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FOR THE ARIZONA CORPORATION COMMISSION

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2 COMMISSIONERS
SUSAN BITTER SMITH - Chairman
3 BOB STUMP
BOB BURNS
4 DOUG LITTLE
TOM FORESE

2015 MAY -4 P 4: 21

ORIGINAL

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

5 IN THE MATTER OF THE APPLICATION OF
SOUTHWEST ENVIRONMENTAL UTILITIES,
6 LLC FOR APPROVAL OF A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
7 PROVIDE WATER/WASTEWATER SERVICE.

DOCKET NO. WS-20878A-13-0065

STAFF'S NOTICE OF ERRATA

8
9 On April 28, 2015, the Utilities Division ("Staff") of the Arizona Corporation Commission
10 ("Commission") filed its Staff Report. Attachment C to the Staff Report was a Memorandum from
11 Mary J. Rimback with attendant schedules. Subsequent to its filing, Staff determined that an
12 incorrect version of Attachment C was included in the docketed Staff Report.

13 In addition, incorrect versions of Schedules MJR-W4 and MJR-WW4 which pertain to Rate
14 Design were also inadvertently docketed. Specifically, Staff's actual recommendations include a
15 Reconnection (Delinquent) fee of \$30 for both water and wastewater (Schedules MJR-W4 at page 2
16 of 2 and MJR-WW4, respectively) and, as pertains to water rate design only, a line for "Sales or Use
17 Tax" was added on Schedule MJR-W4 at page 2 of 2.

18 Attached hereto is the Amended Staff Report which includes the corrected Attachment C and
19 Schedules MJR-W4 and MJR-WW4. The content of all other Attachment C schedules remains
20 unchanged. These documents should replace the entire Staff Report originally docketed on April 28,
21 2015.

22 RESPECTFULLY SUBMITTED this 4th day of May 2015.

23
24 Arizona Corporation Commission
25 DOCKETED

26 MAY 04 2015

27 DOCKETED BY 



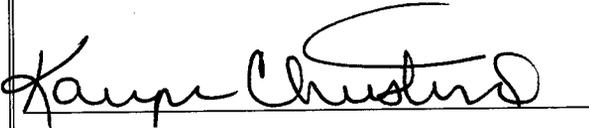
28 Brian E. Smith
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

1 Original and thirteen (13) copies
2 of the foregoing filed this
3 4th day of May 2015 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

6 Copy of the foregoing emailed/mailed
7 this 4th day of May 2015 to:

7 Jeffrey W. Crockett
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MEMORANDUM

TO: Docket Control

FROM: *for* Steve M. Olea 
Director
Utilities Division

Date: May 4, 2015

RE: AMENDED STAFF REPORT FOR SOUTHWEST ENVIRONMENTAL UTILITIES, LLC - APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER SERVICE (DOCKET NO. WS-20878A-13-0065)

Attached is the Amended Staff Report for Southwest Environmental Utilities, LLC's application for a Certificate of Convenience and Necessity to provide water and wastewater service. Staff is recommending approval with conditions.

SMO:BNC:nr\BES

Originator: Blessing Chukwu

Service List for: Southwest Environmental Utilities, LLC
Docket No. WS-20878A-13-0065

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Southwest Environmental Utilities, LLC
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Director, Utilities Division
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Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
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AMENDED STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

SOUTHWEST ENVIRONMENTAL UTILITIES, LLC

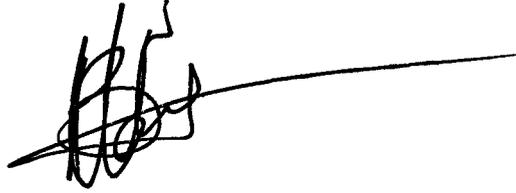
DOCKET NO. WS-20878A-13-0065

APPLICATION FOR A
CONVENIENCE AND NECESSITY TO PROVIDE
WATER AND WASTEWATER SERVICE

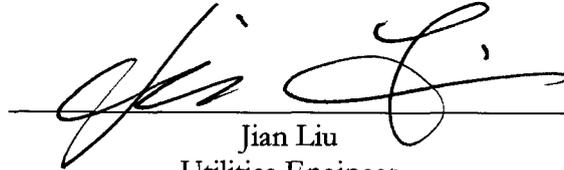
APRIL 28, 2015

STAFF ACKNOWLEDGMENT

The Amended Staff Report for Southwest Environmental Utilities, LLC (Docket No. WS-20878A-13-0065) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Jian Liu was responsible for the engineering and technical analysis. Mary Rimback was responsible for the financial analysis.



Blessing Chukwu
Executive Consultant



Jian Liu
Utilities Engineer



Mary Rimback
Public Utilities Analyst III

EXECUTIVE SUMMARY
SOUTHWEST ENVIRONMENTAL UTILITIES, LLC
DOCKET NO. WS-20878A-13-0065

On March 21, 2013, Southwest Environmental Utilities, LLC ("Southwest" or "Company" or "Applicant") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater service to several developments located in the Town of Florence, Pinal County, Arizona. On January 14, 2015, Staff informed the Company that its application was sufficient for administrative purposes.

Southwest is an Arizona Limited Liability Company, in good standing with the Commission's Corporations Division and formed to provide wastewater and water utility services to all of the residents and businesses in Florence Majestic Ranch, Johnson Ranch Estates, Redstone Ranch, Sunaire Ranch, and Majestic Ranch developments, all located in the Town of Florence, in Pinal County. Southwest is seeking CC&Ns for these areas. The requested CC&N area consists of approximately 1,572 acres. Southwest expects to serve approximately 1,360 customers at the end of the first five years of operation.

Based on the information provided in this docket and from Staff's review of other available materials regarding the Company and related affiliate, Staff concludes that the Company's proposed wastewater system and the proposed water system will have adequate infrastructure to serve the requested CC&N areas. Staff also concludes that the costs of the proposed plant facilities are reasonable and appropriate. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff believes that Southwest is fit and proper and has and/or will have the capabilities and qualifications to serve water and wastewater in the proposed CC&N areas for which Southwest has applied. Further, Staff believes that the ultimate obligation of the Commission is to protect the public interest; to that end, reasonable conditions to ensure the Company is conducting its business operations in a manner which will not compromise the interests of its customers should be required.

Staff recommends that the Commission approve Southwest Environmental Utilities, LLC's application for a CC&N to provide water and wastewater service in Pinal County, subject to compliance with the following conditions:

1. That for the purpose of setting initial rates, the Commission find that the fair value rate base of the Company's property devoted to water service is \$3,086,256.
2. That for the purpose of setting initial rates, the Commission find that the fair value rate base of the Company's property to wastewater service is \$3,461,108.
3. That the Commission find that the Company's costs of vaulting and hauling and/or flushing of sewer lines be \$10,000 per month.
4. That no hook-up fees be approved at this time for the Company.

5. That the Commission approve the Company's Curtailment Plan and Backflow Prevention Tariffs as filed.
6. That the Commission approve the separate service line charges and meter charges recommended by Staff and listed in Staff's Engineering Report, Table C, under the heading "Staff Recommended".
7. That the Commission approve Staff's rates as shown on Staff's Financial Report rate design Schedules MJR-W4 for water and MJR-WW4 for wastewater. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
8. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
9. That the Commission require the Company to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
10. That the Commission require the Company to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
11. That the Commission require the Company to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.
12. That the Commission require the Company to use the depreciation rates recommended by Staff for water and wastewater utilities.
13. That the Commission require the Company's charge for minimum deposit be as set forth in A.A.C. R14-2-403(B)(7).
14. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit for Phase I of this development within 2 years after a decision is issued in this proceeding.
15. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality Certificate of Approval to Construct for the proposed water facilities, for the first parcel of each development in the requested areas within 2 years of the effective date of the order granting this application.
16. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of Arizona Department of Water Resources Certificate of Assured Water Supply for the requested areas within 2 years of the effective date of the order granting this application.

17. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least five Best Management Practice tariffs 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 Best Management Practice implemented in its next general rate application.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to meet Conditions Nos. 8, 9, 10, 11, 14, 15, 16, and 17 listed above within the time specified.

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INTRODUCTION

On March 21, 2013, Southwest Environmental Utilities, LLC (“Southwest” or “Company” or “Applicant”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) for a Certificate of Convenience and Necessity (“CC&N”) to provide water and wastewater service to several developments known as Florence Majestic Ranch, Johnson Ranch Estates, Florence Crossing, Sunaire Ranch, and Majestic Ranch, all located in the Town of Florence, Pinal County, Arizona. On August 28, 2013, Southwest filed an amendment to its application, requesting to include development areas known as Redstone Ranch and Florence 157. On December 4, 2014, the Company filed a second amendment to its application deleting the Florence 157 development area.

On January 14, 2015, Staff informed the Company that its application was sufficient for administrative purposes.

On February 11, 2015, the Company filed an amendment to its application deleting the Florence Crossing subdivision.

BACKGROUND

Southwest is an Arizona Limited Liability Company, in good standing with the Commission’s Corporation Division and formed to provide wastewater and water utility services to all of the residents and businesses in a portion of the Town of Florence, Pinal County and is seeking CC&Ns for these areas.

At the end of the first five years of operation, Southwest expects to serve approximately 1,350 residential customers, 3 commercial customers, 4 construction customers and 3 irrigation customers.

Mr. George H. Johnson and Mrs. Jana S. Johnson own Southwest. Mr. & Mrs. Johnson also own Johnson Utilities, LLC (“Johnson Utilities”), a public utility company that has for many years provided wastewater and water utility services to the public, in portions of Pinal County, Arizona. Johnson Utilities currently serves approximately 30,900 wastewater customers and approximately 23,400 water utility customers, which includes both residential and commercial customers. Johnson Utilities serves an area between Queen Creek and Florence in Pinal County.

REQUEST FOR SERVICE

The Company filed with the application, the request for service the Company received from GH Capital, L.L.C, Johnson Ranch Estates, L.L.C, Florence/Majestic Ranch, L.L.C, and Civic Properties, L.L.C.

By this application, the Company is seeking Commission approval to provide water and wastewater services to Florence Majestic Ranch, Johnson Ranch Estates, Redstone Ranch, Sunaire

Ranch, and Majestic Ranch developments, located in the Town of Florence, in Pinal County. The requested area is approximately 2.50 square-miles (1,572 acres).¹

THE PROPOSED WASTEWATER SYSTEM

Southwest is proposing to construct a 300,000 gallon per day ("GPD") wastewater treatment plant ("WWTP") including gravity sewer mains, a lift station, and a force main to serve approximately 1,360 customers during the first five years of operation². Attachment A is Staff's Engineering Report which describes the Company's proposed wastewater system, the proposed wastewater plan, the projected wastewater construction schedule, the costs to serve the requested area and wastewater depreciation rates. The report includes the finding that the Company's proposed wastewater systems will have adequate infrastructure to serve the requested areas and that Southwest is technically capable of constructing and operating the proposed WWTP.

The report indicates that Southwest does not have any plant facilities at this time; therefore, an Arizona Department of Environmental Quality ("ADEQ") compliance status is not applicable at this time.

Further, the report indicates that the cost of the proposed plant facilities is reasonable and appropriate. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit ("APP") for Phase I of this development within 2 years after a decision is issued in this proceeding. Staff also recommends that the Company use the wastewater depreciation rates by individual National Association of Regulatory Utility Association ("NARUC") category as delineated in the attached Staff's Engineering Report Table A.

THE PROPOSED WATER SYSTEM

Southwest is proposing to construct a water system consisting of 2 groundwater wells, 500,000 gallons of storage, booster systems, and a potable water distribution system to serve approximately 1,360 customers during the first five years of operation. Attachment A is Staff's Engineering Report which describes the Company's proposed water system, the proposed water plan, the projected water construction schedule, the costs to serve the requested area and water depreciation rates. The report includes the findings that the Company's proposed water system will have adequate infrastructure to serve the requested areas and that the Company is technically capable of constructing and operating the proposed water system.

The report indicates that Southwest does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time. The report also indicates that the Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for

¹ Company amended its application on April 13, 2015 to revise legal description of the proposed CC&N area.

² Based on information contained in the Company's Letter regarding this matter dated March 9, 2015.

construction of the proposed water facilities. The Company will be located in Pinal Active Management Area ("AMA") and will be subject to Pinal AMA reporting and conservation requirements.

Further, the report indicates that the proposed plant facilities are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the first parcel of each development in the requested areas within 2 years of the effective date of the order granting this application. Staff also recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of Arizona Department of Water Resources ("ADWR") Certificate of Assured Water Supply for the requested areas within 2 years of the effective date of the order granting this application. Staff further recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Staff's Engineering Report, Table B. In addition, Staff recommends that the separate service line charges and meter charges recommended by Staff and listed in Staff's Engineering Report, Table C under the heading "Staff Recommended" be approved.

FINANCIAL CAPABILITY TO SERVE

Consistent with Commission rules, the Company submitted five years of projected income statements, balance sheets, cash flow, and rate base. Included in the Company's projections, were five years of estimated costs of construction, estimated Advances in Aid of Construction ("AIAC") in the form of both developer advances and customer refundable connection fees, and estimated Contributions in Aid of Construction ("CIAC") in the form of hook-up fees. The Company amended a number of items since the original filing and this affected the financial analysis of the proposed CC&N. Staff requested through a data request an updated set of the Company workpapers. Staff received updated workpapers via email on March 9, 2015. Staff's analysis depicted in Staff's Financial Report is based on these updated workpapers provided by the Company. Attachment C is Staff's Financial Report which describes the pro-forma rate base, revenues and expenses, cash flow, balance sheet equity and liabilities and the rate design proposed by the Company and that recommended by Staff.

The Company pro forma statements estimate rate base at the end of the first five years at \$1,456,494 and net operating income of \$73,526 for a rate of return of 5.05 percent for the proposed water utility. The typical residential bill for a customer with a 3/4-inch meter and an average monthly usage of 7,500 gallons is \$52.36. For the proposed wastewater utility, the Company pro forma statements estimate rate base at the end of the first five years at \$2,448,586, and net operating income of \$143,102 for a rate of return of 5.84 percent. The typical residential bill for a customer with a 3/4-inch meter is a flat charge of \$67.88.

Receiving and evaluating such projections and assumptions are necessary in order to establish a rate of return on rate base and initial rates due to the lack of historical information. Staff has a number of concerns as to the projections used by the Company for this application. Staff's

chief concern is in regards to the Company assumptions used for the level of investor funds included in projected plant in service and the projected cash flow to operate the Company.

For the water utility, Staff recommended rate base at the end of the first five years is \$3,086,256. Based on Staff recommended 10 percent rate of return, net operating income of \$308,785 is estimated. Generating this return requires a typical residential bill of \$63.75, for a customer with a ¾-inch meter and an average monthly usage of 7,500 gallons, assuming there are 1,350 residential connections at the end of year five. A scenario of only 590 connections (from the original application) would require a higher typical residential bill of \$81.15 to generate the ten percent rate of return.

For the wastewater utility, Staff recommended rate base at the end of the first five years is \$3,461,108. Based on Staff recommended 10 percent rate of return, an operating income of \$347,392 is estimated. Generating this return requires a typical residential bill of \$88.37, for a customer with a ¾-inch meter assuming there are 1,350 residential connections at the end of year five. A scenario of only 590 connections (from the original application) would require a higher typical bill of \$168.38 to generate the ten percent rate of return.

Staff's recommended rate base, income statement, balance sheet, cash flow, and rate design reflect adjustments made by Staff to reflect more realistic results. Staff's recommendations were developed with a view to increasing the level of investor funds and generating a rate of return which will provide adequate cash flow to operate the Company.

The report includes the finding that based on Staff's recommended rates; the Company should be financially viable. Therefore, Staff recommends that:

1. The Commission approve Staff's rates as shown on Staff's Financial Report rate design Schedules MJR-W4 for water and MJR-WW4 for wastewater. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
2. The Commission deny a tariff for hook-up fees.
3. The Commission find that the fair value rate base of the Company's property devoted to water service is \$3,086,256.
4. The Commission find that the fair value rate base of the Company's property devoted to wastewater service is \$3,461,108.
5. The Company be required to use the depreciation rates recommended by Staff Engineering for water and wastewater utilities.
6. The Company be required to file a rate application no later than six months following the fifth anniversary of the date the Company begins providing service to its first customer.

7. The Company be required to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

BEST MANAGEMENT PRACTICE (“BMP”) TARIFF

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 five Best Management Practice (“BMP”) tariffs 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.

CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFF

The Company filed Curtailment Plan and Backflow Prevention Tariffs on September 11, 2013 in this Docket. Staff reviewed the tariffs filed by the Company and recommends that Company’s Curtailment Plan and Backflow Prevention Tariffs be approved as filed.

HOOK-UP FEE TARIFF

Southwest seeks approval to charge a wastewater hook-up fee (“HUF”) beginning at \$1,000 for a 4 inch lateral and a water HUF beginning at \$600 for a 5/8” x 3/4” meter. The Company did not provide Staff with any documentation to support its proposed wastewater and water HUF. In addition, Staff recommends that hook-up fees not be approved for new CC&Ns.

FRANCHISE

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority, authorizing the use of public roads or lands to construct, install, operate and maintain a water and/or wastewater system. If the applicant operates in an unincorporated area, the company must obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant must obtain the franchise from the City/Town.

Southwest has a Town of Florence Operating Agreement which includes the requested area. Southwest also filed in the docket, a February 25, 2013 letter from the Town of Florence’s Town Manager permitting the Company to provide water and wastewater to certain portions of its incorporated town limits.

STAFF ANALYSIS OF APPLICATION

In any CC&N proceeding, Staff is charged with reviewing the evidence submitted by an applicant to make a recommendation to the Commission as to whether the applicant is a fit and proper entity with the financial, managerial and technical capabilities to serve the public.

Southwest is seeking Commission authority to provide water and wastewater services to the proposed CC&N areas for which it has received requests for service.

Mr. George Johnson, the owner of Johnson Utilities, has demonstrated the ability to formulate, develop and operate water and wastewater utilities in Arizona. A Utilities Division Compliance Section report issued on April 24, 2015, indicates Johnson Utilities has no outstanding ACC compliance issues. Mr. Johnson is also the owner of Southwest.

Based on the information provided in this docket and from Staff's review of other available materials regarding the Company and related affiliate, Staff concludes that: (1) Southwest has no prior operating experience, but the owner, Mr. Johnson, has many years' experience; (2) there is no evidence of negative determinations and/or questionable business practices regarding Southwest, its affiliate and/or owner; and (3) Southwest through its owner, Mr. George Johnson, has adequate financial capability to provide the requested services.

Therefore, Staff believes that Southwest is fit and proper and has and/or will have the capabilities and qualifications to serve water and wastewater in the proposed CC&N areas for which Southwest has applied. Staff believes that the ultimate obligation of the Commission is to protect the public interest; to that end the imposition of reasonable conditions to ensure the Company is conducting its business operations in a manner which will not compromise the interests of its customers should be required.

RECOMMENDATIONS

Staff recommends that the Commission approve Southwest Environmental Utilities, LLC's application for a CC&N to provide water and wastewater service in Pinal County, subject to compliance with the following conditions:

1. That for the purpose of setting initial rates, the Commission find that the fair value rate base of the Company's property devoted to water service is \$3,086,256.
2. That for the purpose of setting initial rates, the Commission find that the fair value rate base of the Company's property to wastewater service is \$3,461,108.
3. That the Commission find that the Company's costs of vaulting and hauling and/or flushing of sewer lines be \$10,000 per month.
4. That no hook-up fees be approved at this time for the Company.

5. That the Commission approve the Company's Curtailment Plan and Backflow Prevention Tariffs as filed.
6. That the Commission approve the separate service line charges and meter charges recommended by Staff and listed in Staff's Engineering Report, Table C, under the heading "Staff Recommended".
7. That the Commission approve Staff's rates as shown on Staff's Financial Report rate design Schedules MJR-W4 for water and MJR-WW4 for wastewater. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.
8. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
9. That the Commission require the Company to notify Docket Control, as a compliance item in this docket, within 15 days of providing service to its first customer.
10. That the Commission require the Company to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
11. That the Commission require the Company to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.
12. That the Commission require the Company to use the depreciation rates recommended by Staff for water and wastewater utilities.
13. That the Commission require the Company's charge for minimum deposit be as set forth in A.A.C. R14-2-403(B)(7).
14. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit for Phase I of this development within 2 years after a decision is issued in this proceeding.
15. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality Certificate of Approval to Construct for the proposed water facilities, for the first parcel of each development in the requested areas within 2 years of the effective date of the order granting this application.
16. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, a copy of Arizona Department of Water Resources Certificate of

Assured Water Supply for the requested areas within 2 years of the effective date of the order granting this application.

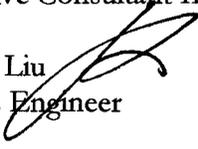
17. That the Commission require the Company to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least five Best Management Practice tariffs in the form of tariffs that substantially conform to the templates created by Staff for the 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 Best Management Practice implemented in its next general rate application.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to meet Conditions Nos. 8, 9, 10, 11, 14, 15, 16, and 17 listed above within the time specified.

MEMORANDUM

DATE: April 21, 2015

TO: Blessing Chukwu
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

RE: Southwest Environmental Utilities, LLC
Docket No. WS-20878A-13-0065 (CC&N)

Introduction

On March 21, 2013, Southwest Environmental Utilities, LLC (“SEU”, “Company” or “Applicant”) submitted a Certificate of Convenience and Necessity (“CC&N”) application to provide water and wastewater service to approximately 1,572 acres in certain defined portions of Pinal County, Arizona.¹

COMPANY’S PROPOSED WASTEWATER SYSTEM

The Company is proposing to construct a 300,000 gallon per day (“GPD”) wastewater treatment plant (“WWTP”), sewer mains, a lift station, and a force main to serve approximately 1,360 customers during the first five years of operation.²

Staff concludes that the Company’s proposed wastewater system will have adequate infrastructure to serve the requested areas.

SEU is owned by George Johnson. Mr. Johnson has many years of experience operating wastewater systems. Staff concludes that the Applicant is technically capable of constructing and operating the proposed WWTP.

Cost Analysis

The Company submitted estimated costs of \$5,573,808 which included all Offsite Wastewater Infrastructure Costs associated with the first five years of development. See Attachment 1 for details.

Staff has reviewed the Company’s Preliminary Engineering Report and finds the cost of the proposed plant facilities to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No “used

¹ Company amended its application on April 13, 2015, to revise legal description of the proposed CC&N area.

² Based on information contained in the Company’s letter regarding this matter dated March 9, 2015.

and useful" determination of the proposed plant was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Staff notes that the Preliminary Engineering Report suggests that the plant will be very expensive to operate during the first five years. For example, some large parcels in the Northeast and Southeast areas of the proposed CC&N are estimated to have 10 to 15 customers at the end of five years. Waste from some of these customers will need to travel approximately 1 mile to the proposed WWPT. In order for the waste material to travel this distance, SEU will need to flush its sewer lines on a frequent basis, which will raise its operational costs significantly.

Estimated Operational Costs To Operate This Wastewater Treatment System For The First Five Years

Staff asked SEU the following questions during its review:

1. Please explain how SEU will operate this wastewater treatment system for the first five years? For example, how often will the sewer lines need to be flushed for Majestic Ranch (134 acres, 10 customers), Sunaire Ranch (108 acres, 15 customers), these parcels are located in the NE and SE areas of the proposed CC&N?
2. What are the estimated costs monthly (or yearly) to operate this wastewater treatment system? Please provide detailed itemized estimated costs with supporting documents.

The Company responded and stated that the frequency of vaulting and hauling and/or flushing of sewer lines depends upon a variety of factors which cannot be predicted at this time with any degree of accuracy. Thus, it is not possible at this time to provide any meaningful estimate of the associated costs.

Staff recommends that the Company's costs of vaulting and hauling and/or flushing of sewer lines be \$10,000 per month. If SEU believes this estimate to be too low or too high, it should provide its own estimate.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance Status

The Company does not have any plant facilities at this time; therefore, ADEQ compliance status is not applicable at this time.

Aquifer Protection Permit

Staff recommends that the Company file with Docket Control a copy of the Aquifer Protection Permit ("APP") for Phase I of the development within 2 years of the effective date of an order granting this application.

WASTEWATER HOOK-UP FEE ("HUF")

SEU seeks approval to charge a wastewater hook-up fee ("HUF") beginning at \$1,000 for a 4 inch lateral. The Company did not provide Staff with any documentation to support its proposed wastewater HUF. In addition, Staff recommends that HUFs not be approved for new CC&Ns.

WASTEWATER DEPRECIATION RATES

Staff's typical and customary Wastewater Depreciation Rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category as delineated in the attached Table A.

SUMMARY

Conclusions

- A. Staff concludes that the Company's proposed wastewater systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the cost of the proposed plant facilities are reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. Staff concludes that the Applicant is technically capable of constructing and operating the proposed WWTP.

Recommendations

1. Staff recommends that the Company file with Docket Control a copy of the APP for Phase I of this development within 2 years after a decision is issued in this proceeding.
2. Staff recommends that the Company use the wastewater depreciation rates by individual NARUC category as delineated in the attached Table A.
3. Staff recommends that the Company's costs of vaulting and hauling and/or flushing of sewer lines be \$10,000 per month until SEU provides Staff a reasonable estimate of the associated costs.
4. Staff recommends that no HUFs be approved at this time for SEU.

Table A. Wastewater Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.0
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0

COMPANY'S PROPOSED WATER SYSTEM

The Company is proposing to construct a water system consisting of 2 groundwater wells, 500,000 gallons of storage, booster systems, and a potable water distribution system to serve approximately 1,360 customers during the first five years of operation.

Staff concludes that the Company's proposed water system will have adequate infrastructure to serve the requested areas.

SEU is owned by George Johnson. Mr. Johnson has many years of experience operating water systems. Staff concludes that the Applicant is technically capable of constructing and operating the proposed water system.

Cost Analysis

The Company submitted estimated costs of \$4,553,587 which included all Offsite Water Infrastructure Costs associated with the first five years of development. See Attachment 2 for details.

Staff has reviewed the Company's Preliminary Engineering Report and finds the cost of the proposed plant facilities to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ ATC for construction of the proposed water facilities. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the first parcel of each development in the requested areas within 2 years of the effective date of the order granting this application.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

Compliance Status

The Company will be located in Pinal Active Management Area (“AMA”) and will be subject to Pinal AMA reporting and conservation requirements.

Certificate of Assured Water Supply

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of ADWR’s Certificate of Assured Water Supply for the requested areas within 2 years of the effective date of the order granting this application.

WATER HUF

SEU seeks approval to charge a water HUF beginning at \$600 for a 5/8” x 3/4” meter. The Company did not provide Staff with any documentation to support its proposed water HUF. In addition, Staff recommends that HUFs not be approved for new CC&Ns.

WATER DEPRECIATION RATES

The Staff’s typical and customary Water Depreciation Rates are presented in Table B and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table B.

Table B. Water Depreciation Rates

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

BEST MANAGEMENT PRACTICE (“BMP”) TARIFF

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 five Best Management Practice (“BMP”) tariffs 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.

CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFF

The Company filed Curtailment Plan and Backflow Prevention Tariffs on September 11, 2013, in this Docket. Staff reviewed the tariffs filed by the Company and recommends that Company’s Curtailment Plan and Backflow Prevention Tariffs be approved as filed.

METER AND SERVICE LINE INSTALLATION CHARGES

The Company requested service line and meter installation charges in its application. These charges are refundable advances and the Company’s proposed charges are within or below Staff’s recommended range for these 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, separate service line and meter charges were developed by Staff using the Company’s proposed 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 Charges	Company Proposed Charges	Staff recommended Service Line Charges	Staff recommended * Meter Charges	Company Proposed and Staff recommended Total Charges
5/8" x 3/4"	No Tariff	400	300	100	400
3/4"	No Tariff	440	315	125	440
1"	No Tariff	500	365	135	500
1-1/2"	No Tariff	715	415	300	715
2" - Turbine	No Tariff	1,170	500	670	1,170
2" - Compound	No Tariff	1,700	700	1,000	1,700
3" - Turbine	No Tariff	1,585	715	870	1,585
3" - Compound	No Tariff	2,190	735	1,455	2,190

4" - Turbine	No Tariff	2,540	1,000	1,540	2,540
4" - Compound	No Tariff	3,215	1,215	2,000	3,215
6" - Turbine	No Tariff	4,815	1,815	3,000	4,815
6" - Compound	No Tariff	6,270	2,270	4,000	6,270

*Note: Meter charge includes meter box or vault.

SUMMARY

Conclusions

- A. Staff concludes that the Company's proposed water systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the cost of the proposed plant facilities are reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. Staff concludes that the Applicant is technically capable of constructing and operating the proposed water systems.

Recommendations

- 1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the first parcel of each development in the requested areas within 2 years of the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of ADWR's Certificate of Assured Water Supply for the requested areas within 2 years of the effective date of the order granting this application.
- 3. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table B.
- 4. 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.
- 5. Staff recommends that Company's Curtailment Plan and Backflow Prevention Tariffs be approved as filed.
- 6. Staff recommends that no HUFs be approved at this time for SEU.
- 7. Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least five Best Management Practice ("BMP") tariffs 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

Southwest Environmental Utilities, LLC

WS-20878A-13-0065

Page 12

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.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Lori H. Miller *LHM*
GIS Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: April 16, 2015

RE: SOUTHWEST ENVIRONMENTAL UTILITIES, LLC
(DOCKET NO. WS-20878A-13-0065)
FOURTH AMENDED LEGAL DESCRIPTION

On April 13, 2015, Southwest Environmental filed¹ an amended legal description.. The fourth amended legal description (dated April 11, 2015) is attached and should be used (in its entirety) in place of all previously submitted legal descriptions.

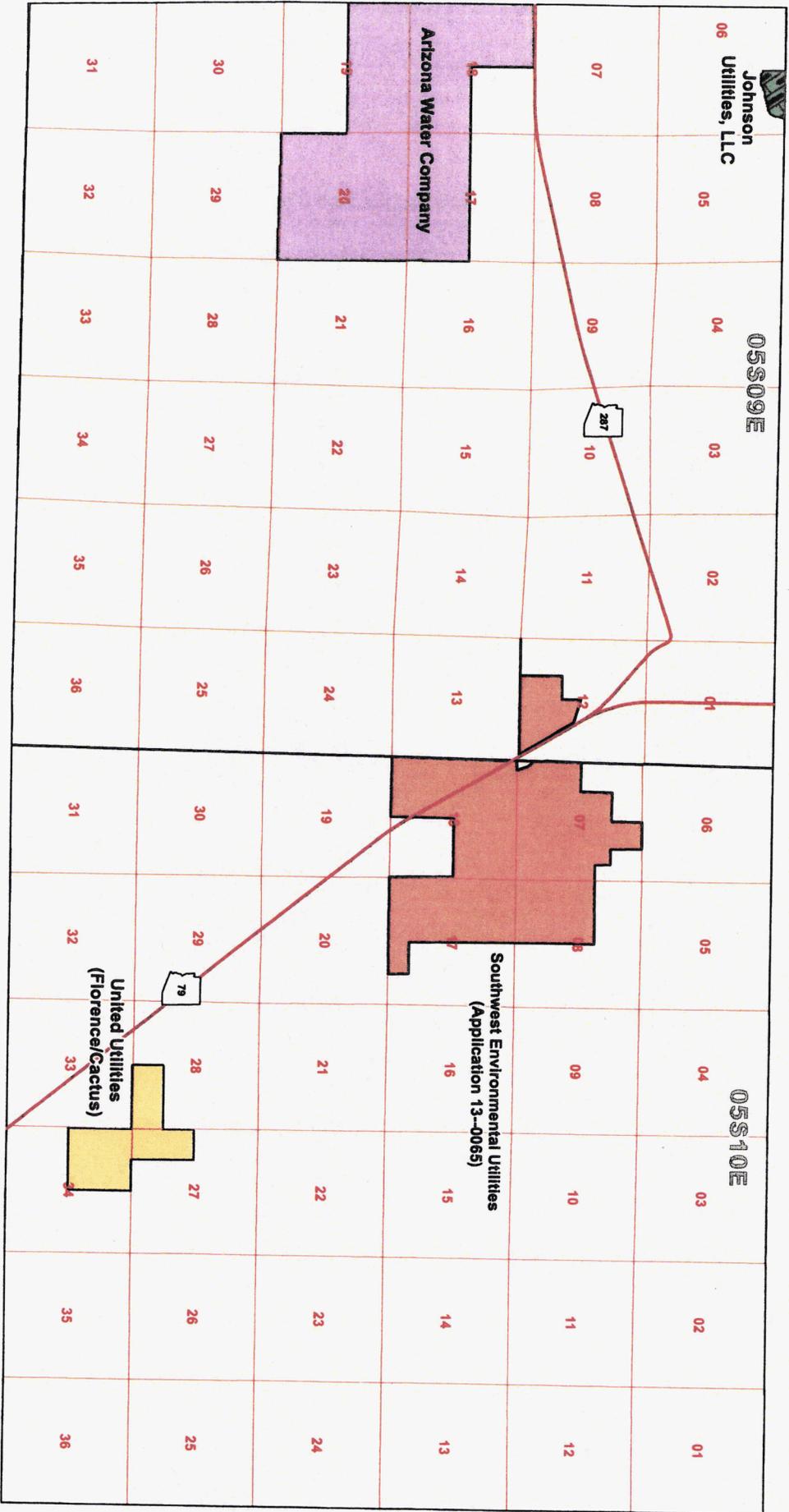
Also attached are copies of the maps for your files.

/lhm

Attachments

cc: Mr. Jeffrey W. Crockett
Mr. Brad Cole
Mr. Jian Liu
Ms. Deb Person (Hand Carried)
File

PINAL COUNTY



PINAL COUNTY

Map No. 21

RANGE 9 East



TOWNSHIP 5 South

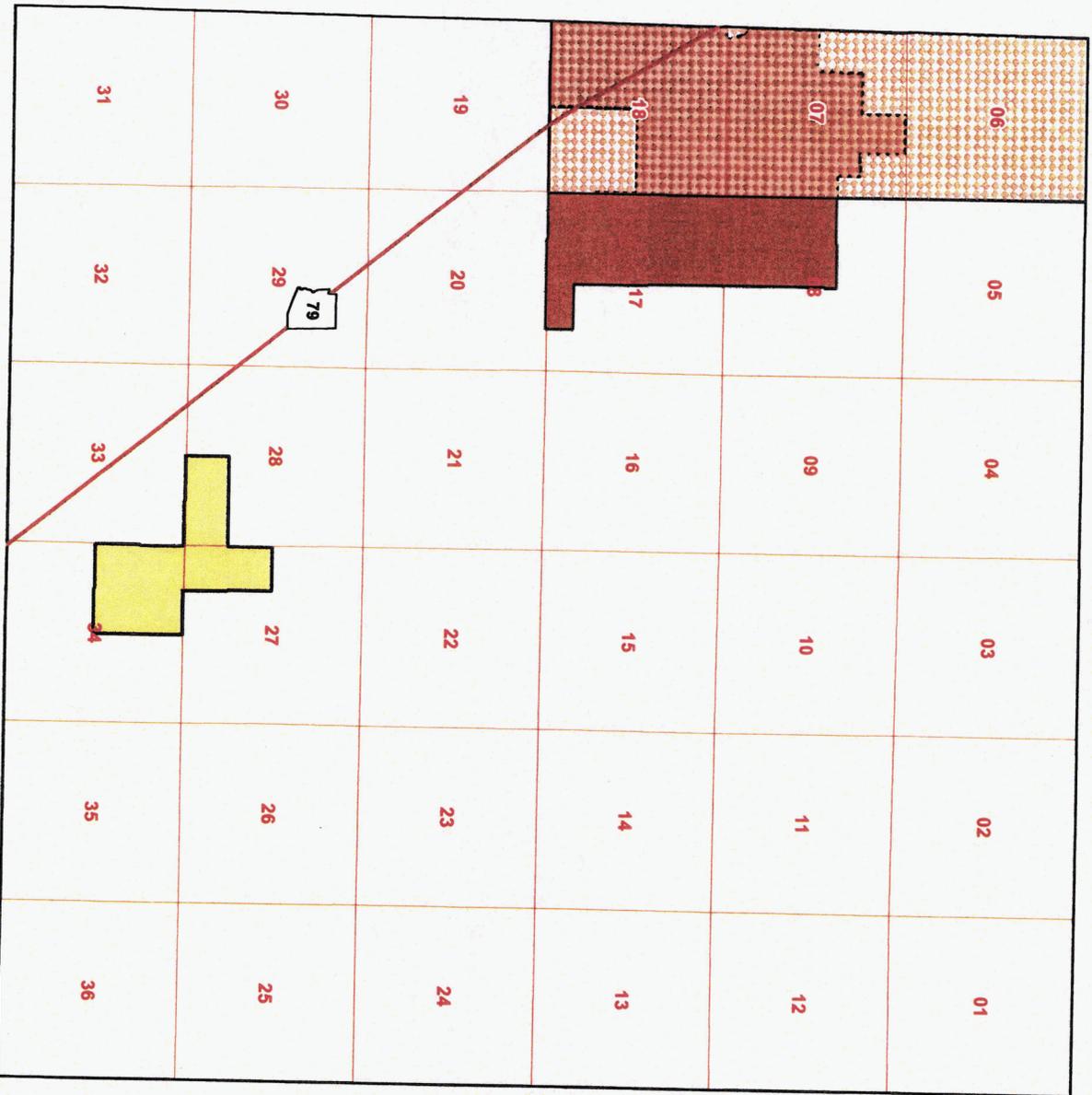
-  W-01445A (40) (20)
 -  Arizona Water Company (Pinal Valley) WS-02987A (8)
 -  Johnson Utilities, LLC (4)
 -  City of Florence (Nonjurisdictional) (2)
 -  Sewer
- Southwest Environmental Utilities, LLC
 Docket No. WS-20878A-13-0065
 (Fourth Amended Application for
 CC&N for Water & Wastewater)

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251
 TR559E 03 JUL 2008

RANGE 10 East



TOWNSHIP 5 South



W-01993A (1)

United Utilities (Florence/Cactus System)



(4)

City of Florence (Nonjurisdictional)



(2)

Southwest Environmental Utilities, LLC
 Docket No. WS-20878A-13-0065
 (Fourth Amended Application for
 CC&N for Water & Wastewater)



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251
 TRS510E 23 DEC 1987

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

LEGAL DESCRIPTIONS
FOR
SOUTHWEST ENVIRONMENTAL UTILITIES, LLC.
CC&N

CONSISTING OF 2 PARCELS DESCRIBED AS FOLLOWS

BEING PORTIONS OF SECTION 12 TOWNSHIP 5 SOUTH, RANGE 9 EAST AND
SECTIONS 7, 8, 17, AND 18, TOWNSHIP 5 SOUTH RANGE 10 EAST OF
THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA
AND DESCRIBED AS FOLLOWS:

PARCEL 1

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 18,

THENCE N.00°24'15"E., ALONG THE WEST LINE OF SAID SECTION 18, A DISTANCE
OF 2653.09 FEET TO THE WEST QUARTER CORNER OF SAID SECTION 18;

THENCE N.00°34'14"E., CONTINUING ALONG SAID WEST LINE, A DISTANCE OF
2598.88 FEET TO THE NORTHWEST CORNER OF SAID SECTION 18;

THENCE N.89°29'42"E., ALONG THE NORTH LINE OF SAID SECTION 18. A
DISTANCE OF 409.56 FEET;

THENCE LEAVING SAID NORTH LINE OF SAID SECTION 18, N.15°25'20"W., A
DISTANCE OF 108.55 FEET;

THENCE N.24°57'43"W., A DISTANCE OF 115.42 FEET;

THENCE N.17°44'42"W., A DISTANCE OF 236.79 FEET;

THENCE N.39°36'06"W., A DISTANCE OF 257.56 FEET;

THENCE N.50°11'31"W., A DISTANCE OF 84.54 FEET;

THENCE N.01°08'06"W., A DISTANCE OF 182.25 FEET;

THENCE N.05°42'39"E., A DISTANCE OF 108.79 FEET;

THENCE N.03°00'49"W., A DISTANCE OF 171.63 FEET;

THENCE N.26°33'54"W., A DISTANCE OF 40.22 FEET TO A POINT ON THE WEST LINE OF SAID SECTION 7;

THENCE N.00°31'20"E. ALONG THE WEST LINE OF SAID SECTION 7, A DISTANCE OF 1516.91 FEET TO THE WEST QUARTER CORNER OF SAID SECTION 7;

THENCE N.00°24'19"E. ALONG THE WEST LINE OF SAID SECTION 7, A DISTANCE OF 2582.92 FEET TO THE NORTHWEST CORNER OF SAID SECTION 7;

THENCE N.89°42'17"E. ALONG THE NORTH LINE OF SAID SECTION 7, A DISTANCE OF 2446.83 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 7;

THENCE N.89°42'22"E. CONTINUING ALONG SAID NORTH LINE OF SAID WEST HALF, A DISTANCE OF 1126.07 FEET;

THENCE S.00°20'26"E., A DISTANCE OF 1321.30 FEET;

THENCE N.89°16'52"E., A DISTANCE OF 658.03 FEET;

THENCE S.00°31'36"E., A DISTANCE OF 661.20 FEET;

THENCE S.89°57'19"E., A DISTANCE OF 660.17 FEET TO A POINT ON THE EAST LINE OF SAID SECTION 7, SAID POINT BEING S.00°19'40"E., A DISTANCE OF 1981.58 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 8;

THENCE N.89°41'14"E., A DISTANCE OF 2649.31 FEET; TO A POINT ON THE NORTH-SOUTH MID SECTION LINE OF SAID SECTION 8;

THENCE S.00°19'50"E., ALONG THE SAID NORTH-SOUTH MID SECTION LINE A DISTANCE OF 661.63 FEET, TO THE CENTER OF SAID SECTION 8;

THENCE S.00°19'50"E., ALONG THE SAID NORTH-SOUTH MID SECTION LINE A DISTANCE OF 2642.50 FEET, TO THE SOUTH QUARTER CORNER OF SAID SECTION 8 AND THE NORTH QUARTER CORNER OF SECTION 17;

THENCE S.00°16'36"E., ALONG THE NORTH-SOUTH MID SECTION LINE OF SAID SECTION 17 A DISTANCE OF 4452.50 FEET, TO A POINT

THENCE LEAVING SAID NORTH-SOUTH MID SECTION LINE N.90°00'00"E., A DISTANCE OF 1316.41 FEET;

THENCE S.01°00'09"E., A DISTANCE OF 826.94 FEET, TO A POINT ON THE SOUTH LINE OF SAID SECTION 17, SAID POINT BEING N.89°45'22"E A DISTANCE OF 1324.35 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 17;

THENCE S.89°45'24"W., ALONG THE SAID SOUTH LINE OF SAID SECTION 17 A DISTANCE OF 1324.35 FEET, TO THE SOUTH QUARTER CORNER OF SAID SECTION 17;

THENCE S.89°45'41"W., CONTINUING ALONG THE SAID SOUTH LINE OF SAID SECTION 17 A DISTANCE OF 2648.72 FEET, TO THE SOUTHWEST CORNER OF SAID SECTION 17;

THENCE N.00°18'43"W., ALONG THE WEST LINE OF SAID SECTION 17 A DISTANCE OF 2641.52 FEET, TO THE WEST QUARTER CORNER OF SAID SECTION 17 AND THE EAST QUARTER CORNER OF SECTION 18;

THENCE N.89°51'00"W., ALONG THE EAST-WEST MID SECTION LINE OF SAID SECTION A DISTANCE OF 2641.96 FEET, TO THE CENTER OF SAID SECTION 18;

THENCE S.00°15'32"E., ALONG NORTH-SOUTH MID SECTION LINE, A DISTANCE OF 2646.01 FEET TO THE SOUTH QUARTER CORNER OF SAID SECTION 18;

THENCE S.89°58'47"W., ALONG THE SOUTH LINE OF SAID SECTION 18 A DISTANCE OF 2396.08 FEET, TO THE SOUTHWEST CORNER OF SAID SECTION 18; AND THE POINT OF BEGINNING FOR PARCEL 1.

EXCEPT THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER, THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 7, OTHERWISE KNOWN AS PARCELS 3, 4, AND 5 OF FINISTERRE RANCHETTES AS SHOWN ON BOOK 1 OF RECORDS OF SURVEY, PAGE 93, PINAL COUNTY RECORDER.

THE ABOVE DESCRIBED PARCEL 1 CONTAINS 1,430 ACRES MORE OR LESS

PARCEL 2

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 12,

THENCE N.00°10'32"W., ALONG THE WEST LINE OF SAID SECTION 12, A DISTANCE OF 2678.11 FEET;

THENCE N.89°57'33"E., A DISTANCE OF 1549.82 FEET;

THENCE S.00°00'57"E., A DISTANCE OF 916.20 FEET;

THENCE N.89°45'56"E., A DISTANCE OF 985.61 FEET;

THENCE N.00°00'57"W., A DISTANCE OF 803.25 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY LINE FOR EAST SALAZAR ROAD;

THENCE S.73°06'18"E. ALONG SAID SOUTHERLY RIGHT OF WAY LINE A DISTANCE OF 999.04 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY LINE FOR US HIGHWAY 79;

THENCE S.30°22'30"E. ALONG SAID SOUTHERLY RIGHT OF WAY LINE A DISTANCE OF 2639.38 FEET TO A POINT ON THE SOUTHERLY LINE OF SAID SECTION 12;

THENCE S.89°57'58"W. ALONG SAID SOUTHERLY LINE A DISTANCE OF 4817.78 FEET TO THE POINT OF BEGINNING FOR PARCEL 2

EXCEPT THE FOLLOWING DESCRIBED PARCEL;

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 12,

THENCE N.00°10'32"W., ALONG THE WEST LINE OF SAID SECTION 12, A DISTANCE OF 2678.11 FEET;

THENCE N.89°57'33"E., A DISTANCE OF 1549.82 FEET;

THENCE S.00°00'57"E., A DISTANCE OF 916.20 FEET;

THENCE CONTINUE S.00°00'57"E., A DISTANCE OF 1762.08 FEET;

THENCE S.89°57'58"W. ALONG SAID SOUTHERLY LINE A DISTANCE OF 1542.34 FEET TO THE POINT OF BEGINNING.

THE ABOVE DESCRIBED PARCEL 2 CONTAINS 128 ACRES MORE OR LESS.

NOTE: THIS LEGAL DESCRIPTION IS FOR CC&N PURPOSES ONLY AND DOES NOT REPRESENT THE RESULTS OF AN ACTUAL FIELD SURVEY.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Mary J. Rimback 
Public Utilities Analyst
Utilities Division

DATE: April 21, 2015

RE: SOUTHWEST ENVIRONMENTAL UTILITIES, LLC'S APPLICATION FOR A
NEW CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. WS-20878A-13-0065

INTRODUCTION

On March 21, 2013, Southwest Environmental Utilities, LLC ("SEU" or "Company") submitted an application to the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide public utility water and wastewater services in certain defined portions of Pinal County, Arizona. Consistent with Commission rules, the Company submitted five years of projected income statements, balance sheets, cash flow, and rate base.

Included in the Company's projections were five years of estimated costs of construction, estimated Advances in Aid of Construction ("AIAC") in the form of both developer advances and customer refundable connection fees, and estimated Contributions in Aid of Construction ("CIAC") in the form of hook-up fees. The Company amended a number of items since the original filing and this affected the financial analysis of the proposed CC&N. Staff requested through a data request an updated set of the Company workpapers. Staff received updated workpapers via email on March 9, 2015. Staff's analysis is based on these updated workpapers provided by the Company.

For the proposed water utility, the Company pro forma statements estimate rate base at the end of the first five years at \$1,456,494 and net operating income of \$73,526 for a rate of return of 5.05 percent. The typical residential bill for a customer with a 3/4-inch meter and an average monthly usage of 7,500 gallons is \$52.36.

For the proposed wastewater utility, the Company pro forma statements estimate rate base at the end of the first five years at \$2,448,586 and net operating income of \$143,102 for a rate of return of 5.84 percent. The typical residential bill for a customer with a 3/4-inch meter is a flat charge of \$67.88.

Receiving and evaluating such projections and assumptions are necessary in order to establish a rate of return on rate base and initial rates due to the lack of historical information. Staff has a number of concerns as to the projections used by the Company for this application.

Staff recommended rate base, income statement, balance sheet, cash flow, and rate design reflect adjustments made by Staff to reflect what it believes to be more realistic results. Staff's chief concern is in regard to the Company assumptions used for the level of investor funds included in projected plant in service and the projected cash flow to operate the Company.

Staff's recommendations were developed with a view to increasing the level of investor funds and generating a rate of return which will provide adequate cash flow to operate the Company.

For the water utility, Staff recommended rate base at the end of the first five years is \$3,086,256. Based on Staff recommended 10 percent rate of return, net operating income of \$308,785 is estimated. Generating this return requires a typical residential bill of \$63.75 for a customer with a $\frac{3}{4}$ -inch meter and an average monthly usage of 7,500 gallons, assuming there are 1,350 residential connections at the end of year five. A scenario of only 590 connections (from the original application) would require a higher typical residential bill of \$81.15 to generate the ten percent rate of return.

For the wastewater utility, Staff recommended rate base at the end of the first five years is \$3,461,108. Based on Staff recommended 10 percent rate of return, an operating income of \$347,392 is estimated. Generating this return requires a typical residential bill of \$88.37 for a customer with a $\frac{3}{4}$ -inch meter assuming there are 1,350 residential connections at the end of year five. A scenario of only 590 connections (from the original application) would require a higher typical bill of \$168.38 to generate the ten percent rate of return.

FAIR VALUE RATE BASE

Staff recommended water utility rate base increases the fifth year water rate base in the amount of \$1,629,762 to \$3,086,256. Details of Staff recommended rate base are shown in water Staff schedules MRJ-W1RB, MJR-1W Refunds, and MJR-W2 accumulated depreciation.

Staff recommended wastewater utility rate base increases the fifth year wastewater rate base in the amount \$1,012,522 to \$3,461,108. Details of the Staff recommended rate base are shown on schedules MJR-WW1RB rate base, MJR-WW1 Refunds, and MJR-WW2 accumulated depreciation.

Staff found the Company off-site estimates of plant construction to be reasonable and appropriate. No documentation was provided to support the Contributions in Aid of Construction ("CIAC") in the form of Hook-Up Fees ("HUF"). Staff removed the HUFs from the rate base as shown in the tables following.

<u>WATER</u>		
	Company	Staff
	Pro-Forma	Recommended
Plant in Service	\$ 25,862,587	\$ 25,862,587
Less: AIAC On-site Plant in Service	21,309,000	21,309,000
Off-site Plant in service	4,553,587	4,553,587
CIAC--Hook-up Fees	1,351,200	-
Customer Refundable Deposits	580,910	580,910
	1,932,110	580,910
Plant in Service funded by SEU	\$ 2,621,477	\$ 3,972,677
%	57.57%	87.24%

<u>WASTEWATER</u>		
	Company	Staff
	Pro-Forma	Recommended
Plant in Service	\$ 32,154,193	\$ 32,154,193
Less: AIAC On-site Plant in Service	26,580,384	26,580,384
Off-site Plant in service	5,573,809	5,573,809
CIAC--Hook-up Fees	1,356,000	-
Customer Refundable Deposits	473,550	473,550
	1,829,550	473,550
Plant in Service funded by SEU	\$ 3,744,259	\$ 5,100,259
%	67.18%	91.50%

Error

An error occurred while processing this page. See the system log for more details.

BALANCE SHEET EQUITY AND LIABILITIES

Staff's recommendations are with a view to increasing investor equity and generating a rate of return which will provide adequate cash flow to operate the Company. Staff's recommendations increase water equity to 19.21 percent at the end of five years. The Company's proposed five year equity is 11.47 percent (See Schedule MJR-W6). Staff's recommendations increase wastewater equity to 19.88 percent. The Company's proposed five year equity is 13.53 percent (See Schedule MJR-WW6).

RATE DESIGN

Staff's recommended rate design Schedules MJR-W4 and MJR-WW4 are reflective of Staff's, recommended revenue requirement. A typical bill analysis is shown on MJR-W5 and MJR-WW5. The rate designs are for 1,350 residential water and wastewater connections at the end of five years.

Water Rate Design

The Company proposed rates for a 3/4-inch meter is \$34.88 for the minimum charge and a three-tier inverted rate per 1,000 gallons of \$1.58 for 0-3,000, \$2.83 for 3,001 to 10,000 gallons and \$4.08 for over 10,000 gallons. The Company typical residential bill is \$52.36 for an average usage of 7,500 gallons per month.

Staff recommends rates for a 3/4-inch meter is a \$36.00 minimum charge and a three-tier inverted rate per 1,000 gallons of \$2.50 for 0-3,000, \$4.50 for 3,001 to 10,000 gallons and \$6.19 for over 10,000 gallons. Using Staff's rate design, the typical residential bill is \$63.75 for an average usage of 7,500 gallons per month.

Service line and meter charges

Staff concurs with the estimated service line and meter charges as shown on Schedule MJR-W4.

Wastewater Rate Design

The Company proposed a rate for a 3/4-in meter of \$67.88; Staff recommends a rate of \$88.37. Staff's rate design increases the monthly charge by meter size. The Company proposed a \$1.00 per 1,000 gallons charge for effluent. Staff recommends a \$.63 charge per 1,000 gallons for effluent.

Other Service Charges

Staff recommends some charges at variance with the Company proposed charges.

Staff does not recommend approval of the proposed Establishment of Service after hour \$50.00 tariff. Staff agrees with the Company that an after hour service charge is appropriate when it

is at the customer's request. Such a charge compensates the utility for additional expenses incurred when providing after hour service. Staff recommends the addition of a Service Charge (after hours) tariff in the amount of \$50.00 and that this charge be in addition to the charge for any utility service provided after hours at the customer's request.

Staff recommends an NSF fee of \$40 for both water and wastewater. The Company is to only charge one NSF fee when customers are billed both water and wastewater services on one bill.

Hook-Up Fees

Staff recommends no hook-up fees be included in the tariff for water or wastewater.

CONCLUSION

Based on the Staff's recommended rates, Staff concludes the Company to be financially viable.

RECOMMENDATIONS

Staff recommends:

The Commission approve Staff's rates as shown in rate design Schedules MJR-W4 for water and MJR-WW4 for wastewater. In addition to collection of its regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax.

The Commission deny a tariff for hook-up fees.

The Commission find that the fair value rate base of the Company rate base devoted to water service is \$3,086,256.

The Commission find that the fair value rate base of the Company rate base devoted to wastewater service is \$3,461,108.

The Company be required to use the depreciation rates recommended by Staff for water and wastewater utilities.

The Company be required to file a rate application no later than six months following the fifth anniversary of the date the Company begins providing service to its first customer.

The Company be required to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

STAFF RECOMMENDED INCOME STATEMENT

LINE NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	End of Year 5 1,350 Connections
1	Metered Revenues	163,637	477,609	771,188	1,048,178	1,306,172	1,430,420
2							
3	Other Water Revenues						
4	Establishment Fees at \$25	5,150	6,350	7,575	7,550	7,525	7,525
5	Total Operating Revenues	\$ 168,787	\$ 483,959	\$ 778,763	\$ 1,055,728	\$ 1,313,697	\$ 1,437,945
6							
7	OPERATING EXPENSES						
8	Purchased Power .45/1,000	10,044	28,958	45,927	61,452	75,627	75,627
9	Materials and Supplies \$1.50/cust/mo	1,854	5,994	11,007	16,452	21,879	24,588
10	Water Testing Expense \$5/6mo/cust	1,030	3,330	6,115	9,140	12,155	13,660
11	Contractual Services-Legal	2,500	2,550	2,601	2,653	2,706	2,706
12	Billing, Postate, Ops, Ins \$24.00/mo/cust	29,664	95,904	176,112	263,232	350,064	393,408
13	Insurance Expense General Liability	1,669	5,395	9,906	14,807	19,691	22,129
14	Miscellaneous Expense	1,200	1,224	1,248	1,273	1,299	1,299
15	Depreciation Expense	53,229	131,010	197,326	319,022	474,658	550,362
16	Property Taxes Co estimate	3,559	5,778	10,117	16,480	22,528	22,528
17	Income Taxes Co estimate	4,070	20,803	37,821	32,981	22,854	22,854
18	Interest on Customer Deposits						
18	Total Operating Expenses	\$ 108,818	\$ 300,945	\$ 498,181	\$ 737,492	\$ 1,003,461	\$ 1,129,161
19	Operating Income (Loss)	\$ 59,969	\$ 183,014	\$ 280,583	\$ 318,236	\$ 310,237	\$ 308,785
20							
27							
28	Plant in Service	4,128,898	6,584,160	10,760,571	18,753,737	25,862,587	25,862,587
29	Less: Accumulated Depreciation	53,229	184,238	381,565	700,587	1,175,245	1,175,245
30	Less: Net AIAC	1,578,792	3,589,137	7,304,871	14,822,621	21,184,638	21,184,638
31	Less: Net Refundable Meter Deposits	99,340	200,776	304,805	394,624	470,573	470,573
32	Plus Working Capital Power	5,158	15,506	27,787	41,005	54,125	54,125
33	ORIGINAL COST RATE BASE	\$ 2,402,695	\$ 2,625,515	\$ 2,797,118	\$ 2,876,911	\$ 3,086,256	\$ 3,086,256
34							
39	Rate of Return	2.50%	6.97%	10.03%	11.06%	10.05% #	10.01%
40							
41	COMPANY ORIGINAL COST RATE BASE	\$ 2,156,861	\$ 2,033,286	\$ 1,845,106	\$ 1,565,447	\$ 1,456,494	\$ 1,456,494
42							
43	Staff Original Cost Rate Base more/(less) than Company	\$ 245,834	\$ 592,229	\$ 952,012	\$ 1,311,464	\$ 1,629,762	\$ 1,629,762
44							
45							
46							

Notes:

Company agreed after providing workpapers that a year 5 amount of \$2,000,000 was inadvertently left out of the AIAC funded transmission and distribution lines. Staff increased the plant and accumulated depreciation and AIAC.

Staff is recommending hook up fees of \$1,356,000 not be included in the tariff, this amount was excluded from rate base calculation. Details are shown on Schedule MJR-WW1Refunds

Staff increased the amount refunded to developers from 5% to 10%, which decreased rate base starting in year 2.

STAFF RECOMMENDED RATE BASE

LINE ACCT.
NO. NO.

PLANT IN SERVICE:

	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
1						
2	301 Organization	-	-	-	-	-
3	302 Franchises	-	-	-	-	-
4	303 Land and Land Rights	-	-	-	-	-
5	304 Structures and Improvements	-	-	-	-	-
6	305 Collecting and Impounding Rese	-	-	-	-	-
7	306 Lake, River and Other Intakes	-	-	-	-	-
8	307 Wells and Springs	694,046	694,046	694,046	694,046	1,388,091
9	308 Infiltration Galleries and Tun	-	-	-	-	-
10	309 Supply Mains	-	-	-	-	-
11	310 Power Generation Equipment	-	-	-	-	-
12	311 Pumping Equipment	23,753	23,753	23,753	23,753	23,753
13	320 Water Treatment Equipment	-	-	-	-	-
14	33 Distribution Reservoirs and St	-	-	-	-	-
15	330 Storage Tanks	688,175	688,175	688,175	688,175	688,175
16	330 Pressure Tanks	121,175	121,175	121,175	121,175	121,175
17	331 Transmission and Distribution	872,957	1,309,435	1,745,914	2,182,392	2,182,392
18	331 Transmission and Distribution (AIAC)	1,578,792	3,597,576	7,337,508	14,894,196	21,309,000
19	333 Services (AIAC)	-	-	-	-	-
20	334 Meters and Meter Installations (AIAC)	-	-	-	-	-
21	335 Hydrants	-	-	-	-	-
22	335 Hydrants (AIAC)	-	-	-	-	-
23	336 Backflow Prevention Devices	-	-	-	-	-
24	339 Other Plant and Miscellaneous	150,000	150,000	150,000	150,000	150,000
25	340 Office Furniture and Equipment	-	-	-	-	-
26	341 Transportation Equipment	-	-	-	-	-
27	342 Stores Equipment	-	-	-	-	-
28	343 Tools, Shop and Garage Equipme	-	-	-	-	-
29	344 Laboratory Equipment	-	-	-	-	-
30	345 Power Operated Equipment	-	-	-	-	-
31	346 Communication Equipment	-	-	-	-	-
32	347 Miscellaneous Equipment	-	-	-	-	-
33	348 Other Tangible Plant	-	-	-	-	-
34						
35	Total Plant in Service	\$ 4,128,898	\$ 6,584,160	\$ 10,760,571	\$ 18,753,737	\$ 25,862,587
36	Less: Accumulated Depreciation	53,229	184,238	381,565	700,587	1,175,245
37	Net Plant in Service	\$ 4,075,669	\$ 6,399,922	\$ 10,379,006	\$ 18,053,150.16	\$ 24,687,342
38	Company	4,075,670	6,399,922	10,379,006	18,053,150	22,707,342
39	<u>LESS:</u>					
40	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -
41	Less: Accumulated Amortization	-	-	-	-	-
42	Net CIAC (L39 - L40)	-	-	-	-	-
43	Advances in Aid of Construction (AIAC) Net	1,578,792	3,589,137	7,304,871	14,822,621	21,184,638
44	Customer Refundable Meter Deposits Net	99,340	200,776	304,805	394,624	470,573
45	Deferred Income Taxes	-	-	-	-	-
46		-	-	-	-	-
47		-	-	-	-	-
48	<u>ADD:</u>					
49	Working Capital Allowance	5,158	15,506	27,787	41,005	54,125
50	Defered Regulatory Assets	-	-	-	-	-
51		-	-	-	-	-
52	Original Cost Rate Base	\$ 2,402,695	\$ 2,625,515	\$ 2,797,118	\$ 2,876,911	\$ 3,086,256

LINE
NO.

STAFF RECOMMENDED REFUNDED ADVANCES AND CONTRIBUTIONS

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	
1						
2						
3						
4	AIAC	1,578,792	2,018,784	3,739,932	7,556,688	6,414,804
5	Cumulative Deposits	1,578,792	3,597,576	7,337,508	14,894,196	21,309,000
6						
7	Refunded	-	8,439	24,198	38,938	52,786
8	Cumulative refunds	-	8,439	32,637	71,575	124,362
9	Company Cumulative Refunds					147,921
10	Net	1,578,792	3,589,137	7,304,871	14,822,621	21,184,638
11	% Outstanding	-	99.77%	99.56%	99.52%	99.42%
12						
13	Refund % of Revenues	-	5.00%	5.00%	5.00%	5.00%
14						
15		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
16	Hook-Up Fees					
17						
18	Hook Up fees	255,600	267,600	279,000	276,000	273,000
19	Cumulative Deposits	255,600	523,200	802,200	1,078,200	1,351,200
20	Refunds					
21	Cumulative Refunds	-	-	-	-	-
22	Net	-	-	-	-	-
23						
24	Staff Recommends Denial of Hook-Up fees in Tariff	-	-	-	-	-
25						
26						
27						
28						
29	<u>Customer Refundable Deposits</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
30						
31	Company					
32	Service line and Meter installations	99,340	111,370	125,100	123,400	121,700
33	Cumulative Deposits	99,340	210,710	335,810	459,210	580,910
34	Refunds	-	9,934	21,071	33,581	45,751
35	Cumulative Refunds	-	9,934	31,005	64,586	110,337
36	Net	99,340	200,776	304,805	394,624	470,573

Line
No.

STAFF RECOMMENDED CASH FLOW

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
1					
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44					

STAFF RECOMMENDED DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	Staff Adjusted Year 5	DEPRECIATION RATE
1	301	Organization	-	-	-	-	-	-	0.00%
2	302	Franchises	-	-	-	-	-	-	0.00%
3	303	Land and Land Rights	-	-	-	-	-	-	0.00%
4	304	Structures and Improvements	-	-	-	-	-	-	3.33%
5	305	Collecting and Impounding Rese	-	-	-	-	-	-	2.50%
6	306	Lake, River and Other Intakes	-	-	-	-	-	-	2.50%
7	307	Wells and Springs	11,556	23,112	23,112	23,112	34,668	46,223	3.33%
8	308	Infiltration Galleries and Tun	-	-	-	-	-	-	6.67%
9	309	Supply Mains	-	-	-	-	-	-	2.00%
10	310	Power Generation Equipment	-	-	-	-	-	-	5.00%
11	311	Pumping Equipment	1,485	2,969	2,969	2,969	2,969	2,969	12.50%
12	320	Water Treatment Equipment	-	-	-	-	-	-	3.33%
13	33	Distribution Reservoirs and St	-	-	-	-	-	-	2.22%
14	330	Storage Tanks	7,639	15,277	15,277	15,277	15,277	15,277	2.22%
15	330	Pressure Tanks	3,029	6,059	6,059	6,059	6,059	6,059	5.00%
16	331	Transmission and Distribution	8,730	21,824	30,553	39,283	43,648	43,648	2.00%
17	331	Transmission and Distribution (AIAC)	15,788	51,764	109,351	222,317	362,032	426,180	2.00%
18	333	Services (AIAC)	-	-	-	-	-	-	3.33%
19	334	Meters and Meter Installations (AIAC)	-	-	-	-	-	-	8.33%
20	335	Hydrants	-	-	-	-	-	-	2.00%
21	335	Hydrants (AIAC)	-	-	-	-	-	-	2.00%
22	336	Backflow Prevention Devices	-	-	-	-	-	-	6.67%
23	339	Other Plant and Miscellaneous	5,003	10,005	10,005	10,005	10,005	10,005	6.67%
24	340	Office Furniture and Equipment	-	-	-	-	-	-	6.67%
25	341	Transportation Equipment	-	-	-	-	-	-	20.00%
26	342	Stores Equipment	-	-	-	-	-	-	4.00%
27	343	Tools, Shop and Garage Equipme	-	-	-	-	-	-	5.00%
28	344	Laboratory Equipment	-	-	-	-	-	-	10.00%
29	345	Power Operated Equipment	-	-	-	-	-	-	5.00%
30	346	Communication Equipment	-	-	-	-	-	-	10.00%
31	347	Miscellaneous Equipment	-	-	-	-	-	-	10.00%
32	348	Other Tangible Plant	-	-	-	-	-	-	10.00%
33									
34		Total Plant	\$ 53,229	\$ 131,010	\$ 197,326	\$ 319,022	\$ 474,658	\$ 550,362	

STAFF RATE DESIGN

Monthly Usage Charge	Company		Staff
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	\$ 23.25		\$ 24.00
5/8 x 3/4 Inch Low Income			20.40
<u>3/4 Inch</u>	34.88		36.00
1 Inch	58.13		60.00
1 Inch Low Income			51.00
1 1/2 Inch	116.25		120.00
2 Inch	186.00		192.00
3 Inch	372.00		384.00
4 Inch	581.25		600.00
<u>6 Inch</u>	1,162.50		1,200.00
8 Inch			1,920.00
10 Inch			2,760.00
<u>Commodity Charge - Per 1,000 Gallons</u>			
COMMODITY CHARGE PROPOSED RATES:			
Charge per 1,000 gallons usage			
<u>All 5/8x3/4" and 3/4" meter sizes classes except irrigation</u>			
	0 to 3,000	1.58	2.50
	3,001 to 10,000	2.83	4.50
	Over 10,000	4.08	6.19
<u>1 inch</u>	0 to 25,000	2.83	4.50
	Over 25,000	4.08	6.19
<u>1 1/2 inch</u>	0 to 50,000	2.83	4.50
	Over 50,000	4.08	6.19
<u>2 inch</u>	0 to 80,000	2.83	4.50
	Over 80,000	4.08	6.19
<u>3 inch</u>	0 to 160,000	2.83	4.50
	Over 160,000	4.08	6.19
<u>4 inch</u>	0 to 250,000	2.83	4.50
	Over 250,000	4.08	6.19
<u>6 inch</u>	0 to 500,000	2.83	4.50
	Over 500,000	4.08	6.19
<u>8 inch</u>	0 to 800,000	2.83	4.50
	Over 800,000	4.08	6.19
Standpipe or bulk water per 1,000 gallons		4.08	6.19
<u>Hook-up Fee</u>			
<u>Meter Size</u>			
5/8 x 3/4	600		0.00
3/4	900		0.00
1	1,500		0.00
1 1/2	3,000		0.00
2	4,800		0.00
3	9,600		0.00
4	15,000		0.00
6	30,000		0.00

STAFF RATE DESIGN

Other Service Charges	Company Proposed	Staff Recommended
Establishment of Service (R14-2-403.D)	\$ 25.00	\$ 25.00
Establishment of Service (After Hours)	\$ 50.00	N/A
Re-establishment (within 12 months) (R14-2-403.D.1)		(a)
Reconnection (Delinquent) (R14-2-403.D.1)	\$ 30.00	\$ 30.00
Moving meter at customer request (R14-2-405.B.5)	@ Cost	(b)
After Hours Service Charge, (R14-2-403.D)	\$ 50.00	\$ 50.00
Deposit (R-14-2-403.B.7)		(c)
Meter Test (if correct) (R14-2-408.F)	\$ -	\$ 30.00
Meter Reread (if correct) (R14-2-408.C)	\$ 15.00	\$ 15.00
NSF Check (R14-2-409.F.1)	\$ 40.00	40.00
Only one NSF charge can be charged if one check is returned that includes both water and wastewater payments.		
Late payment charge (per month)	1.50%	150%
Deferred Payment (per month) (R14-2)	1.50%	1.50%
Deposit Interest (per year) (R14-2-403.B.3)	0%	(d)
Sales or Use tax		(e)

Service Line and Meter Installation per R14-12-405.8	Company Proposed Total	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total
5/8" x 3/4" Meter	\$ 400	\$ 300	100	\$ 400
3/4 inch Meter	\$ 440	\$ 315	125	\$ 440
1" Meter	\$ 500	\$ 365	135	\$ 500
1 1/2" Meter	\$ 715	\$ 415	300	\$ 715
2" (Turbine)	\$ 1,170	\$ 500	670	\$ 1,170
2" (Compound)	\$ 1,700	\$ 700	1000	\$ 1,700
3" (Turbine)	\$ 1,585	\$ 715	870	\$ 1,585
3" (Compound)	\$ 2,190	\$ 735	1455	\$ 2,190
4" (Turbine)	\$ 2,540	\$ 1,000	1540	\$ 2,540
4" (Compound)	\$ 3,215	\$ 1,215	2000	\$ 3,215
6" (Turbine)	\$ 4,815	\$ 1,815	3000	\$ 4,815
6" (Compound)	\$ 6,270	\$ 2,270	4000	\$ 6,270

RULES AND REGULATIONS

- (a) Monthly minimum times months off the system if reconnected within 12 months
- (b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.
- (c) Per AAC rule R14-2-403.B.7-residential customer deposits shall not exceed two times the average residential class bill.
- (d) Per A.A.C. Rule R14-2-403.B
- (e) Per R14-2-408.D.5 - In addition to the collectin of regular rates each utility may collect from its customers proportionate share of any privilege, sales or use tax.

Staff Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed At 1,200 <u>Residential</u>	Staff Recommended At 1,350 <u>Residential</u>
---	--

Company Proposed

Average Usage	52.36
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7,500 Gallons average usage per month

Staff Recommended

Average Usage	\$ 63.75
---------------	----------

7,500 Gallons average usage per month

Proposed and Recommended (Without Taxes)
General Service 3/4-Inch Meter

Gallons Consumption	Company Proposed At 1,200		Staff Recommended At 1350 Residential		%
	3/4"		3/4"		
	Rates		Rates	Increase	
-	\$	34.88	\$	36.00	3.21%
1,000		36.46		38.50	5.60%
2,000		38.04		41.00	7.78%
3,000		39.62		43.50	9.79%
4,000		42.45		48.00	13.07%
4,500		43.87		50.25	14.56%
5,000		45.28		52.50	15.95%
6,000		48.11		57.00	18.48%
7,000		50.94		61.50	20.73%
8,500		55.19		68.25	23.67%
9,500		58.02		72.75	25.40%
10,500		61.47		78.10	27.05%
11,500		65.55		84.29	28.58%
12,500		69.63		90.48	29.94%
13,500		73.71		96.67	31.14%
14,500		77.79		102.86	32.22%
15,500		81.87		109.05	33.19%
16,500		85.95		115.24	34.07%
17,500		90.03		121.43	34.87%
18,500		94.11		127.62	35.60%
19,500		98.19		133.81	36.27%
24,500		118.59		164.76	38.93%
29,500		138.99		195.71	40.81%
34,500		159.39		226.66	42.20%
39,500		179.79		257.61	43.28%
44,500		200.19		288.56	44.14%
49,500		220.59		319.51	44.84%
74,500		322.59		474.26	47.01%
99,500		424.59		629.01	48.14%

STAFF RECOMMENDED BALANCE SHEET

	Year 1	Year 2	Year 3	Year 4	Year 5	
1						
2						
3						
4						
5 <u>Staff Recommended</u>						
6						
7						
8 Plant	4,075,669	6,399,922	10,379,006	18,053,150	24,687,342	
9 Cash	138,197	433,847	866,487	1,431,227	2,117,584	
10 Total Assets	<u>4,213,867</u>	<u>6,833,769</u>	<u>11,245,494</u>	<u>19,484,377</u>	<u>26,804,926</u>	
11						
12 <u>Liabilities and Deferred Credits</u>						
13						
14 Advances in Aid of Construction Net of Refunds	1,578,792	3,589,137	7,304,871	14,822,621	21,184,638	
15 Net Refundable Customer Deposits (Advances)	99,340	200,776	304,805	394,624	470,573	
17 Subtotal Liabilities and Deferred Credits	<u>1,678,132</u>	<u>3,789,913</u>	<u>7,609,676</u>	<u>15,217,245</u>	<u>21,655,211</u>	80.79%
18						
19						
20 Common Equity	2,475,766	2,800,874	3,112,253	3,425,331	3,997,677	
21 Retained Earnings	59,969	242,982	523,565	841,801	1,152,038	
22 Total Equity	<u>2,535,735</u>	<u>3,043,856</u>	<u>3,635,818</u>	<u>4,267,132</u>	<u>5,149,715</u>	19.21%
23						
24 Total Equity and Liability	<u>4,213,867</u>	<u>6,833,769</u>	<u>11,245,494</u>	<u>19,484,377</u>	<u>26,804,926</u>	100.00%
25						
26 Company pro forma Equity					3,075,212	11.47%
27						
28						
29						
30						

STAFF RECOMMENDED INCOME STATEMENT AND ORIGINAL COST RATE BASE

LINE NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	End of Year 5 1,350 Connections
1							
2							
3	Metered Revenue	141,678	433,724	743,148	1,061,262	1,379,376	1,538,433
4							
5	Effluent	5,942	17,407	28,032	38,238	48,407	48,407
6							
7	Total Operating Revenues	\$ 147,620	\$ 451,130	\$ 771,180	\$ 1,099,500	\$ 1,427,783	\$ 1,586,840
11							
12	<u>OPERATING EXPENSES:</u>						
15	Sludge Removal Expense	2,358	6,908	11,124	15,174	19,224	19,224
16	Purchased Power	4,244	12,434	20,023	27,313	34,603	34,603
19	Materials and Supplies \$1.50/cust/mo	1,827	5,913	10,872	16,272	21,672	24,372
21	Waste Water Flushing	-	-	-	-	120,000	120,000
23	Contractual Services-Legal	1,500	1,530	1,561	1,592	1,624	1,624
24	Billing, Postate, Ops, Ins \$12.00/mo/cust	14,616	47,304	86,976	130,176	173,376	194,976
31	Miscellaneous Expense	1,200	1,224	1,248	1,273	1,299	1,299
33	Depreciation Expense	119,973	266,896	343,129	488,963	670,657	755,797
35	Property Taxes Co estimate	3,777	6,360	11,657	19,734	28,006	28,006
36	Income Taxes Co estimate	50	1,826	31,488	49,556	59,546	59,546
38							
39	Total Operating Expenses	\$ 149,545	\$ 350,395	\$ 518,078	\$ 750,053	\$ 1,130,007	\$ 1,239,447
40	Operating Income (Loss)	\$ (1,925)	\$ 100,735	\$ 253,103	\$ 349,447	\$ 297,776	\$ 347,392
41							
42							
49							
50	Plant in Service	6,247,022	8,942,083	13,870,306	23,525,535	31,812,193	31,812,193
51	Less: Accumulated Depreciation	119,973	386,869	729,998	1,218,961	1,889,618	1,889,618
52	Net Advances in Aid of Construction	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912	26,114,912
53	Service Line Refundable Connection Charges	70,700	152,648	239,637	313,905	375,146	375,146
54	Working Capital	2,864	8,378	14,807	21,699	28,591	28,591
55	ORIGINAL COST RATE BASE	4,154,914	4,115,327	4,010,557	3,789,138	3,461,108	3,461,108
56							
57	Rate of Return	-0.05%	2.45%	6.31%	9.22%	8.60%	10.04%
58							
59	COMPANY ORIGINAL COST RATE BASE	\$ 4,219,920	\$ 3,978,603	\$ 3,624,608	\$ 3,090,110	\$ 2,448,586	\$ 2,448,586
60							
61	Staff Original cost rate base more/(less) than Company	(65,006)	136,724	385,949	699,028	1,012,522	1,012,522
62							
63							
64	<u>Notes:</u>						
65	Company agreed after providing workpapers that a year 1 Lift Station in the amount of \$342,000 be removed from plant in service. As such all year are affected by the reduction in plant in service and accumulated depreciation.						
66							
67	Staff is recommending hook up fees of \$1,356,000 not be included in the tariff, this amount was excluded from rate base calculation. Details are shown on Schedule MJR-WW1Refunds						
68							
69							

STAFF RECOMMENDED RATE BASE

LINE ACCT.
NO. NO. End of Year Plant

PLANT IN SERVICE:

1	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
2	351 Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -
3	352 Franchise Cost	-	-	-	-	-
4	353 Land and Land Rights	-	-	-	-	-
5	354 Structures and Improvements	-	-	-	-	-
6	355 Power Generation Equipment	-	-	-	-	-
7	360 Collection Sewers - Force	-	-	-	-	-
8	361 Collection Sewers - Gravity Backbone	592,723	889,085	1,185,447	1,481,809	1,481,809
9	361 Collection Sewers - Gravity AIAC	1,904,299	4,302,998	8,934,859	18,293,726	26,238,384
10	362 Special Collecting Structures	-	-	-	-	-
11	363 Services to Customers	-	-	-	-	-
12	364 Flow Measuring Devices	-	-	-	-	-
13	365 Flow Measuring Installations	-	-	-	-	-
14	370 Receiving Wells Lift Station AIAC	-	-	-	-	342,000
15	371 Pumping Equipment	-	-	-	-	-
16	375 Resuse T&D	-	-	-	-	-
17	380 Treatment and Disposal Equipment	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
18	381 Plant Sewers	-	-	-	-	-
19	382 Outfall Sewer Lines	-	-	-	-	-
20	389 Other Plant and Misc. Equipment	150,000	150,000	150,000	150,000	150,000
21	390 Office Furniture and Equipment	-	-	-	-	-
22	390 Computers & Software	-	-	-	-	-
23	391 Transportation Equipment	-	-	-	-	-
24	393 Tools, Shop and Garage Equipment	-	-	-	-	-
25	394 Laboratory Equipment	-	-	-	-	-
26	396 Communication Equipment	-	-	-	-	-
27	398 Other Tangible Plant	-	-	-	-	-
28		-	-	-	-	-
29	Total Plant in Service - Actual	\$ 6,247,022	\$ 8,942,083	\$ 13,870,306	\$ 23,525,535	\$ 31,812,193
30		-	-	-	-	-
31	Total Plant in Service ¹	\$ 6,247,022	\$ 8,942,083	\$ 13,870,306	\$ 23,525,535	\$ 31,812,193
32	Less: Accumulated Depreciation	119,973	386,869	729,998	1,218,961	1,889,618
33		-	-	-	-	-
34	Net Plant in Service	\$ 6,127,049	\$ 8,555,214	\$ 13,140,308	\$ 22,306,574	\$ 29,922,575
35						
36	<u>LESS:</u>					
37	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -
38	Less: Accumulated Amortization	-	-	-	-	-
39	Net CIAC (L39 - L40)	-	-	-	-	-
40	Advances in Aid of Construction (AIAC)	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912
41	Service Line Refundable Connection Charges	70,700	152,648	239,637	313,905	375,146
42	Deferred Income Taxes	-	-	-	-	-
43		-	-	-	-	-
44		-	-	-	-	-
45	<u>ADD:</u>					
46	Working Capital Allowance	2,864	8,378	14,807	21,699	28,591
47	Deferred Regulatory Assets	-	-	-	-	-
48		-	-	-	-	-
49	Original Cost Rate Base	\$ 4,154,914	\$ 4,115,327	\$ 4,010,557	\$ 3,789,138	\$ 3,461,108

STAFF RECOMMENDED REFUNDED ADVANCES AND CONTRIBUTIONS

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
AIAC	1,904,299	2,398,699	4,631,861	9,358,867	7,944,658
Cumulative Deposits	1,904,299	4,302,998	8,934,859	18,293,726	26,238,384
Refunded at 5% of Staff Revenues	-	7,381	22,557	38,559	54,975
Cumulative refunds	-	7,381	29,938	68,497	123,472
Net	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912
Refund % of AIAC Balance	-	5.00%	5.00%	5.00%	5.00%
Company Cumulative refunds at 5 % of Company Revenues	-	5,902	23,912	54,644	98,403
Company Net	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
Hook Up fees					
Company	204,000	252,000	300,000	300,000	300,000
Cumulative Deposits	204,000	456,000	756,000	1,056,000	1,356,000
Amortization	3,891	13,668	18,858	22,138	28,763
Cumulative Amortization	3,891	17,559	36,417	58,555	87,318
Company Net	200,109	438,441	719,583	997,445	1,268,682

Staff Recommends Denial of Hook-up fees in Tariff

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5
Service Line Refundable Connection Charges					
Company	70,700	87,850	105,000	105,000	105,000
Cumulative Deposits	70,700	158,550	263,550	368,550	473,550
Refunds	-	5,902	18,011	30,732	43,759
Cumulative Refunds	-	5,902	23,913	54,645	98,404
Company Net	70,700	152,648	239,637	313,905	375,146

STAFF RECOMMENDED ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	PLANT In SERVICE Year 5	DEPRECIATION RATE
1	351	Organization Cost	-	-	-	-	-	0.00%
2	352	Franchise Cost	-	-	-	-	-	0.00%
3	353	Land and Land Rights	-	-	-	-	-	0.00%
4	354	Structures and Improvements	-	-	-	-	-	3.33%
5	355	Power Generation Equipment	-	-	-	-	-	5.00%
6	360	Collection Sewers - Force	-	-	-	-	-	2.00%
7	361	Collection Sewers - Gravity Backbone	5,927	20,745	41,491	68,163	97,799	2.00%
8	361	Collection Sewers - Gravity ALAC	19,043	81,116	213,495	485,780	931,101	2.00%
9	362	Special Collecting Structures	-	-	-	-	-	2.00%
10	363	Services to Customers	-	-	-	-	-	2.00%
11	364	Flow Measuring Devices	-	-	-	-	-	10.00%
12	365	Flow Measuring Installations	-	-	-	-	-	10.00%
13	370	Receiving Wells	-	-	-	-	5,694	3.33%
14	371	Pumping Equipment	-	-	-	-	-	12.50%
15	375	Resuse T&D	-	-	-	-	-	2.50%
16	380	Treatment and Disposal Equipment	90,000	270,000	450,000	630,000	810,000	5.00%
17	381	Plant Sewers	-	-	-	-	-	5.00%
18	382	Outfall Sewer Lines	-	-	-	-	-	3.33%
19	389	Other Plant and Misc. Equipment	5,003	15,008	25,013	35,018	45,023	6.67%
20	390	Office Furniture and Equipment	-	-	-	-	-	6.67%
21	390	Computers & Software	-	-	-	-	-	20.00%
22	391	Transportation Equipment	-	-	-	-	-	20.00%
23	393	Tools, Shop and Garage Equipment	-	-	-	-	-	5.00%
24	394	Laboratory Equipment	-	-	-	-	-	10.00%
25	396	Communication Equipment	-	-	-	-	-	10.00%
26	398	Other Tangible Plant	-	-	-	-	-	5.00%
27		Total	\$ 119,973	\$ 386,869	\$ 729,998	\$ 1,218,961	\$ 1,889,618	
28		COMPANY	125,667	403,952	758,469	1,258,821	1,940,866	
30		Amount for year 1 lift station	\$ (5,694)	\$ (17,083)	\$ (28,471)	\$ (39,860)	\$ (51,248)	
			\$ (5,694)	\$ (11,389)	\$ (11,388)	\$ (11,389)	\$ (11,388)	

Southwest Environmental Utilities Wastewater
Docket No. WS-20878A-13-0065
New Certificate of Convenience and Necessity

Schedule MJR-WW-1 ISCF

Line No.	STAFF RECOMMENDED CASH FLOW				
	Year 1	Year 2	Year 3	Year 4	Year 5
1					
2					
3	Cash from Operations				
4					
5					
6					
7					
8					
9					
10					
11	Cash from Financing				
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23	Uses of Cash:				
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					

STAFF RECOMMENDED DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	Staff Adjusted Year 5	DEPRECIATION RATE
1	351	Organization Cost	-	-	-	-	-	-	0.00%
2	352	Franchise Cost	-	-	-	-	-	-	0.00%
3	353	Land and Land Rights	-	-	-	-	-	-	0.00%
4	354	Structures and Improvements	-	-	-	-	-	-	3.33%
5	355	Power Generation Equipment	-	-	-	-	-	-	5.00%
6	360	Collection Sewers - Force	-	-	-	-	-	-	2.00%
7	361	Collection Sewers - Gravity Backbone	5,927	14,818	20,745	26,673	29,636	29,636	2.00%
8	361	Collection Sewers - Gravity AIAC	19,043	62,073	132,379	272,286	445,321	524,768	2.00%
9	362	Special Collecting Structures	-	-	-	-	-	-	2.00%
10	363	Services to Customers	-	-	-	-	-	-	2.00%
11	364	Flow Measuring Devices	-	-	-	-	-	-	10.00%
12	365	Flow Measuring Installations	-	-	-	-	-	-	10.00%
13	370	Receiving Wells	-	-	-	-	5,694	11,389	3.33%
14	371	Pumping Equipment	-	-	-	-	-	-	12.50%
15	375	Reuse T&D	-	-	-	-	-	-	2.50%
16	380	Treatment and Disposal Equipment	90,000	180,000	180,000	180,000	180,000	180,000	5.00%
17	381	Plant Sewers	-	-	-	-	-	-	5.00%
18	382	Outfall Sewer Lines	-	-	-	-	-	-	3.33%
19	389	Other Plant and Misc. Equipment	5,003	10,005	10,005	10,005	10,005	10,005	6.67%
20	390	Office Furniture and Equipment	-	-	-	-	-	-	6.67%
21	390	Computers & Software	-	-	-	-	-	-	20.00%
22	391	Transportation Equipment	-	-	-	-	-	-	20.00%
23	393	Tools, Shop and Garage Equipment	-	-	-	-	-	-	5.00%
24	394	Laboratory Equipment	-	-	-	-	-	-	10.00%
25	396	Communication Equipment	-	-	-	-	-	-	10.00%
26	398	Other Tangible Plant	-	-	-	-	-	-	5.00%
27		Total Depreciation Expense	\$ 119,973	\$ 266,896	\$ 343,129	\$ 488,963	\$ 670,657	\$ 755,797	

STAFF RECOMMENDED RATE DESIGN

Monthly Usage Charge	Company	Staff
Residential Connections using half year convention	1,200	1,350
Meter Size (All Classes):		
5/8 x 3/4 Inch	\$ 45.25	\$ 58.91
5/8 x 3/4 Inch Low Income	-	50.07
3/4 Inch	67.88	88.37
1 Inch	113.13	147.28
1 Inch Low Income	-	125.18
1 1/2 Inch	226.25	294.55
2 Inch	362.00	471.28
3 Inch	724.00	942.56
4 Inch	1,131.25	1,472.75
6 Inch	2,262.50	2,945.50
8 Inch	3,620.00	4,712.80
10 Inch	5,203.75	6,774.65
12 Inch		
Commodity Charge - Per 1,000 Gallons		
	\$ -	
Treated Effluent per 1,000 Gallons	1.00	0.63
Treated Effluent per acre foot	\$ 325.80	
	Company Proposed	Staff Recommended
Other Service Charges		
Establishment (R14-2-603.D.1)	\$ 25.00	\$ 25.00
Establishment of Service (After Hours) if sewer only	\$ 50.00	N/A
Re-establishment (within 12 months) (R14-2-603.D.1)	-	(a)
Reconnection (Delinquent) - (R14-2-603.D.1) (If wastewater customer only)	\$ -	\$ 30.00
After Hours Service Charge (If wastewater customer only, at customer's request)	\$ 50.00	\$ 50.00
Deposit (R-14-2-603.B.7)		(b)
Late Payment Penalty (per month) (R14-2-608.F)		(c)
Deferred Payment (per month)	1.50%	1.50%
Deposit Interest (per year) (R14-2-603.B)		(d)
Main Extension and additional facilities agreements	At cost	(e)
All revenue related taxes will be charged customers		(f)
NSF Check (R-14-2-608.E.1) Only one NSF charge can be charged if one check is returned that includes both water and wastewater payments.	\$ 40.00	\$ 40.00
Service Line Connection Charge (Refundable)	\$ 350.00	\$ 350.00
WATER LATERAL SERVICE		
4-Inch	\$ 1,000.00	\$0.0
6-Inch	\$ 2,000.00	\$0.0
8-Inch	\$ 4,000.00	\$0.0

RULES AND REGULATIONS

- (a) Monthly minimum if Re-establishment of service is within 12 months.
- (b) Deposit Per R14-2-603.B.7.a - residential customer deposits shall not exceed two times the average residential class bill as evidenced by the utility's most recent annual report filed with the Commission
- (c) Per A.A.C. Rule R-14-2-608.F - Late payment penalty
- (d) Per A.A.C. rule R14-2-603.B.
- (e) Per A.A.C. R14-2-606 Cost to include parts, material, labor overhead and all applicable taxes including income tax.
- (f) Per R-14-2-608.D.5- In additions to the collection of regular rates each utility may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposition based on the gross revenues received by the company
- (g) The company will not provide sewer service separate from water service. The bills will be combined on one billing and there will only be one NSF Check fee

STAFF RECOMMENDED
Typical Bill Analysis
 General Service 3/4-Inch Meter

Company Proposed	Gallons	Company Proposed At 1,200 Residential	Staff Recommended At 1350 Residential
Average Usage	7,500	67.88	

Staff Recommended

Average Usage	7,500	\$	88.37
---------------	-------	----	-------

Recommended (Without Taxes)
 Service 3/4-Inch Meter

Gallons	Company Proposed At 1,200 Rates	Staff Recommended At 1350 Residential Rates	% Increase
Consumption	\$	\$	
-	67.88	88.37	30.19%
1,000	67.88	88.37	30.19%
2,000	67.88	88.37	30.19%
3,000	67.88	88.37	30.19%
4,000	67.88	88.37	30.19%
4,500	67.88	88.37	30.19%
5,000	67.88	88.37	30.19%
6,000	67.88	88.37	30.19%
7,000	67.88	88.37	30.19%
8,500	67.88	88.37	30.19%
9,500	67.88	88.37	30.19%
10,500	67.88	88.37	30.19%
11,500	67.88	88.37	30.19%
12,500	67.88	88.37	30.19%
13,500	67.88	88.37	30.19%
14,500	67.88	88.37	30.19%
15,500	67.88	88.37	30.19%
16,500	67.88	88.37	30.19%
17,500	67.88	88.37	30.19%
18,500	67.88	88.37	30.19%
19,500	67.88	88.37	30.19%
24,500	67.88	88.37	30.19%
29,500	67.88	88.37	30.19%
34,500	67.88	88.37	30.19%
39,500	67.88	88.37	30.19%
44,500	67.88	88.37	30.19%
49,500	67.88	88.37	30.19%
74,500	67.88	88.37	30.19%
99,500	67.88	88.37	30.19%

STAFF RECOMMENDED BALANCE SHEET

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	
1						
2						
3						
4						
5						
7 ASSETS						
8 Plant	6,127,049	8,555,214	13,140,308	22,306,574	29,922,575	
9 Cash	188,748	630,947	1,291,611	2,165,730	3,140,429	
10 Total Assets	<u>6,315,797</u>	<u>9,186,161</u>	<u>14,431,919</u>	<u>24,472,304</u>	<u>33,063,004</u>	
11						
12 LIABILITIES AND EQUITY						
13 Advances in Aid of Construction Net of Refunds	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912	
14 Net Refundable Customer Deposits (Advances)	70,700	152,648	239,637	313,905	375,146	
15 Subtotal Liabilities and Deferred Credits	<u>1,974,999</u>	<u>4,448,265</u>	<u>9,144,558</u>	<u>18,539,134</u>	<u>26,490,058</u>	80.12%
16						
17 Common Stock	4,342,723	4,639,085	4,935,447	5,231,809	5,573,809	
18 Retained Earnings	(1,925)	98,811	351,913	701,360	999,137	
19 Total Equity	<u>4,340,798</u>	<u>4,737,896</u>	<u>5,287,360</u>	<u>5,933,169</u>	<u>6,572,946</u>	19.88%
20						
21 Total Equity and Liability	<u>6,315,797</u>	<u>9,186,161</u>	<u>14,431,919</u>	<u>24,472,304</u>	<u>33,063,004</u>	100.00%
22						
23 Company pro-forma Equity					4,473,733	13.53%
24						