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MEMORANDUM

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

ORIGINAL

DATE: December 22, 2014

RE: STAFF REPORT FOR PARK WATER COMPANY'S APPLICATION FOR A RATE INCREASE (DOCKET NO. W-02353A-14-0323)

Attached is the Staff Report for Park Water Company's application for a rate increase. Staff recommends approval of the rate increase application using Staff's recommended rates and charges.

SMO:JLK:red\BES

Originator: Jorn Keller

Arizona Corporation Commission

DOCKETED

DEC 22 2014

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AZ CORP COMMISSION
DOCKET CONTROL

Service List for: Park Water Company, Inc.
Docket No. W-02353A-14-0323

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

PARK WATER COMPANY, INC.

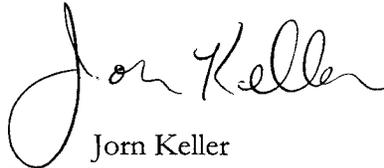
DOCKET NO. W-02353A-14-0323

**APPLICATION FOR A
PERMANENT RATE INCREASE**

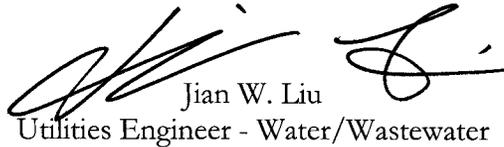
DECEMBER 22, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Park Water Company, Inc. ("Company"), Docket No. W-02353A-14-0323, 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. Deborah Reagan was responsible for reviewing the Arizona Corporation Commission's ("Commission") 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 - Water/Wastewater



Deborah Reagan
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
PARK WATER COMPANY, INC.
DOCKET NO. W-02353A-14-0323

Park Water Company, Inc. ("Park Water" or "Company") filed an application for a rate increase before the Arizona Corporation Commission ("Commission") on September 8, 2014, and it was subsequently amended. On October 8, 2014, Staff issued a Letter of Sufficiency.

Park Water is a class D Arizona public service corporation providing potable water service to approximately 123 metered customers. The Company is located in Pinal County, approximately 10 miles southeast of Florence, Arizona. The current rates were authorized in Decision No. 72487, dated July 25, 2011, and corrected in Decision No. 73734, dated February 20, 2013.

The Company proposes total operating revenue of \$119,766, an increase of \$34,000 or 39.64 percent over the Company's test year revenue of \$85,766. The Company's proposed revenue would yield a positive cash flow of \$10,158. The Company has proposed an original cost rate base ("OCRB") of \$186,335. 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 4,518 gallons from \$38.59 to \$62.60, for an increase of \$24.01, or 62.2 percent.

Staff recommends total operating revenue of \$105,152, an increase of \$19,386 or 22.60 percent over the Company's adjusted test year revenue of \$85,766. Staff's recommended revenue would yield a positive cash flow of \$21,808. Staff recommends an original OCRB of \$173,445. 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 4,518 gallons from \$38.59 to \$52.77, for an increase of \$14.18, or 36.7 percent.

STAFF RECOMMENDATIONS

Staff recommends:

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 H-1 of the attached Engineering Report.
4. The adoption of the Proposed Service Line and Meter Installation Charges as delineated in Table I-1 of the Engineering Report
5. The Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three Best Management Practices' ("BMPs") in the form of tariffs that substantially conform to

the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

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Typical Bill Analysis	Schedule JLK-5

EXHIBIT

Engineering Report	Exhibit A
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FACT SHEET

Company:

Type of Ownership: C Corporation.

Park Water Company, Inc. is a class D Arizona public service corporation that provides potable water service to approximately 123 metered customers.

Rates:

Permanent rate increase application filed: September 8, 2014.

Current test year ended: December 31, 2013.

Prior test year ended: December 31, 2009.

The application became sufficient on October 8, 2014.

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Rates			
Residential Monthly Minimum Charge 5/8 x 3/4-inch meter	\$ 25.00	\$ 41.75	\$ 31.00
(Gallons included in the minimum)	0	0	0

Commodity Rates (Per 1,000 gallons)

<u>5/8 x 3/4 & 3/4 inch meters</u>			
1 to 3,000 gallons	\$ 3.00	\$ 3.95	\$ 3.93
3,001 to 7,000 gallons	\$ 5.00	\$ 5.93	\$ 6.57
Over 7,000 gallons	\$ 8.80	\$ 9.88	\$ 9.51

Fact Sheet (Continued)

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Typical 5/8x3/4 or 3/4-inch residential bill			
Average use (6,272 gallons)	\$ 47.36	\$ 73.00	\$ 64.28
Median use (4,518 gallons)	\$ 38.59	\$ 62.60	\$ 52.77

Customers

Average Number of customers in the current test year (December 31, 2013): 123

There are no other meter sizes in use.

Notifications

Affidavit of mailing for the Customer Notification was filed on September 24, 2014.

Complaints

Number of comments filed against the rate increase application: 3.

Percentage of comments to customer base: 2.44 percent (3/123).

Two customer comments were filed against the company from January 1, 2012 through December 1, 2014.

SUMMARY OF FILING

The test year results as adjusted by Arizona Corporation Commission (“Commission”) Utilities Division Staff (“Staff”) for Park Water Company’s (“Park Water” or “Company”) rate application show total operating revenue of \$85,766 and an operating loss, as shown on Schedule JLK-1. The Original Cost Rate Base (“OCRB”) as adjusted by Staff is \$173,445.

The Company proposed a \$34,000 or 39.64 percent increase over the test year revenue of \$85,766 to \$119,766. The Company proposed revenue would result in operating income of \$21,860. The Company’s proposed rates would yield a cash flow of \$10,058. The Company proposed an OCRB of \$86,335. 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 4,518 gallons from \$38.59 to \$62.60, for an increase of \$24.01 or 62.2 percent.

Staff recommends a \$19,386 or a 22.60 percent increase over the Staff adjusted test year revenue of \$85,766 to \$105,152. Staff’s recommended revenues would result in an operating income of \$15,151 and positive cash flow of \$21,808. Staff recommends an OCRB of \$173,445. Staff’s recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 4,518 gallons from \$38.59 to \$52.77, for an increase of \$14.18 or 36.7 percent.

The Company requests a rate increase in order to meet expenses and the needs for capital expenditures.

COMPANY BACKGROUND

Park Water is a class D Arizona public service corporation providing potable water service to 123 metered customers near Florence, a community in Pinal, County.

The Company’s customers are 123 residential users with 5/8 x 3/4 inch meters and one 5/8 x 3/4 inch commercial customer with rates similar to a residential user. The current rates were authorized in Decision No. 72487, dated July 25, 2011, and corrected in Decision No. 73734, dated February 20, 2013.

Park Water filed an application for a permanent rate increase with the Commission on September 5, 2014. An Affidavit of Customer Notice was filed September 24, 2014. The application was deemed sufficient on October 8, 2014.

CONSUMER SERVICES

A review of the Commission’s records for the period beginning January 1, 2012, to November 25, 2014, found two complaints and three opinions filed against the rate increase request. All complaints are resolved and are closed.

The Company's affidavit of mailing "Customer Notification" was filed on September 24, 2014.

COMPLIANCE

The Utilities Division Compliance Section shows no outstanding compliance issues.

Park Water 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 Park Water's plant facilities on November 19, 2014. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report. Staff notes that the Company reports 10,356,000 gallons of water pumped and 9,352,000 gallons sold, indicating a water loss rate of 9.69 percent.

RATE BASE

Staff's adjustments decreased the Company's calculated rate base by \$12,890, from \$186,335 to \$173,445 as shown on Schedule JLK-2, page 1. Details of Staff's adjustments are discussed below.

Utility Plant in Service

Staff adjustments increase plant in service by \$95 from \$335,027 to \$335,123, as shown on Schedule JLK-2, pages 1 and 2. These adjustments properly reflect the plant in service account balances per Decision No. 72487 and add the full value of computer equipment.

Office Furniture and Equipment – Adjustment "a" adjusts this account by \$821 from \$2,112 to \$1,291 to reflect plant ordered by Decision No. 72487.

Computer and Software – Adjustment "b" adds the \$917 cost of computer equipment, including installation costs.

Accumulated Depreciation

Accumulated Depreciation, Adjustment B, increases accumulated depreciation by \$12,336 from \$140,757 to \$153,093, as shown on Schedule JLK-2, page 3.

Working Capital

Staff's adjustments C to Working Capital reflects Staff's adjusted operation and maintenance costs, resulting in a net decrease to working capital of \$649, from \$7,693 to \$7,044, as shown on Schedule JLK-2, pages 2. 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.

OPERATING INCOME STATEMENT

Operating Revenue

Staff's has no adjustments to operating revenue, as shown on Schedule JLK-3, page 1.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of \$5,285, from \$92,223 to \$86,938 as shown on Schedule JLK-3, pages 1, 2 and 3. Details of Staff's adjustments are presented below.

Office Supplies and Expense – Adjustment A decreases Office Supplies and Expense by \$5,922 from \$9,034 to \$3,112 as shown on Schedule JLK-3, pages 1 and 2. Staff removes computer installation and adds it to the cost of the asset, credits from the Arizona Department of Revenue and Water Infrastructure Financing Authority (“WIFA”) loan payments.

Outside Services – Adjustment B increases Outside Services expense by \$2,018, from \$26,065 to \$28,083 as shown on Schedule JLK-3, pages 1 and 2. The Outside Services expense category consists of the cost of salaries for Park Water's operations management and for accounting. Staff adds the cost of meter reading by Suzanne Terry.

Water Testing Expense – Adjustment C increases water testing expense by \$80, from \$793 to \$873, 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 D decreases rate case expense by \$1,366, from \$8,333 to \$6,967, as shown on Schedule JLK-3, pages 1 and 2. This adjustment reflects the removal of fees by Southwest Utility Management which were operational management fees.

Depreciation Expense – Adjustment E increases depreciation expense by \$317, from \$15,120 to \$15,437, as shown on Schedule JLK-3, pages 1 and 3. Staff's depreciation expense reflects application of Staff's adjustments to Utility Plant in Service as noted above.

Amortization of Contributions In Aid of Construction (“CIAC”) in the amount of \$1,014, 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.

Property Tax Expense – Adjustment F decreases property tax expense by \$251, from \$4,897 to \$4,646, as shown on Schedule JLK-3, page 3. Staff calculated property tax amount using a modified version of the Arizona Department of Revenue's (“ADOR”) property tax method.

Income Tax Expense – Adjustment G decreases income tax expense by \$161, from \$161 to zero, as shown on Schedule JLK-3, page 3. Staff's adjusted operating income for the test year shows an operating loss of \$1,172. In effect, the Company did not owe income tax for the test year.

CASH FLOW AND OPERATING MARGIN

The Company proposed revenue and charges would provide an operating income of \$21,860 and would yield a positive cash flow of \$10,058 as shown on schedule JLK-1.

Staff's recommended revenue and charges would provide an operating income of \$15,108 and would yield cash flow of \$21,808. Staff calculates cash flow as operating income, plus depreciation expense, less debt service.

REVENUE REQUIREMENT

The Company requests a rate increase in order to meet expenses and the needs for capital expenditures.

Park Water has an adjusted rate base of \$173,445. 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 sufficient revenue to meet operating needs.

Staff recommends a \$19,386, or a 22.60 percent, increase over the Staff adjusted test year revenue of \$85,766 to \$105,152. Staff's recommended revenues would result in an operating income of \$15,151, cash flow of \$21,808, and a 14.37 percent operating margin as shown on Schedule JLK-1.

Staff's total revenue requirement of \$105,152 provides 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 and proposed rates and Staff's recommended rates and charges.

The Company requested an increase in the total operating revenue of \$34,000. This increase would result in total revenue of \$119,766.

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 4,518 gallons from \$38.59 to \$62.60, 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 4,518 gallons from \$38.59 to \$52.77, for an increase of \$14.18, or 36.7 percent, 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 11 of the Engineering Report.

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

STAFF RECOMMENDATIONS

Staff recommends:

1. 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 H-1 of the attached Engineering Report.
4. The adoption of the Proposed Service Line and Meter Installation Charges as delineated in Table I-1 of the Engineering Report
5. The Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three Best Management Practices' ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.

**SUMMARY OF OPERATING INCOME
ADJUSTED TEST YEAR AND STAFF RECOMMENDED**

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Recommended
Revenues:				
Metered Water Revenue	\$ 84,614	\$ 84,614	\$ 118,614	\$ 104,000
Unmetered Water Revenue	-	-	-	-
Other Water Revenues	1,152	1,152	1,152	1,152
Total Operating Revenue	\$ 85,766	\$ 85,766	\$ 119,766	\$ 105,152
Operating Expenses:				
Operation and Maintenance	\$ 72,045	\$ 66,855	\$ 72,045	\$ 66,855
Depreciation	15,120	15,437	15,120	15,437
Property & Other Taxes	4,897	4,646	6,839	4,996
Income Tax	161	-	3,902	2,756
Total Operating Expense	\$ 92,223	\$ 86,938	\$ 97,906	\$ 90,044
Operating Income/(Loss)	\$ (6,457)	\$ (1,172)	\$ 21,860	\$ 15,108
Rate Base O.C.L.D.	\$ 186,335	\$ 173,445	\$ 186,335	\$ 173,445
Rate of Return - O.C.L.D.	-3.47%	-0.68%	11.73%	8.71%
Operating Margin	N/M	N/M	18.25%	14.37%
Cash Flow			\$ 10,058	\$ 21,808

ORIGINAL COST RATE BASE/FAIR VALUE

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$ 335,027	\$ 95 A	\$ 335,123
Less:			
Accum. Depreciation	140,757	12,336 B	153,093
Net Plant	\$ 194,270	\$ (12,241)	\$ 182,030
Less:			
Plant Advances	-	-	-
Security Deposits	850	-	850
Total Advances	850	-	850
Contributions Gross	15,370	-	15,370
Less:			
Amortization of CIAC	154	-	154
Net CIAC	15,216	-	15,216
Total Deductions	\$ 16,066	\$ -	\$ 16,066
Plus:			
1/24 Power	438	-	438
1/8 Operation & Maint.	7,693	(649) C	7,044
Inventory	-	-	-
Prepayments	-	-	-
Total Additions	\$ 8,131	\$ (649)	\$ 7,482
Rate Base	\$ 186,335	\$ (12,890)	\$ 173,445

Explanation of Adjustment:

- A Refer to JLK-2, Page 2
- B Refer to JLK-2, Page 3
- C To reflect Staff's calculation of cash working capital based on Staff's recommended operating expenses.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301	Organization Costs	\$ -	\$ -
302	Franchise Costs	-	-
303	Land & Land Rights	3,000	3,000
304	Structures & Improvements	1,348	1,348
307	Wells & Springs	153,692	153,692
311	Electric Pumping Equipment	128,502	128,502
320	Water Treatment Equipment	-	-
320.1	Water Treatment Plants	-	-
320.2	Solutions & Feeders	-	-
320.3	Arsenic Remediation Plant	-	-
330	Distribution Reservoirs & Standpipes	-	-
330.1	Storage Tank	7,102	7,102
330.2	Pressure Tanks	-	-
331	Transmission & Distribution Mains	35,707	35,707
333	Services	-	-
334	Meters & Meter Installations	3,564	3,564
335	Hydrants	-	-
336	Backflow Prevention Devices	-	-
339	Other Plant & Misc. Equip.	-	-
340	Office Furniture & Fixtures	2,112	1,291
340.1	Computer & Software	-	917
341	Transportation Equipment	-	-
342	Store Equipment	-	-
343	Tools & Work Equipment	-	-
344	Laboratory Equipment	-	-
345	Power Operated Equipment	-	-
345	Communications Equipment	-	-
347	Miscellaneous Equipment	-	-
348	Other Intangibles	-	-
105	C.W.I.P.	-	-
	TOTALS	\$ 335,027	\$ 335,123

Explanation of Adjustment:

- A See Schedule 2, Page 3
- B See Schedule 2, Page 4

STATEMENT OF TEST YEAR OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$ 84,614	\$ -	\$ 84,614
460 Unmetered Water Revenue	-	-	-
474 Other Water Revenues	1,152	-	1,152
Total Operating Revenue	\$ 85,766	\$ -	\$ 85,766
Operating Expenses:			
601 Salaries and Wages	-	-	-
610 Purchased Water	-	-	-
615 Purchased Power	10,500	-	10,500
618 Chemicals	-	-	-
620 Repairs and Maintenance	1,980	-	1,980
621 Office Supplies & Expense	9,034	(5,922) A	3,112
630 Outside Services	26,065	2,018 B	28,083
635 Water Testing	793	80 C	873
641 Rents	4,800	-	4,800
650 Transportation Expenses	4,573	-	4,573
657 Insurance - General Liability	1,745	-	1,745
659 Insurance - Health and Life	3,076	-	3,076
666 Regulatory Commission Expense - Rate Case	8,333	(1,366) D	6,967
675 Miscellaneous Expense	1,146	-	1,146
403 Depreciation Expense	15,120	317 E	15,437
408 Taxes Other Than Income	-	-	-
408.11 Property Taxes	4,897	(251) F	4,646
409 Income Tax	161	(161) G	-
Total Operating Expenses	\$ 92,223	\$ (5,285)	\$ 86,938
OPERATING INCOME/(LOSS)	\$ (6,457)	\$ 5,285	\$ (1,172)
Other Income/(Expense):			
419 Interest and Dividend Income	\$ 5	\$ -	\$ 5
421 Non-Utility Income	-	-	-
427 Interest Expense	1,322	-	1,322
4XX Reserve/Replacement Fund Deposit	-	-	-
426 Miscellaneous Non-Utility Expense	-	-	-
Total Other Income/(Expense)	(1,317)	-	(1,317)
NET INCOME/(LOSS)	\$ (7,774)	\$ 5,285	\$ (2,489)

STAFF ADJUSTMENTS

A OFFICE SUPPLIES & EXPENSE - Per Company	\$ 9,034		
Per Staff	3,112	\$ (5,922)	
	\$ (95)		
To decrease Office Supplies and Expense to remove computer installaion, add AZDOR credits and remove WIFA loan payments	47 (5,874)		
	\$ (5,922)		
B OUTSIDE SERVICES - Per Company	\$ 26,065		
Per Staff	28,083	\$ 2,018	
To add meter reading services.			
C WATER TESTING - Per Company	\$ 793		
Per Staff	873	\$ 80	
Water testing is adjusted per staff's calculations.			
D REGULATORY COMMISSION EXPENSE - RATE CASE	\$ 8,333		
Per Staff	6,967	\$ (1,366)	
Regulatory expense is adjusted to omit charges by Southwestern Utility Mgt. which are management fees.			
E DEPRECIATION - Per Company	\$ 15,120		
Per Staff	15,437	\$ 317	
Staff adjusts CIAC amortization and plant.			
Pro Forma Annual Depreciation Expense:			
Plant in Service	\$ 335,123		
Less: Non Depreciable Plant	3,000		
Fully Depreciated Plant	82,683		
Depreciable Plant	\$ 249,440		
Times: Staff Proposed Depreciation Rate	6.60%		
Credit to Accumulated Depreciation	16,451		
Less: Amort. of CIAC* @ 6.60%	1,014		
	\$ 15,437		

STAFF ADJUSTMENTS (Cont.)

Amortization of CIAC:

Contribution(s) in Aid of Construction (Gross)	\$ 15,370	
Less: Non Amortizable Contribution(s)	-	
Fully Amortized Contribution(s)	-	
Amortizable Contribution(s)	<u>\$ 15,370</u>	
Times: Staff Proposed Amortization Rate	6.60%	
Amortization of CIAC	<u>\$ 1,014</u>	

F PROPERTY TAXES - Per Company	\$ 4,897	
Per Staff	<u>4,646</u>	<u>(251)</u>

Staff has applied the 2015 property tax rate.

G INCOME TAX - Per Company	\$ 161	
Per Staff	<u>-</u>	<u>(161)</u>

Staff adjusts the Company's tax liability on a loss.

OPERATING INCOME ADJUSTMENT No. 3 - DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	UTILITY PLANT IN SERVICE BALANCES	FULLY/DEPRECIATED PLANT BALANCES	DEPRECIABLE PLANT IN SERVICE	DEPRECIATION RATE	DEPRECIATION EXPENSE
Plant In Service							
1	301	Organization Costs	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Costs	-	-	-	0.00%	-
3	303	Land & Land Rights	3,000	-	-	0.00%	-
4	304	Structures & Improvements	1,348	-	1,348	3.33%	45
5	307	Wells & Springs	153,692	24,943	128,749	3.33%	4,287
6	311	Electric Pumping Equipment	128,502	39,388	89,114	12.50%	11,139
7	320	Water Treatment Equipment	-	-	-	-	-
8	320.1	Water Treatment Plants	-	-	-	3.33%	-
9	320.2	Solutions & Feeders	-	-	-	20.00%	-
10	320.3	Arsenic Remediation Plant	-	-	-	-	-
11	330	Distribution Reservoirs & Standpipes	-	-	-	-	-
12	330.1	Storage Tank	7,102	-	7,102	2.22%	158
13	330.2	Pressure Tanks	-	-	-	5.00%	-
14	331	Transmission & Distribution Mains	35,707	16,902	18,805	2.00%	376
15	333	Services	-	-	-	3.33%	-
16	334	Meters & Meter Installations	3,564	1,450	2,114	8.33%	176
17	335	Hydrants	-	-	-	2.00%	-
18	336	Backflow Prevention Devices	-	-	-	6.67%	-
19	339	Other Plant & Misc. Equip.	-	-	-	6.67%	-
20	340	Office Furniture & Fixtures	1,291	-	1,291	6.67%	86
21	340.1	Computer & Software	917	-	917	20.00%	183
22	341	Transportation Equipment	-	-	-	20.00%	-
23	342	Store Equipment	-	-	-	4.00%	-
24	343	Tools & Work Equipment	-	-	-	5.00%	-
25	344	Laboratory Equipment	-	-	-	10.00%	-
26	345	Power Operated Equipment	-	-	-	5.00%	-
27	345	Communications Equipment	-	-	-	10.00%	-
28	347	Miscellaneous Equipment	-	-	-	10.00%	-
29	348	Other Intangibles	-	-	-	0.00%	-
29		Subtotal General	\$ 335,123	\$ 82,683	\$ 249,440		\$ 16,451
30		Less: Amortization of Contributions			\$ 15,370	6.60%	\$ 1,014
31		Staff Recommended Depreciation Expense					\$ 15,437
32		Company Proposed Depreciation Expense					15,120
33		Increase/(Decrease) to Depreciation Expense					\$ 317

OPERATING INCOME ADJUSTMENT No. 3 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2013	\$ 85,766	\$ 85,766
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 171,532	\$ 171,532
4	Staff Recommended Revenue	\$ 85,766	\$105,152
5	Subtotal (Line 4 + Line 5)	\$ 257,298	\$ 276,684
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 85,766	\$ 92,228
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 171,532	\$ 184,456
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 171,532	\$ 184,456
13	Assessment Ratio (2015)	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	\$ 31,733	\$ 34,124
15	Composite Property Tax Rate - Obtained from Pinal Co. Assessor	14.64120%	14.64120%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,646	
17	Company Proposed Property Tax	4,897	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (251)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 4,996
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		4,646
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 350
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 350
23	Increase in Revenue Requirement		\$ 19,386
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.805748%

REFERENCES:

Line 15: Composite Tax Rate obtained from Pinal County Assessor
Line 17: Company Application
Line 21: Line 19 - Line 20

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter	\$ 25.00	\$ 41.75	\$ 31.00
3/4" Meter	\$ 25.00	\$ 62.63	\$ 75.00
1" Meter	\$ 62.50	\$ 104.38	\$ 75.00
1 1/2" Meter	\$ 125.00	\$ 208.75	\$ 150.00
2" Meter	\$ 200.00	\$ 334.00	\$ 240.00
3" Meter	\$ 400.00	\$ 668.00	\$ 480.00
4" Meter	\$ 625.00	\$ 1,043.75	\$ 750.00
6" Meter	\$ 1,250.00	\$ 2,087.50	\$ 1,500.00
8" Meter	\$ -	\$ -	\$ -
10" Meter	\$ -	\$ -	\$ -
Fire			
2"	N/A	N/A	N/A
4"	N/A	N/A	N/A
6"	N/A	N/A	N/A
8"	N/A	N/A	N/A
10"	N/A	N/A	N/A
12"	N/A	N/A	N/A
14"	N/A	N/A	N/A
20"	N/A	N/A	N/A
Private Hydrant	N/A	N/A	N/A
Public Hydrant	N/A	N/A	N/A
Public Sprinkler Head	N/A	N/A	N/A
Commodity Rates			
5/8 x 3/4" & 3/4" Meter - Residential & Commercial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
First 3,000 Gallons	\$ 3.00		
From 3,001 to 9,000 Gallons	\$ 5.00		
Over 9,000 Gallons	\$ 8.80		
First 3,000 Gallons		\$ 3.95	
From 3,001 to 9,000 Gallons		\$ 5.93	
Over 9,000 Gallons		\$ 9.88	
First 3,000 Gallons			\$ 3.93
From 3,001 to 9,000 Gallons			\$ 6.57
Over 9,000 Gallons			\$ 9.51
3/4" Meter - Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
First 3,000 Gallons	N/A		
From 3,001 to 9,000 Gallons	N/A		
Over 9,000 Gallons	N/A		
First 3,000 Gallons		N/A	
From 3,001 to 9,000 Gallons		N/A	
Over 9,000 Gallons		N/A	
First 3,000 Gallons			\$ 3.93
From 3,001 to 9,000 Gallons			\$ 6.99
Over 9,000 Gallons			\$ 9.43
1" - Residential, Commercial & Industrial			
Gallons Included in Minimum	N/A	N/A	-
Excess of Minimum - per 1,000 Gallons			
From 1 to 35,000 Gallons	N/A		
Over 35,000 Gallons	N/A		
From 1 to 35,000 Gallons		N/A	
Over 35,000 Gallons		N/A	
From 0 to 40,000 Gallons			\$ 3.10
Over 40,000 Gallons			\$ 4.40
1 1/2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	N/A	N/A	-
Excess of Minimum - per 1,000 Gallons			
First 0 Gallons	N/A		
Over 0 Gallons	N/A		
First 0 Gallons		N/A	
Over 0 Gallons		N/A	
From 0 to 120,000 Gallons			\$ 3.10
Over 120,000 Gallons			\$ 4.40

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	N/A	N/A	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 225,000 Gallons	N/A	N/A	\$ 3.10
Over 225,000 Gallons	N/A	N/A	\$ 4.40
3" - Residential, Commercial & Industrial			
Gallons Included in Minimum	N/A	N/A	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 500,000 Gallons	N/A	N/A	\$ 3.10
Over 500,000 Gallons	N/A	N/A	\$ 4.40
4" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 800,000 Gallons	N/A	N/A	\$ 3.10
Over 800,000 Gallons	N/A	N/A	\$ 4.40
6" - Residential, Commercial & Industrial			
Gallons Included in Minimum	N/A	N/A	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 1,500,000 Gallons			\$ 3.10
Over 1,500,000 Gallons			\$ 4.40
OPA/Fire - All Meters			
Gallons Included in Minimum	-	-	N/A
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$ -	\$ -	N/A
Private Fire - All Meters			
Gallons Included in Minimum	-	-	N/A
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$ -	\$ -	N/A
Service Line and Meter Installation Charges			
	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter	\$ 575.00	\$ 600.00	\$ 600.00
3/4" Meter	\$ 680.00	\$ 700.00	\$ 700.00
1" Meter	\$ 775.00	\$ 810.00	\$ 810.00
1½" Meter	\$ 1,020.00	\$ 1,075.00	\$ 1,075.00
2" Turbine Meter	\$ 1,875.00	\$ 2,720.00	\$ 2,720.00
2" Compound Meter	\$ 1,875.00	\$ 2,720.00	\$ 2,720.00
3" Turbine Meter	\$ 2,715.00	\$ 3,710.00	\$ 3,710.00
3" Compound Meter	\$ 4,160.00	\$ 3,710.00	\$ 3,710.00
4" Turbine Meter	\$ 4,160.00	\$ 5,315.00	\$ 5,315.00
4" Compound Meter	\$ 4,160.00	\$ 5,315.00	\$ 5,315.00
6" Turbine Meter	\$ 6,500.00	\$ 9,250.00	\$ 9,250.00
6" Compound Meter	\$ 6,500.00	At Cost	At Cost
Service Charges			
Establishment	\$ 25.00	\$ 55.00	\$ 35.00
Afterhours Surcharge	\$ 35.00	\$ 35.00	\$ 35.00
Reconnection (Delinquent)	\$ 25.00	\$ 65.00	\$ 30.00
Meter Test	\$ 20.00	\$ 50.00	\$ 25.00
Meter Re-read	\$ 15.00	\$ 25.00	\$ 20.00
Deposit	\$ -	\$ -	*
Deposit Interest	6%	*	*
Re-Establishment (Within 12 Months)	\$ -	\$ -	**
NSF Check	\$ 25.00	\$ 30.00	\$ 25.00
Deferred Payment	1.50%	1.50%	1.50%
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	-	-	***
6"	-	-	***
8"	-	-	***
10"	-	-	***
Larger than 10"	-	-	***
<p>* Per Commission Rules (R14-2-403.B) ** Months off system times the minimum (R14-2-403.D) *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.</p>			

TYPICAL BILL ANALYSIS

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

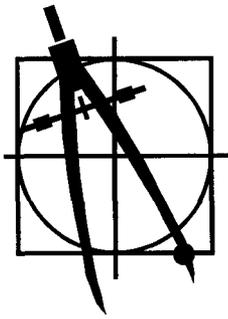
Average Number of Customers: 123

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	6,272	\$ 47.36	\$ 73.00	\$ 25.64	54.1%
Median Usage	4,518	\$ 38.59	\$ 62.60	\$ 24.01	62.2%

<u>Staff Recommend</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	6,272	\$ 47.36	\$ 64.28	\$ 16.92	35.7%
Median Usage	4,518	\$ 38.59	\$ 52.77	\$ 14.18	36.7%

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

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$ 25.00	\$ 41.75	67.0%	\$ 31.00	24.0%
1,000	25.00	45.70	82.8%	34.93	39.7%
2,000	28.00	49.65	77.3%	38.86	38.8%
3,000	31.00	53.60	72.9%	42.79	38.0%
4,000	36.00	59.53	65.4%	49.36	37.1%
5,000	41.00	65.46	59.7%	55.93	36.4%
6,000	46.00	71.39	55.2%	62.50	35.9%
7,000	51.00	77.32	51.6%	69.07	35.4%
8,000	56.00	83.25	48.7%	75.64	35.1%
9,000	61.00	89.18	46.2%	82.21	34.8%
10,000	69.80	99.06	41.9%	91.72	31.4%
15,000	113.80	148.46	30.5%	139.27	22.4%
20,000	157.80	197.86	25.4%	186.82	18.4%
25,000	201.80	247.26	22.5%	234.37	16.1%
50,000	421.80	494.26	17.2%	472.12	11.9%
75,000	641.80	741.26	15.5%	709.87	10.6%
100,000	861.80	988.26	14.7%	947.62	10.0%
125,000	1,081.80	1,235.26	14.2%	1,185.37	9.6%
150,000	1,301.80	1,482.26	13.9%	1,423.12	9.3%
175,000	1,521.80	1,729.26	13.6%	1,660.87	9.1%
200,000	1,741.80	1,976.26	13.5%	1,898.62	9.0%



Engineering Report for Park Water Company

Docket No. W-02353A-14-0323 (Rates)

**By: Jian Liu
Utilities Engineer**

November 19, 2014

CONCLUSIONS

- A. The Arizona Department of Environmental Quality (“ADEQ”) reported that the Park Water Company, Inc. (“Park Water” or “Company”) drinking water system, Public Water System (“PWS”) No. 11-407, 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 October 28, 2014).
- B. The Company is located in the Arizona Department of Water Resources (“ADWR”) Pinal Active Management Area (“AMA”) and is subject to AMA reporting and conservation requirements. ADWR reported that Park Water is currently in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated October 14, 2014).
- C. 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 October 7, 2014).
- D. The Company’s water system has adequate well and storage capacity to serve the present customer base and reasonable growth.
- E. The Company has an approved curtailment tariff with an effective date of July 9, 2003.
- F. The Company has an approved backflow prevention tariff with an effective date of April 13, 1995.

RECOMMENDATIONS

- 1. Commission Utilities Division Staff (“Staff”) recommends the adoption of its annual water testing expense of \$873 be used for the purpose of this application.
- 2. Staff recommends that the Company continue to use the depreciation rates as delineated in Table H-1.
- 3. Staff recommends approval of the charges listed in Table I-1 below under the columns labeled “Company Proposed and Staff Recommended”.

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

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A. INTRODUCTION

On September 5, 2014, Park Water Company, Inc. ("Park Water" or "Company") filed an application to increase its rates with the Arizona Corporation Commission ("ACC" or "Commission") in Docket No. W-02353A-14-0323. This report presents the results of the Commission Utilities Division Staff ("Staff") engineering evaluation of the Company's application. The Company serves a community located approximately 10 miles southeast of Florence. Figure 1 shows the location of the Company within Pinal County and Figure 2 shows the certificated area covering two square-miles.

B. DESCRIPTION OF THE WATER SYSTEM

The water system was field inspected on November 17, 2014, by Jian Liu, Staff Utilities Engineer, in the accompaniment of Keith Dojaquez and Matthew England, Certified Operators for the Company.

The operation of the water system consists of two wells, three storage tanks, four booster pumps and a distribution system, serving approximately 123 customers during the test year of 2013. The detailed plant facility descriptions are as follows:

Well/Plant Data

ADWR ID No.	Pump HP	Pump GPM*	Casing Depth(ft)	Casing Size(in)	Meter Size(in)	Year Drilled
55- 218775	30	110	1007	8	2	2010
55- 630017	15	70	650	8	2	1982

*gallons per minute.

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
12,000	1	2,000	1	5	2
15,000	1	3,000	2	10	1
25,000	1			7.5	1
Total 52,000					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	1,810	5/8x3/4	143	0
3	2,820	3/4		
4	18,390	1		
6	6,050	1.5		
		Total	143	

PINAL COUNTY

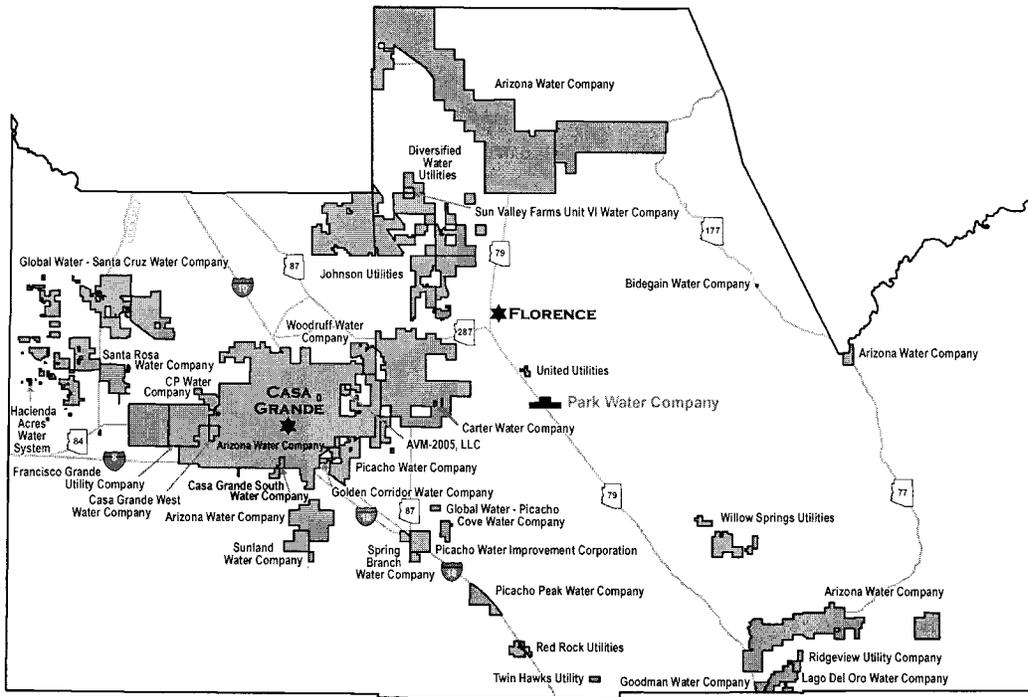


Figure 1. Pinal County Map

P I N A L C O U N T Y

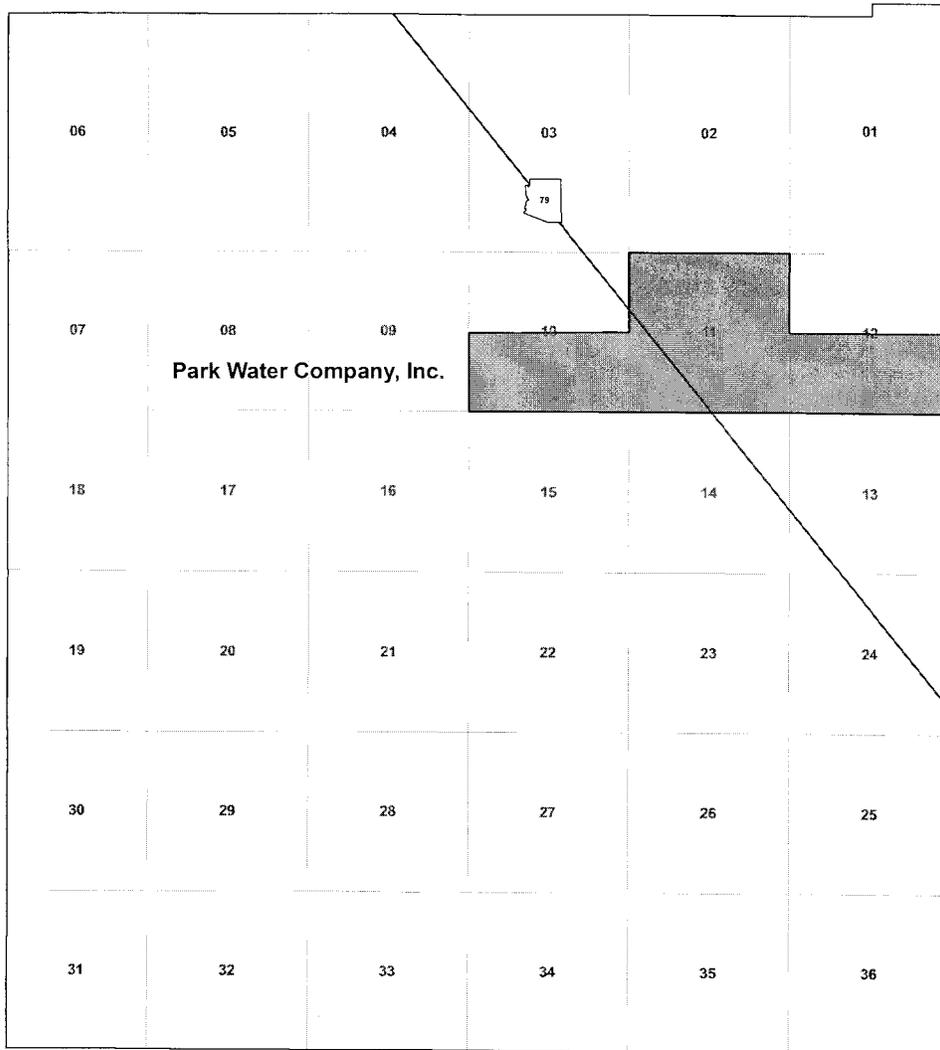


Figure 2. Certificated Area

C. WATER USE

Water Sold

Figure 3 presents the water consumption data provided by the Company for the test year ending 2013. This figure shows customer consumption experienced a high monthly water use of 268 gallons per day (“GPD”) per connection in July and a low monthly water use of 126 GPD per connection in March for an average annual use of 206 GPD per connection.

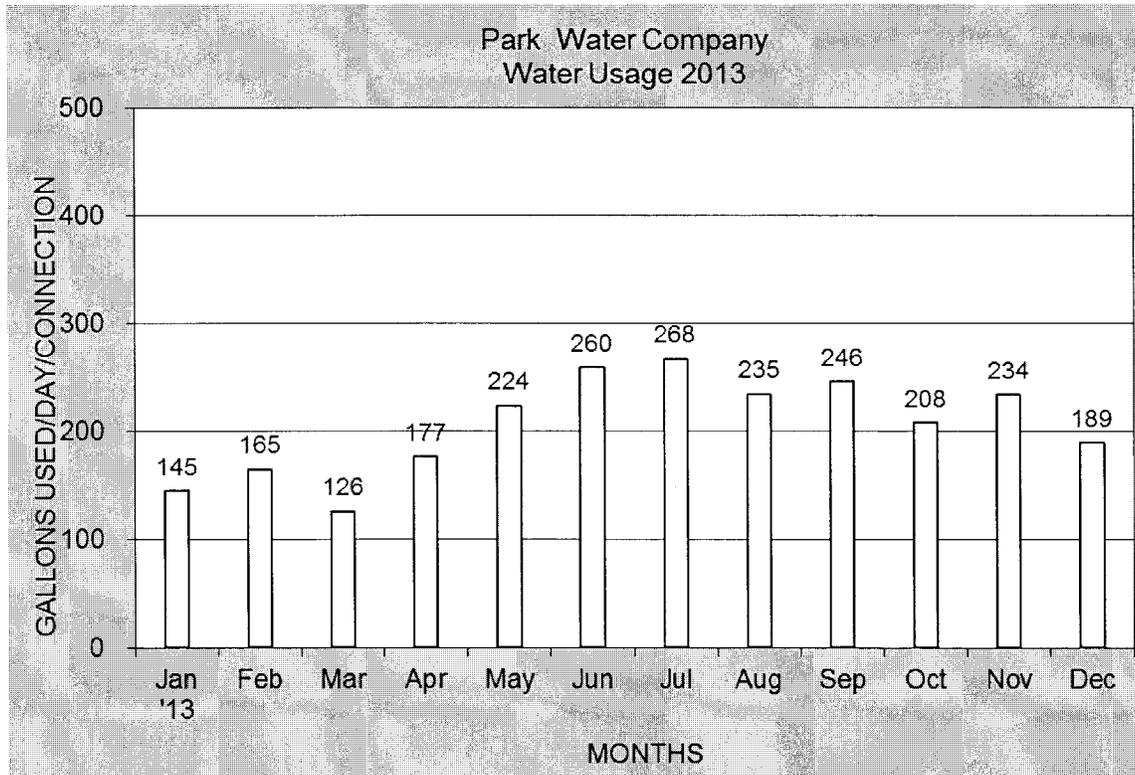


Figure 3. Water Use

Non-Account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and 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. Park Water reported 10,356,000 gallons pumped and 9,352,000 gallons sold, resulting in a water loss of approximately 9.69% in 2013, which is within acceptable limits.

System Analysis

Staff concludes that Park Water has adequate production capacity and storage capacity to serve the existing customer base and anticipated growth.

D. GROWTH

In 2007 Park Water had approximately 162 customers. It had approximately 123 customers during the test year of 2013. The Company anticipates very little, if any, growth over the next 3-5 years.

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

Compliance

ADEQ reported that the Park Water drinking water system, Public Water System (“PWS”) No. 11-407, 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 October 28, 2014).

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program (“MAP”). The Company reported a water testing expense of \$793 during the test year 2013. Staff has reviewed this expense and has recalculated the annual monitoring expense. Table E-1 below shows Staff’s adjusted annual monitoring expense estimate of \$873 with participation in the MAP.

Table E-1. Water Testing Expense

Monitoring	Cost per test	No. of test	Annual Cost
Total coliform – monthly	\$20	12	\$240
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs	MAP	MAP	\$566
Lead & Copper – 5 samples per 3 years	\$40	5	\$67
Total			\$873

Note: ADEQ’s MAP invoice for the 2013 Calendar Year was \$566.11

Staff recommends an annual water testing expense of \$873 be used for purposes of this application.

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

The Company is located in ADWR’s Pinal Active Management Area (“AMA”) and is subject to AMA reporting and conservation requirements. ADWR reported that Park Water is currently in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated October 14, 2014).

G. ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE

A check with the ACC Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated October 7, 2014).

H. DEPRECIATION RATES

In the prior rate case, the Company was authorized to use Staff’s typical and customary depreciation rates. These depreciation rates are presented in Table H-1 below. It is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

Table H-1. 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

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company's requested charges are within Staff's customary range of charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends approval of the charges listed in Table I-1 below under the columns labeled "Company Proposed and Staff Recommended".

Table I-1. Service Line and Meter Installation Charges

Meter Size	Company's Current Charges	Company Proposed and Staff recommended Service Line Charges	Company Proposed and Staff recommended Meter Installation Charges	Company Proposed and Staff recommended Total Charges
5/8 x 3/4-inch	\$575	\$445	\$155	\$600
3/4-inch	\$680	\$445	\$255	\$700
1-inch	\$775	\$495	\$315	\$810
1-1/2-inch	\$1,020	\$550	\$525	\$1,075
2-inch	\$1,875	\$830	\$1,890	\$2,720
3-inch	\$2,715	\$1,165	\$2,545	\$3,710
4-inch	\$4,160	\$1,670	\$3,645	\$5,315
6-inch	\$6,500	\$2,330	\$6,920	\$9,250
Over 6-inch	NA	At Cost	At Cost	At Cost

2. Curtailement Tariff

The Company has an approved curtailment tariff with an effective date of July 9, 2003.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff with an effective date of April 13, 1995.

4. Best Management Practice ("BMP") Tariffs

Park Water does not have any Commission approved BMP tariffs. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and

consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.