,000	173.50	335.00	93.1%	527.00	203.7%
125,000	211.00	410.00	94.3%	652.00	209.0%
150,000	248.50	485.00	95.2%	777.00	212.7%
175,000	286.00	560.00	95.8%	902.00	215.4%
200,000	323.50	635.00	96.3%	1,027.00	217.5%

TYPICAL BILL ANALYSIS -- PHASE 3

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 112

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,405	$34.61	$57.22	$22.61	65.3%
Median Usage	5,475	$34.00	$56.00	$22.00	64.7%
Staff Proposed					
Average Usage	7,405	$34.61	$69.73	$35.13	101.5%
Median Usage	5,475	$34.00	$59.19	$25.19	74.1%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$26.00	$40.00	53.8%	$36.60	40.8%
1,000	27.00	42.00	55.6%	39.80	47.4%
2,000	28.00	44.00	57.1%	43.00	53.6%
3,000	29.00	46.00	58.6%	46.20	59.3%
4,000	30.25	48.50	60.3%	51.45	70.1%
5,000	31.50	51.00	61.9%	56.70	80.0%
6,000	32.75	53.50	63.4%	61.95	89.2%
7,000	34.00	56.00	64.7%	67.20	97.6%
8,000	35.50	59.00	66.2%	73.45	106.9%
9,000	37.00	62.00	67.6%	79.70	115.4%
10,000	38.50	65.00	68.8%	85.95	123.2%
15,000	46.00	80.00	73.9%	117.20	154.8%
20,000	53.50	95.00	77.6%	148.45	177.5%
25,000	61.00	110.00	80.3%	179.70	194.6%
50,000	98.50	185.00	87.8%	335.95	241.1%
75,000	136.00	260.00	91.2%	492.20	261.9%
100,000	173.50	335.00	93.1%	648.45	273.7%
125,000	211.00	410.00	94.3%	804.70	281.4%
150,000	248.50	485.00	95.2%	960.95	286.7%
175,000	286.00	560.00	95.8%	1,117.20	290.6%
200,000	323.50	635.00	96.3%	1,273.45	293.6%

Dateland Public Service Company, Inc.
Docket No. W-02027A-13-0470 Schedule JLK-6
Test Year Ended December 31, 2012

CASH FLOW STATEMENT

	Test Year Staff Adjusted	Staff Proposed Year 1	Staff Proposed Year 2	Staff Proposed Year 3
Cash From Operations				
Net Operating Income	($40,053)	($7,834)	$ 813	$ 9,659
Depreciation/Amortization	8,425	8,425	8,425	8,425
Deferred Tax Expense	0	0		
Interest Income	7	7	9	12
Other Income Net	0	0		
Changes in Working Capital	0	0		
Net Cash from Oper	**($31,621)**	**$598**	**$9,247**	**$18,096**
Non-Operating Requirements				
Construction Expenditures	$0			
Meter Refunds	0			
Refunds of Advances in Aid	0			
Principal Repayment	0			
Cash Dividends	0			
Interest Expense	$0			
Total Non-Operating Cash Require.	$0			
Sources of Non-Operating Cash				
New Financing	$0			
Long-Term Debt	0			
Common Stock	0			
Short-Term Debt	0			
Advances in Aid	0			
Meter Deposits	0			
Sale of Assets	0			
Total Expected Sources	$0			
Net Non-Operating Cash Requireme	$0			
Net Operating & Non-Operating Cash Excess / (Requirement)	**($31,621)**			

STAFF ADJUSTMENTS

a	-	STRUCTURES & IMPROVEMENTS - Per Company	$125,799	
		Per Staff	130,204	$4,405
		To add prior rate case plant as ordered in Decision 70847.		
b	-	PUMPING EQUIPMENT - Per Company	$66,658	
		Per Staff	88,344	$21,686
		To add prior rate case plant as ordered in Decision 70847.		
c	-	WATER TREATMENT EQUIPMENT	$185,528	
		Per Staff	352,926	$167,398
		To add two evaporative ponds. $ 167,398		
		To add well from prior rate cse. 9,532		
		To retire well. (9,532)		
		$ 167,398		
d	-	DIST. RESERVOIRS & STANDPIPES - Per Company	$1,449	
		Per Staff	7,363	$5,914
		To add prior rate case plant as ordered in Decision 70847.		
e		TRANSMISSION & DIST. MAINS & PUMPS - Per Company	$55,519	
		Per Staff	132,825	$77,306
		To add prior rate case plant as ordered in Decision 70847.		
f		SERVICES - Per Company	$184,859	
		Per Staff	15,486	($169,373)
		To transfer electrical lines to Acct. 348, other tangible equipment.		
g		METERS AND INSTALLATIONS - Per Company	$0	
		Per Staff	9,171	$9,171
		To add prior rate case plant as ordered in Decision 70847.		
h		OFFICE FURNITURE & EQUIPMENT - Per Company	$144	
		Per Staff	637	$493
		To add plant as ordered in Decision 70847 in prior rate case.		

STAFF ADJUSTMENTS

i	POWER OPERATED EQUIPMENT - Per Company	$1,056	
	Per Staff	2,628	$1,572

To add plant as ordered in Decision 70847 in prior rate case.

j	OTHER TANGIBLE EQUIPMENT - Per Company	$311,000	
	Per Staff	452,344	$141,344

To reassign electrical lines.	$ 184,859
To deduct solar system rebate.	(44,352)
To add plant from prior rate case.	837
	$ 141,344

ACCUMULATED DEPRECIATION ADJUSTMENT

B- Accumulated Depreciation - Per Company	$ 74,501	
Per Staff	183,029	$ 108,528

ACCT		ACCUMULATED DEPRECIATION			
		Company	Staff		Staff
No.	Description	Application	Adjustment		Calculated
301	Organization	$ 74	$ 73		$ 147
302	Franchise				-
303	Land and Land Rights	1,150	(1,150)		-
304	Structures and Improvements	6,290	(2,690)		3,600
307	Wells and Springs	2,552	(512)		2,040
311	Electrical Pumping Equipment	3,334	22,246		25,580
320.1	Water Treatment Plant	9,276	(15,038)		(5,762)
320.2	Solution Chemical Feeders	6,700	6,700		13,400
330	Distribution Reservoirs & Standpipes	72	5,832		5,904
330.1	Storage Tank	7,400	(5,757)		1,643
330.2	Pressure Tank	1,050	(525)		525
331	Transmission and Distribution Mains	2,777	70,644		73,421
333	Services	9,245	4,290		13,535
334	Meters and Meter Installation	-	12,588		12,588
335	Hydrants	-	-		-
339	Other Plant and Miscellaneous Equipm	2,980	(898)		2,082
340	Office Furniture and Fixtures	7	135		142
340.1	Computers and Software	4,500	4,500		9,000
341	Transportation Equipment	196	193		389
343	Tools and Work Equipment	825	(412)		413
345	Power Operated Equipment	53	826		879
346	Communications Equipment	-	-		-
347	Miscellaneous Equipment	477	73		550
348	Other Tangible Plant	15,550	7,403		22,953
	Less error in addition	(7)	7		-
	Total	$ 74,501	$ 108,528	B	$ 183,029

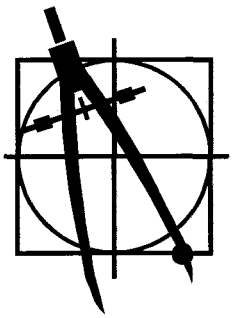
Contributions in Aid of Construction

D - Contributions in Aid of Construction

Acct No	Account Description	Plant Contributions Company	Adjustment		Plant Contributions Staff
301	Organizational Cost	$ -	$ -		$ -
303	Land and Land Rights	-	23,000		23,000
304	Structures and Improvements	-	125,799		125,799
307	Wells and Springs	-	51,018		51,018
311	Pumping Equipment	-	66,658		66,658
320.1	Water Treatment Plant	-	352,926		352,926
320.2	Solution Chemical Feeders	-	134,000		134,000
330	Distribution Reservoirs and Standpipes	-	1,449		1,449
330.1	Storage Tanks	-	148,000		148,000
330.2	Pressure Tanks	-	21,000		21,000
331	Transmission and Distribution Mains	-	55,519		55,519
333	Services	-	-		-
334	Meters and Meter Installations	-	-		-
335	Hydrants	-	-		-
339	Other Plant & Misc. Equipment	-	59,587		59,587
340	Office Furniture And Equipment	-	144		144
340.1	Computers and Software	-	90,000		90,000
341	Transportation Equipment	-	3,890		3,890
343	Tools, Shop And Garage Equip	-	16,500		16,500
345	Power Operated Equipment	-	1,056		1,056
346	Communication Equipment	-	-		-
347	Miscellaneous Equipment	-	9,540		9,540
348	Other Tangible Equipment	-	451,507		451,507
			1,611,593	C	1,611,593

STAFF PLANT ADJUSTMENTS

D -	AMORTIZATION OF CIAC - Per Company	0		
	Per Staff	64,018	$	64,018
	To reflect amortization of contribution in aid of construction since the test year in the prior rate case.			
E -	WORKING CAPITAL (1/24 Purchased Pwr & Wtr) Per Company	$0		
	Per Staff	$366	$	366
	To reflect Staff's calculation of cash working capital based on recommendations for purchased power.			
F -	WORKING CAPITAL (1/8 operation & maint. exp.) Per Company	$0		
	Per Staff	9,646	$	9,646
	To reflect Staff's calculation of cash working capital based on Staff's recommendations for operation and maintenance expense, excluding purchased power expense.			
G-	SECURITY DEPOSITS Per Company	$ -		
	Per Staff	$279	$	279
	To reflect Staff's estimation of security deposits			



Engineering Report for:
Dateland Public Service for a Rate Increase
Docket No. W-02027A-13-0470

By: Jian W Liu
Utilities Engineer

June 16, 2014

EXECUTIVE SUMMARY

CONCLUSIONS:

1. The Arizona Department of Environmental Quality ("ADEQ") reported that the Dateland Public Service ("Dateland" or "Company") drinking water system (Public Water System ("PWS") Number 14-003) is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (ADEQ compliance status report dated June 9, 2014).

2. The Company is not located in any Active Management Area ("AMA") and is not subject to any Arizona Department of Water Resources ("ADWR") AMA reporting and conservation requirements. ADWR reported that Dateland is currently in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated February 28, 2014).

3. A check with the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated February 24, 2014).

4. Commission Utilities Division Staff ("Staff") concludes that the Dateland water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.

5. Dateland has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

6. The Company reported 15,971,501 gallons pumped and 9,984,132 gallons sold, resulting in a water loss of 37.49% for 2012. (See Section G for details).

7. Staff concludes that the Company-reported $2,275 in Management Services and Certified Operator fees appear reasonable.

RECOMMENDATIONS

1. In the prior rate case, the Company adopted Staff's typical and customary water depreciation rates. These rates are presented in Table B and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

2. Staff recommends its annual water testing expense of $1,466 be used for purposes of this application.

3. Staff recommends that the separate service line charges and meter charges recommended by Staff and listed in Table C under the heading "Staff Recommended" be approved.

4. Staff recommends that Dateland monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

5. Staff recommends that the Company keep records on any non-account water used for legitimate purposes such as the water used for water treatment system operation, dust control, distribution system flushing, etc.

6. Staff recommends that the Dateland BMP tariffs attached hereto as Exhibit A be approved and that Dateland shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request.

7. Staff recommends that the BMP tariffs authorized herein shall go into effect 30 days after the date notice is sent to customers. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

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FIGURES

A. LOCATION OF COMPANY

On December 26, 2013, Dateland Public Service Company, Inc. ("Dateland" or "Company") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). Dateland water system is located approximately 120 miles southwest of downtown Phoenix in Yuma County, Arizona. Dateland has a certificated area covering approximately 1.8 square miles (1,100 acres). The Company serves approximately 112 service connections. Figure 1 shows the location of Dateland within Yuma County and Figure 2 shows the certificated area. Commission Utilities Division Staff ("Staff") engineering review and analysis of the pending application is presented in this report.

B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on March 3, 2014, by Jian Liu, Staff Engineer, in the accompaniment of Don Lane and Michelle Lane of the Company.

The facility consists of two wells, two storage tanks, one pressure tank, a Reverse Osmosis ("RO") system, and a distribution system.

Well/Plant Data

ADWR ID No.	Pump Hp	Pump Yield (GPM)	Casing Size (inches)	Casing Depth (Feet)	Meter Size (inches)	Year Drilled
55-221186	10	100	8	420	4	2012
55-221884	10	100	8	420	4	2013
Total Pump Yield		200				

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
100,000	1	3,000	1	10 HP VFD*	2
50,000	1				
Total 150,000					

*A **variable-frequency drive (VFD)** is a system for controlling the rotational speed of an alternating current (AC) electric motor by controlling the frequency of the electrical power supplied to the motor.

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	19,415	5/8x3/4	116	N/A
3	18,300	1		
		1.5		
		Total Metered Connections	116	

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

ADEQ reported that Dateland's drinking water system (PWS Number 14-003) is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (ADEQ compliance status report dated June 9, 2014).

D. ACC COMPLIANCE

A check with the Utilities Division Compliance Section showed no delinquent compliance items for Dateland. (ACC Compliance Section Email dated February 24, 2014)

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

The Company is not located in any Active Management Area ("AMA") and is not subject to any ADWR AMA reporting and conservation requirements. ADWR reported that Dateland is currently in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated February 28, 2014)

F. WATER TESTING EXPENSES

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

The Company reported its water testing expense at $2,878 during the 2012 test year, which includes approximately $2,275 in Management Services and Certified Operator fees. Staff has reviewed the Company's testing expense and has recalculated the testing costs. Table 1 shows Staff's annual monitoring expense estimate of $1,466 with participation in the MAP.

Table 1 Water Testing Cost

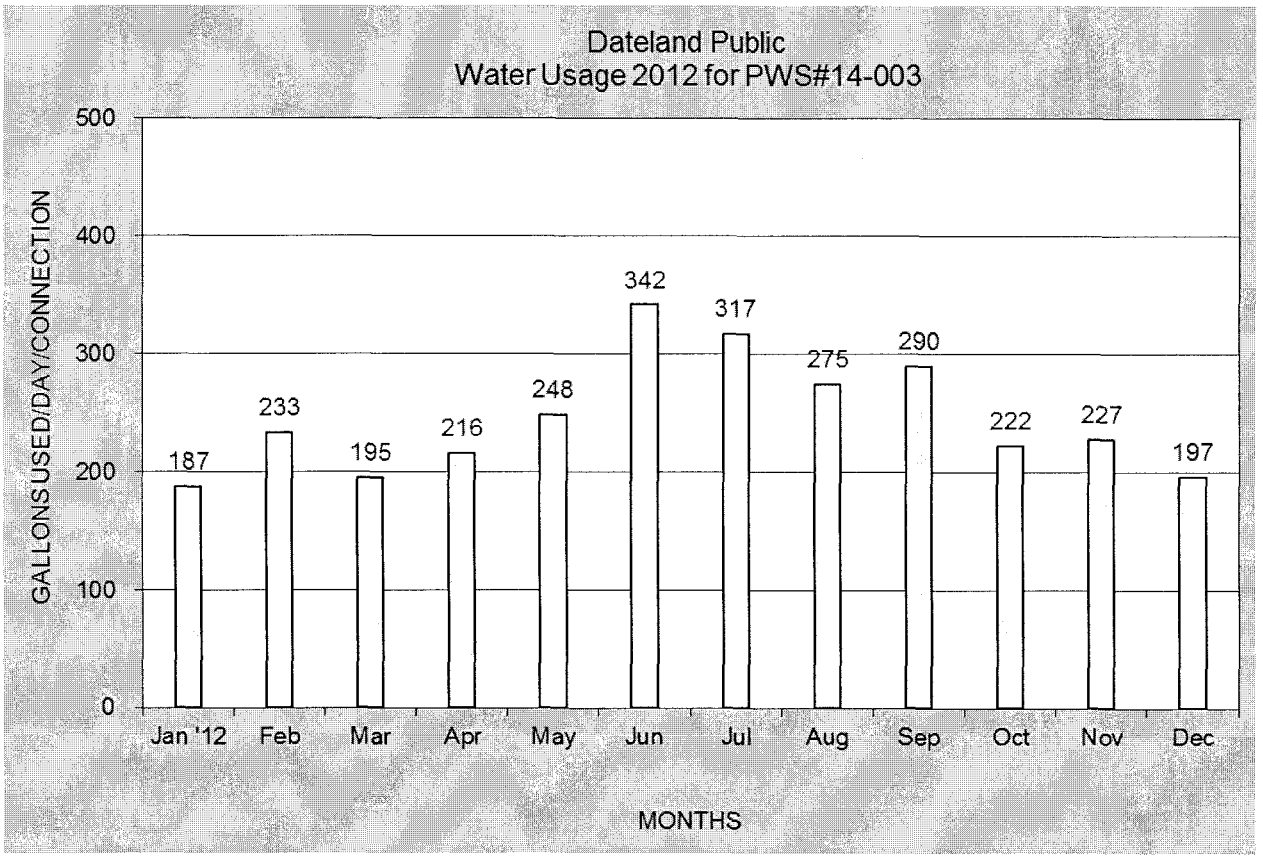
Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	$30	72	2160	720
MAP – IOCs, SOCs, & VOCs	MAP	MAP	MAP	546
Lead & Copper - annual	$50	12	600	200
Total				**$1,466**

Staff recommends its annual water testing expense of $1,466 be used for purposes of this application. Staff concludes that the Company reported $2,275 in Management Services and Certified Operator fees appear reasonable.

G. WATER USE

Water Sold

Based on the information provided by the Company, water use for the year 2012 is presented below. The high monthly domestic water use was 342 gallons per day ("GPD") per service connection in June and the low monthly domestic water use was 187 GPD per service connection in January. The average annual use was 246 GPD per service connection.



Non-account Water

Non-account water should be 10% or less and never more than 15%. 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 water company to identify water and revenue losses due to leakage, theft, and flushing. The Company reported 15,971,501 gallons pumped and 9,984,132 gallons sold, resulting in a water loss of 37.49% for 2012.

Dateland blames its excessive water loss on the following: 1) an old RO system that used an excessive amount of water to regenerate itself and 2) Extensive water system construction occurred in 2012 where contractors used water for dust control and other purposes. A new RO system has

been installed with a pre-treatment system that should work to reduce water loss.[1] Staff recommends that the Company keep records on any non-account water used for legitimate purposes such as the water used for water treatment system operation, dust control, distribution system flushing, etc.

Staff further recommends that Dateland monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

H. GROWTH

The Company reported that the number of service connections was 103 in 2007. Dateland had 112 customers in test year 2012. The Company estimates that the customer base will be flat with little or no growth for the next 5 years.

The new RO system is a custom built system and designed for 130 customers. This system can be expanded if growth occurs and additional capacity is needed. Staff has concerns regarding future operation and maintenance expenses associated with a custom built system. Staff is concerned that it may be difficult and costly for the Company to obtain qualified operators of this customized automated treatment system in the Dateland area. ~~See Staff Report of Staff member Jorn Keller for more details in this regard.~~

I. DEPRECIATION RATES

In the prior rate case, the Company adopted Staff's typical and customary water depreciation rates. These rates are presented in Table B and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

[1] Water loss was 38.13% for 2010, and 32.05% for 2011.

Table B. Depreciation Rates

NARUC Acct. 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. Acct. 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.

J. CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFF

The Company has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

K. BEST MANAGEMENT PRACTICES ("BMP") TARIFFS

Dateland does not have Commission approved BMP tariffs. Staff and the Company are requesting Commission approval to implement the water conservation measures listed below.

- **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation.
- **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.
- **Public Education Program Tariff:** A program for the Company to provide free written information on water conservation measures to its customers and remind them of the importance of conserving water.[2]

Staff and the Company selected the above BMPs based on the characteristics of the Company's service area and believe these BMPs will allow it to address high water use and waste by educating customers about water conservation and the need to conserve. The Company believes the selected BMPs will allow Company personnel to better interface with customers as to why water conservation is important and why wasting water is a community problem and not just an individual customer problem. The Company also believes that these BMPs are the most beneficial to its customers and the most cost effective for the Company to implement. The Company has already implemented many of the provisions contained in the selected BMPs.

Staff recommends that the Dateland BMP tariffs attached hereto as Exhibit A be approved and that Dateland shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request. Staff will file a letter in the Docket confirming that Dateland tariffs have been updated with the tariffs approved by the Commission.

Staff recommends that the BMP tariffs authorized herein shall go into effect 30 days after the date notice is sent to customers. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

[2] While the Public Education Program counts toward meeting the BMP requirement, it is not officially referred to as a BMP in Arizona Department of Water Resources documents.

L. METER AND SERVICE LINE INSTALLATION CHARGES

The Company has requested a minor change in its service line and meter installation charges. The only change the Company requested was that the total charge for the 5/8" X 3/4" meter size increase from $500 to $600.[3] These charges are refundable advances and the Company's proposed charges are within Staff's recommended range for these charges. Staff recommends that the separate service line charges and meter charges recommended by Staff and listed in Table C under the heading "Staff Recommended" be approved.

Table C. Service Line and Meter Installation Charges

Meter Sizes	Current Service Line Charges	Current * Meter Charges	Current Total Charges	Company Proposed Total Charges	Staff recommended Service Line Charges	Staff recommended * Meter Charges	Staff recommended Total Charges
5/8" x 3/4"	400	100	500	600	450	150	600
3/4"	415	205	620	620	415	205	620
1"	465	265	730	730	465	265	730
1-1/2"	520	475	995	995	520	475	995
2" - Turbine	800	995	1,795	1,795	800	995	1,795
2" - Compound	800	1,840	2,640	2,640	800	1,840	2,640
3" - Turbine	1,015	1,620	2,635	2,635	1,015	1,620	2,635
3" - Compound	1,135	2,495	3,630	3,630	1,135	2,495	3,630
4" - Turbine	1,430	2,570	4,000	4,000	1,430	2,570	4,000
4" - Compound	1,610	3,545	5,155	5,155	1,610	3,545	5,155
6" - Turbine	2,150	4,925	7,075	7,075	2,150	4,925	7,075
6" - Compound	2,270	6,820	9,090	9,090	2,270	6,820	9,090

*Note: Meter charge includes meter box or vault.

[3] Per Company Email dated March 5, 2014.

Dateland Public Service
Docket No. W-02027A-13-0470

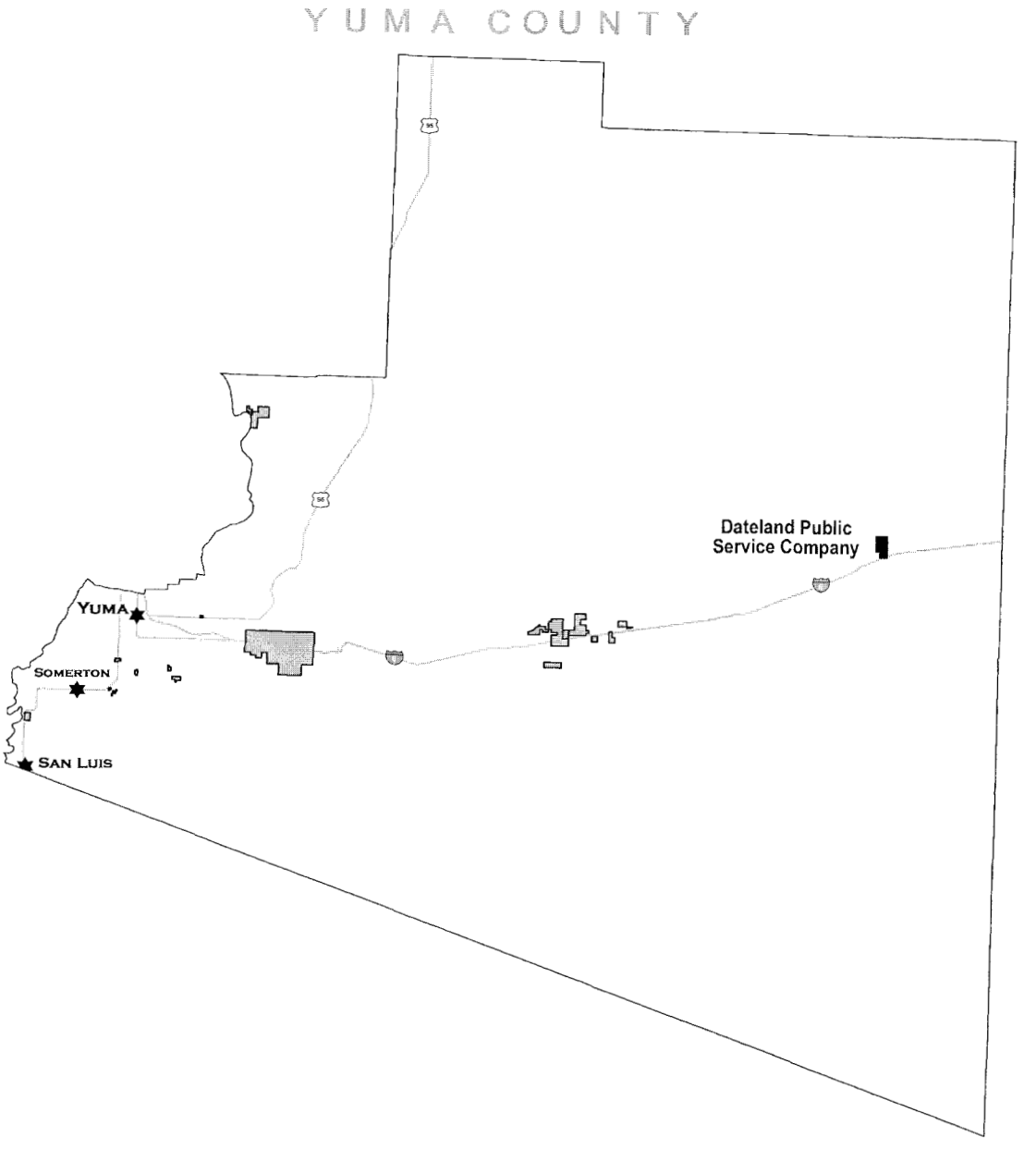


Figure 1: COUNTY MAP

Dateland Public Service
Docket No. W-02027A-13-0470

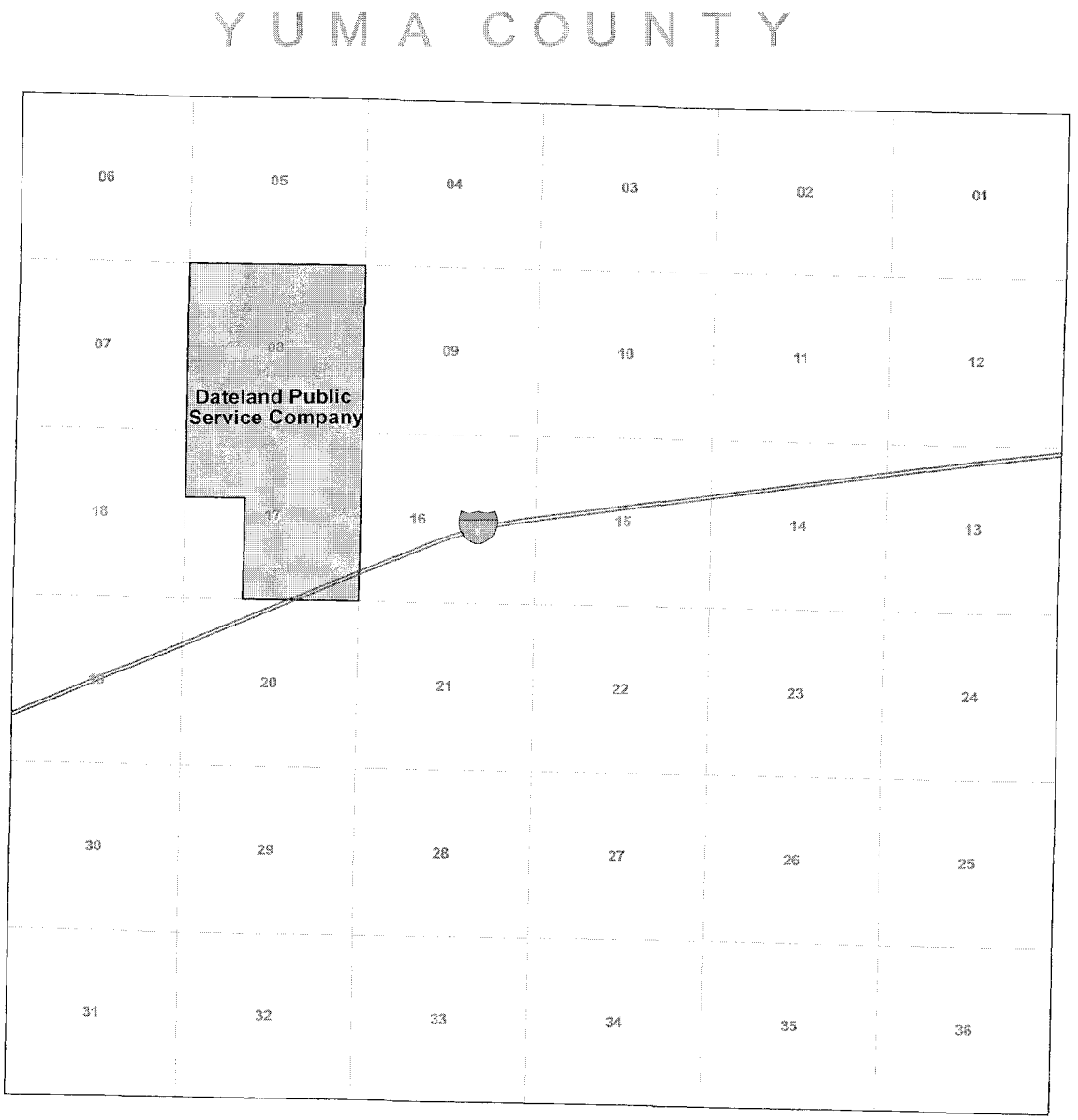


Figure 2: CERTIFICATED AREA

EXHIBIT A

CUSTOMER HIGH WATER USE NOTIFICATION TARIFF – BMP 3.7

PURPOSE

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
   a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
   b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
   c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
   d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
   a. More people in the home than usual taking baths and showers.
   b. Doing more loads of laundry than usual.
   c. Doing a landscape project or starting a new lawn.
   d. Washing vehicles more often than usual.
7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.
8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).
9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.

2. Compliance with the provisions of this tariff will be a condition of service.

3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.

4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.

5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

PUBLIC EDUCATION PROGRAM TARIFF

PURPOSE

A program for the Company to provide free written information on water conservation measures to its customers and to remind them of the importance of conserving water (Required Public Education Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall provide two newsletters to each customer; one to be provided in the spring, the other in the fall. The goal of the letters is to provide timely information to customers in preparation of the hot summer months, and the cold winter months, in regards to their water uses. The Company shall remind customers of the importance of water conservation measures and inform them of the information available from the Company.
2. Information in the newsletters shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, water cistern maintenance reminders and additional pertinent topics. Where practical, the Company shall make this information available in digital format which can be e-mailed to customers upon request or posted on the Company's website.
3. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, Company web page, post cards, e-mails and special mailings of print pieces, whichever is the most cost-effective and appropriate for the subject at hand.
4. Free written water conservation materials shall be available in the Company's business office and the Company shall send information to customers on request.
5. The Company may distribute water conservation information at other locations such as libraries, chambers of commerce, community events, etc., as well.
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
    - A description of each communication channel (i.e., the way messages will be provided) and the number of times it has been used.
    - The number of customers reached (or an estimate).
    - A description of the written water conservation material provided free to customers.