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RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2015 JUL 28 PM 4 33

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 SUSAN BITTER-SMITH, CHAIRMAN
11 BOB STUMP
12 BOB BURNS
13 TOM FORESE
14 DOUG LITTLE

Arizona Corporation Commission

DOCKETED

JUL 28 2015

DOCKETED BY

15 IN THE MATTER OF THE APPLICATION
16 OF SOUTHLAND UTILITIES COMPANY,
17 INC. FOR AN INCREASE IN RATES

DOCKET NO. W-02062A-15-0224

**NOTICE OF FILING TAX
CLEARANCE CERTIFICATE AND
AMENDED PAGES TO
APPLICATION**

19 Southland Utilities Company, Inc. ("Company") hereby files its Certificate of
20 Compliance Letter of Good Standing issued by the Arizona Department of Revenue. *See*
21 Attachment 1. Further, the Company has revised Application pages 6, 15b, 19, 19b-d,
22 and 33. *See* Attachment 2. The page 6 revision updates the increase amount. The page
23 15b revision corrects a typographical error. The page 19 revision corrects the income
24 statement. The page 19b-d revisions adjust the supporting schedules. Pursuant to Staff's
25 request, the page 33 revision adds a bill count summary regarding the WIFA surcharge.
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1 DATED this 28th day of July, 2015.

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MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies filed this
28th day of July, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

M. R. Rader

ATTACHMENT 1

Certificate of Compliance Letter of Good Standing SOUTHLAND UTILITIES COMPANY, INC.

This Certificate of Compliance is issued pursuant to Arizona Revised Statutes Section 42-1110 and/or Section 43-1151. It certifies that, according to department records, the above named taxpayer has filed and paid all taxes due under Title 42 and Title 43, specifically and only as to the following described tax types and identification/license numbers:

TAX TYPE	IDENTIFICATION
Federal Employer Identification Number	86-0285444
Transaction Privilege Tax License	02-012276-G
Withholding License	86-028544-4

This certification is made conditionally and is subject to the findings of any subsequent audit.

Issued To:
Southland Utilities Company, Inc.
Attn: Bonnie O'Connor
P.O. Box 85160
Tucson, AZ 85754

Wendy Bingham
Manager 602-716-0254
July 17, 2015

ATTACHMENT 2

STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

Southland Utilities Company, Inc. (The "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 12/31/14 (mm/dd/yy). The Company had total operating revenues of \$ 333,119, served 593 metered and zero un-metered customers, and sold 34,583 gallons of water during the Test Year.
(from page 19) (from page 18)

The Company is requesting a(n) increase/decrease in revenues in the amount of \$ 41,352

Total annual operating revenues, if the Company is granted the rate adjustment, will be \$ 373,119

The Company is current on all property taxes. YES NO

The Company is current on all sales taxes.
(Please see checklist item 2 on page 1.) YES NO

The Company currently has a Curtailment
Plan Tariff on file with the Commission. YES NO

The Company currently has a Backflow Prevention
Tariff on file with the Commission. YES NO

The Company notified its customers of its application for a rate adjustment on 6/30/2015 (mm/dd/yy). **A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 33)**

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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SUMMARY OF RATE BASE

	Actual at End Of Test Year	Pro forma Adjustment	1	Adjusted at End Of Test Year
1. Gross Utility Plant in Service	\$ 1,698,854	\$ 51,246	1	\$ 1,750,100
2. Less: Accumulated Depreciation	(589,297)	478	2	(588,819)
3. Net Utility Plant in Service	\$ 1,109,557	\$ 51,724		\$ 1,161,281
Less:				
4. Advances in Aid of Construction	\$ 5,158	\$ -		\$ 5,158
5. Contributions in Aid of Construction	87,956			87,956
6. Amortization of CIAC	(81,023)			(81,023)
7. Net CIAC	\$ 6,933	\$ -		\$ 6,933
8. Meter Deposits	5,067			5,067
9. Accumulated Deferred Income Tax	7,597			7,597
Add:				
10. Allowance for Working Capital	-	19,926	3	19,926
11. Total Rate Base	\$ 1,084,802	\$ 71,650		\$ 1,156,452

1 To include post Test Year plant additions:

307 - Wells and Springs	\$ 19,380
311 - Pumping Equipment	30,938
331 - Transmission and Distribution	1,319
334 - Meters	1,459
347 - Retirement from last rate case still on books	(1,850)
Total Rate Base Adjustment 1	\$ 51,246

2 Adjust accumulated depreciation for account 340	\$ (295)
Remove accumulated depreciation from account 341	(174)
Adjust accumulated depreciation for account 347	947
Total Rate Base Adjustment 2	\$ 478

3 Adjustment to include working capital allowance at 1/24th of purchased power and 1/8th operations and maintenance.

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	TEST YEAR	PROFORMA ADJUSTMENTS	REF #	ADJUSTED TEST YEAR	PROPOSED RATE INCR	REF #	PROPOSED RATES
461	Metered Water Revenue	\$ 241,032	\$ 223,841			\$ 223,841	\$ 141,942	6	\$ 365,783
462	Sucharge Revenue	103,781	101,942	(1,352)	7	100,590	(100,590)	6	-
474	Other Water Revenues	8,876	7,336			7,336			7,336
	TOTAL OPERATING REVENUES	\$ 353,689	\$ 333,119	\$ (1,352)	*	\$ 331,767	\$ 41,352		\$ 373,119
	OPERATING EXPENSES								
601	Salaries and Wages (See page 1, item 5)	\$ -	\$ -			\$ -			\$ -
610	Purchased Water (See page 1, item 6)	-	-			-			-
615	Purchased Power (See page 1, item 7)	32,813	31,976			31,976			31,976
618	Chemicals	390	773			773			773
620	Repairs and Maintenance (See page 1, item 8)	4,059	10,114			10,114			10,114
621	Office Supplies & Expense	3,319	4,799			4,799			4,799
630	Outside Services (See page 1, item 9)	97,623	107,323			107,323			107,323
635	Water Testing (See page 1, item 10)	1,370	5,109			5,109			5,109
641	Rents	1,419	1,373			1,373			1,373
650	Transportation Expenses	3,253	3,785			3,785			3,785
657	Insurance - General Liability	1,942	2,034			2,034			2,034
659	Insurance - Health and Life	-	-			-			-
666	Regulatory Commission Exp-Rate Case	-	-	6,000	1	6,000			6,000
675	Miscellaneous Expense	4,785	5,170			5,170			5,170
676	Bad Debt Expense	-	10,192	(8,154)	2	2,038			2,038
403	Depreciation Expense (From page 21)	30,955	49,046	(144)	3a	48,902	28,199	3b	77,101
408	Taxes Other Than Income	-	-			-			-
408.11	Property Taxes (See page 1, item 11)	9,870	12,080	3,854	4a	15,934	1,986	4b	17,920
409	Income Tax	50	50	10,962	5a	11,012	3,444	5b	14,456
427.2	Customer Security Deposit Interest	241	227			227			227
	TOTAL OPERATING EXPENSES	\$ 192,089	\$ 244,051	\$ 12,518		\$ 256,569	\$ 33,629		\$ 290,198
	OPERATING INCOME/(LOSS)	\$ 161,600	\$ 89,068	\$ (13,870)		\$ 75,198	\$ 7,723		\$ 82,921
	OTHER INCOME/(EXPENSE)								
419	Interest and Dividend Income	\$ 92	\$ 236	\$ -		\$ 236			\$ 236
421	Non-Utility Income								
426	Miscellaneous Non-Utility Expenses								
427	Interest Expense	(23,013)	(31,660)			(31,660)			(31,660)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (22,921)	\$ (31,424)	\$ -		\$ (31,424)			\$ (31,424)
	NET INCOME/(LOSS)	\$ 138,679	\$ 57,644	\$ (13,870)		\$ 43,774	\$ 7,723		\$ 51,497

Note: Do not include sales tax in revenue or expense. Please refer to the checklist on page 1 for the required attachments related to this schedule.

* This number must be identical to the number entered on page 6 "total operating revenues."

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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DETAIL OF PROFORMA ADJUSTMENTS

1	<u>Adjustment 1</u>			
2	Rate Case Expense	Annual Rate Case Expense	\$	6,000
3	Total	\$	30,000	Test Year Rate Case Expense
4	Amortized over 5 years	6,000		-
				Adjustment 1
				<u>\$</u>
				<u>6,000</u>
5	<u>Adjustment 2</u>			
6	Annualize Bad Debt Expense			
7	Bad debt written of during 2014		\$	10,192
8	Annualization period			5
9	Annualized cost		\$	2,038
10	Test Year Expense			10,192
11				Adjustment 2
				<u>\$</u>
				<u>(8,154)</u>
12	<u>Adjustment 3</u>			
13	Depreciation Expense - please refer to Page 21			
14	Test Year Actual Depreciation Expense		\$	49,046
15	Adjust Depreciation Expense for Office Furniture			54
16	Remove Depreciation Expense for Transportation Equipment			(199)
17	Rounding			1
18	Adjusted Test Year Depreciation Expense			<u>48,902</u>
19		Adjustment 3a (Lines 15 + 16 + 17)	\$	<u>(144)</u>
20	Proposed Depreciation Expense		\$	77,101
21	Adjusted Test Year Depreciation Expense			48,902
22				Adjustment 3b
				<u>\$</u>
				<u>28,199</u>
23	<u>Adjustment 4</u>			
24	Property Tax Expense - please refer to Page 19c			
25	Calculated Property Tax Expense		\$	15,934
26	Actual Test Year Property Tax Expense			12,080
27				Adjustment 4a
				<u>\$</u>
				<u>3,854</u>
28	Property Tax Expense at Proposed Revenue			
29	Calculated Property Tax Expense at Proposed Revenue		\$	17,920
30	Adjusted Test Year Property Tax Expense			15,934
31				Adjustment 4b
				<u>\$</u>
				<u>1,986</u>
32	<u>Adjustment 5</u>			
33	Income Tax Expense - please refer to Page 19d			
34	Calculated income Tax Expense		\$	11,012
35	Test Year Income Tax			50
36				Adjustment 5a
				<u>\$</u>
				<u>10,962</u>
37	Income Tax Expense at Proposed Revenue			
38	Calculated income Tax Expense at Proposed Revenue		\$	14,456
39	Adjusted Test Year Income Tax			11,012
40				Adjustment 5b
				<u>\$</u>
				<u>3,444</u>
41	<u>Adjustment 6</u>			
42	Proposed Revenue			
43	Company Proposed Revenue		\$	373,119
44	Test Year Adjusted Revenue			331,767
45				Adjustment 6
				<u>\$</u>
				<u>41,352</u>
46	<u>Adjustment 7</u>			
47	Test Year Surcharge Revenue		\$	101,942
48	Adjusted Surcharge Revenue			100,590
49	Adjustment for overbilling refunded			Adjustment 7
				<u>\$</u>
				<u>(1,352)</u>

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS 4a and 4b

Line	Test Year as Adjusted	Company at Proposed Rates
1 Adjusted 2014 Test Year Revenue	\$ 331,767	\$ 373,119
2 Weight Factor	2	2
3 Subtotal	\$ 663,534	\$ 746,238
4 Company Recommended Revenue	331,767	373,119
5 Subtotal	\$ 995,301	\$ 1,119,357
6 Number of Years	3	3
7 Three Year Revenue Average	\$ 331,767	\$ 373,119
8 AZ Department of Revenue Multiplier	2	2
9 Revenue Base Value	\$ 663,534	\$ 746,238
10 Plus 10% of CWIP	-	-
11 Less: Net Book Value of Licensed Vehicles	-	-
12 Full Cash Value	\$ 663,534	\$ 746,238
13 Assessment Ratio	18.50%	18.50%
14 Assessment Value	\$ 122,754	\$ 138,054
15 Composite Property Tax Rate *	12.9803%	12.9803%
16 Adjusted Test Year Property Tax Expense	\$ 15,934	
17 Actual Test Year Property Tax Expense	12,080	
18 Total Adjustment 4a	\$ 3,854	
19 Projected Property Tax Expense		\$ 17,920
20 Adjusted Test Year Property Tax Expense		15,934
21 Total Adjustment 4b		\$ 1,986
22 * <i>Property tax composite rate calculation:</i>		
23 Assessed Value per 2014 Property Tax Notices	\$ 86,879	
24 Property Tax due per 2014 Notices ¹	11,277	
25 Composite Property Tax Rate	12.9803%	

¹ 2014 Property Tax Notices only used to calculate the composite rate as after 2013 parcel 107-37-1332 was consolidated with parcel 924568700.

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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CALCULATION OF INCOME TAX ADJUSTMENTS 5a and 5b

Line No.	<u>Description</u>	<u>Test Year</u>	<u>Total Test Year</u>	<u>Company Proposed</u>	<u>Total Proposed</u>
Calculation of Income Tax:					
1	Revenue	\$ 331,767		\$ 373,119	
2	Operating Expenses Excluding Income Taxes	(245,557)		(275,742)	
3	Other Income/Expense	(31,424)		(31,424)	
4	Arizona Taxable Income (L1 - L2- L3)	\$ 54,786		\$ 65,953	
5	Arizona State Income Tax Rate	6.0000%		6.0000%	
6	Arizona Income Tax (L4 x L5)		\$ 3,287		\$ 3,957
7	Federal Taxable Income (L4- L6)	\$ 51,499		\$ 61,996	
8	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	7,725		7,500	
9	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%			2,999	
10	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%				
11	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%				
12	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%				
13	Total Federal Income Tax		<u>7,725</u>		<u>10,499</u>
14	Combined Federal and State Income Tax (L6 + L13)		\$ 11,012		\$ 14,456
15	Test Year Income Tax Expense		50		
16	Adjustment 5a to Test Year Income Tax Expense		<u>\$ 10,962</u>		
17	Adjusted Test Year Income Tax Expense				<u>11,012</u>
18	Adjustment 5b to Proposed Income Tax Expense				<u>\$ 3,444</u>

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 12/31/2014
WIFA Surcharge - Current Rates Only	

BILL COUNT SUMMARY

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
5/8 x 3/4-inch	1,771	1,789	1,758	1,747	7,065
3/4-inch	6	6	6	6	24
2-inch	6	6	6	6	24
3-inch	3	3	3	3	12
Total Bills	1,786	1,805	1,774	1,762	7,125