



0000160035

MEMORANDUM

RECEIVED

2015 FEB 17 A 9 25

AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: February 18, 2015

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

BACKGROUND

On September 8, 2014, Park Water Company, Inc., ("Company" or "Park") applied for an increase in rates. The Application was deemed sufficient on October 8, 2014. Staff filed its Report on December 22, 2014, and the Company's Response was filed January 16, 2015. A Procedural Order of January 23, 2015, ordered Staff to reply to the Company's Response by February 18, 2015.

DISCUSSION

Staff will be addressing the following issues:

1. Required Revenue
2. Rate Base
3. Rate Design

Revenue Requirement

Staff notes that within its response to the original Staff Report, Park Water has reduced its recommended revenue requirement by \$4,000 and is now requesting a revenue requirement of \$115,766. Staff's recommended annual revenue requirement remains \$105,152.

Rate Base

Park raised three issues related to the development of the Company's rate base: the amortization rate to apply to Contributions In Aid of Construction ("CIAC"), the accumulated depreciation reserve balance to be used, and the proper plant account to be used for office furniture and fixtures.

Staff initially used a composite depreciation rate of 6.6% to amortize CIAC, whereas Park Water believes that the 2.0% depreciation rate used exclusively for transmission and distributions mains should be used since the underlying CIAC was used to support investment in this plant

Arizona Corporation Commission
DOCKETED

FEB 17 2015

DOCKETED BY

account. Staff now accepts the Company's position with regard to the amortization rate to be used for CIAC supporting transmission and distribution mains.

With respect to the disagreement related to the proper accumulated depreciation reserve balance to be used, the difference was due to fully-depreciated plant of which Staff became aware. With fully-depreciated plant removed from the schedules, Staff's accumulated depreciation balance differs from the Company's original balance by only \$124 and from the Company's revised balance by \$687. The reason for the remaining differences are unknown.

Regarding the proper plant account to be used for the Company's office furniture investments, the Company maintains that all office equipment owned by Park is computer equipment and should be depreciated at a higher rate. Staff continues to disagree with the Company regarding this classification issue. In Commission Decision No. 72487 from the last rate case, \$1,291 in office equipment was approved. The Company submitted nothing to evidence that this equipment has been retired, so this investment should still be on the Books and Records of the Company. The Company purchased computer equipment totaling \$917 in the test year.

Rate Design

Differences remain regarding the proper rate design to be approved for Park. The Company believes that its rate design, with 50% of revenue from the minimum charge and 50% of revenue from the commodity rates, should be approved. Staff continues to support a rate design that will generate 44% of revenues from the minimum charge and 56% from the commodity rates. Staff believes that its rate design properly promotes conservation, while also allowing ratepayers more flexibility in controlling their water bills. In addition, Staff recommends a late fee of 1.5%.

SMO:JLK:vsc\BES

Originator: Jom Keller

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

Mr. Steve Wene
1850 N. Central Ave, 1100
Phoenix, Arizona 85004

Ms. Patricia O'Connor
P.O. Box 16173
Phoenix, Arizona 85011

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