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Arizona Corporation Commission

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RECEIVED

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2015 MAR 16 P 3:23

AZ CORP COMMISSION
DOCKET CONTROL

4 Attorneys for Tonto Basin Water Co., Inc.

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION
OF TONTO BASIN WATER CO., INC., AN
9 ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
10 OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
11 WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

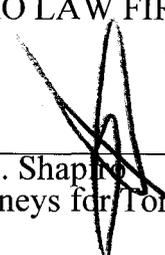
DOCKET NO: W-03515A-14-0310

NOTICE OF FILING

12
13 Tonto Basin Water Co., Inc. ("Tonto Basin") hereby provides notice of filing the
14 Settlement Agreement between Tonto Basin and the Arizona Corporation Commission
15 Utilities Division Staff (attached as **Exhibit A**), and the Testimony of Jason P.
16 Williamson in Support of the Settlement Agreement (attached as **Exhibit B**).

17 RESPECTFULLY SUBMITTED this 16th day of March, 2015.

18 SHAPIRO LAW FIRM, P.C.

19
20 By 
21 Jay L. Shapiro
22 Attorneys for Tonto Basin Water Co., Inc.
23
24
25
26

1 **ORIGINAL** and thirteen (13) copies
of the foregoing were filed
2 this 16th day of March, 2015, with:

3 Docket Control
Arizona Corporation Commission
4 1200 W. Washington Street
Phoenix, AZ 85007

5 **COPY** of the foregoing was hand-delivered
6 this 16th day of March, 2015, to:

7 Teena Jibilian, ALJ
Hearing Division
8 Arizona Corporation Commission
1200 W. Washington Street
9 Phoenix, AZ 85007

10 Brian E. Smith
Legal Division
11 Arizona Corporation Commission
1200 W. Washington Street
12 Phoenix, AZ 85007

13 **COPY** of the foregoing was e-mailed
14 this 16th day of March, 2015, to:

15 Gary and Margaret Lantagne
Tonto Creek Trail RV Park, Inc.
P.O. Box 669
16 Tonto Basin Arizona 85553
cmgeor@hotmail.com

17 Robert T. Hardcastle
18 Brooke Utilities, Inc.
P.O. Box 82218
19 Bakersfield, CA 93380
rth@brookeutilities.com

20
21 By: Whitney Burk

22
23
24
25
26

Docket No. W-03515A-14-0310

EXHIBIT A

*IN THE MATTER OF THE APPLICATION OF TONTO WATER BASIN CO., INC.
FOR APPROVAL OF AN ADJUSTMENT IN THE
EXISTING RATES CHARGED BY THE COMPANY*

Docket No. W-03515A-14-0310

March 13, 2015

**SETTLEMENT AGREEMENT
BETWEEN TONTO WATER BASIN CO., INC. AND
THE ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF**

The purpose of this Settlement Agreement (“Agreement”) dated March 13, 2015 (“Effective Date”) is to settle disputed issues related to Docket No. W-03515A-14-0310 (the “Rate Case”). This Agreement is entered into by Tonto Basin Water Co., Inc. (“Tonto Basin”) and the Arizona Corporation Commission Utilities Division Staff (“Staff”). Tonto Basin and Staff may be referred to collectively as “Signatories”; a single entity may be referred to individually as a “Signatory.”

I. RECITALS.

1.1 On August 22, 2014, Tonto Basin filed the Rate Case. Staff filed a letter of sufficiency on October 10, 2014. A Procedural Order issued on November 7, 2014, established a procedural schedule and set an evidentiary hearing for April 20, 2015. The November 7 Procedural Order also granted intervention to Tonto Creek Trail RV Park, Inc.

1.2 On December 11, 2014, Tonto Basin filed a Request to Modify Procedural Schedule. Consequently, a procedural conference was held on January 8, 2015.

1.3 Thereafter, a Procedural Order issued on January 8 modified the procedural schedule by (1) waiving the requirement for the prefiling of surrebuttal and rejoinder testimonies; (2) resetting the deadline for publication and mailing of the customer notice to January 20; and (3) extending the deadline for intervention until February 17.

1.4 Pursuant to the January 8 Procedural Order, Tonto Basin published the Notice to customers on January 13 and 15, and also sent it via mail on January 15. Proof of Publication was filed on January 30.

1.5 The granting of intervention to Brooke Utilities, Inc. (“Brooke”) also occurred on January 30, with the caveat that Brooke first file a notice of appearance by counsel or evidence of a board resolution authorizing a specifically named officer of the corporation to represent it. On February 10, Brooke filed a Notice of Filing Board Resolution Authorizing Representation.

1.6 Direct Testimony filings were made by Brooke on February 17 and by Staff on February 23.

1.7 On February 25, counsel for Tonto Basin contacted counsel for Staff to raise the possibility of resolving one or more issues that remained in dispute as of the filing of Staff's direct testimony. Staff filed a Notice of Settlement Discussions on February 27.

1.8 On March 2, Brooke contacted counsel for Staff, advised of Brooke's receipt of the Notice of Settlement Discussions and inquired as to the significance of the settlement discussions. By responsive email dated March 3, Staff counsel related that Tonto Basin was in the process of preparing a proposed settlement agreement which would be presented to Staff for consideration and, if Staff deemed it appropriate to further discuss, a settlement conference would be scheduled and that Brooke was entitled to participate in the settlement conference. At that time, Brooke requested to be notified of the settlement conference.

1.9 On March 9, a settlement conference was scheduled at the Staff's offices and counsel for Staff notified Brooke of the conference by email. Brooke responded and advised that Brooke would be unable to attend due to a company board meeting. Though included in the Notice of Settlement Discussions, no communication has been received from Intervenor Tonto Creek Trail RV Park, Inc. regarding participating in the settlement negotiations. In attendance at the settlement conference were representatives of Tonto Basin and Staff. The agreement to compromise reflected in this Agreement is a result of that meeting and the Signatories' good faith efforts to settle all of the issues in dispute between them in the Rate Case.

1.10 As a result of this resolution of the issues, the Signatories are now in material agreement on (1) Tonto Basin's fair value rate base; (2) the level of operating expenses; (3) the rate of return; (4) the revenue requirement; and the (5) the rate design.¹ Additionally, the Signatories have agreed on several engineering recommendations based on Staff's direct testimony including (1) a schedule for the application of protective coatings to the Cactus Forest water system hydro-pneumatic pressure tank, the Roosevelt Lake Estates water system storage tank, the North Bay Estates water system hydro-pneumatic pressure tank and storage tank, and the Lake Roosevelt Gardens East water system hydro-pneumatic pressure tank and storage tank; (2) a request that ADEQ inspect the North Bay Estates system; (3) implementation of certain Best Management Practices ("BMP") Tariffs; and (4) a remedy to amend Decision No. 60972 (June 19, 1998) to include Cactus Forest in Tonto Basin's CC&N. Finally, the Signatories agree that this Docket should be left open for 6 months following a decision setting new rates for the purpose of addressing a request by Tonto Basin for approval of a Lake Roosevelt Water Hauling Tariff.

1.11 In order to effectuate the Commission's determination of Tonto Basin's fair value rate base and the setting of just and reasonable rates thereon, the Signatories enter into this Agreement and jointly represent to the Commission that the terms and conditions of this Agreement are just, reasonable, fair, and in the public interest in that these terms and conditions establish just and reasonable rates for water utility service by Tonto Basin under the facts and

¹ As reflected in the Settlement Schedules attached hereto as Exhibit 1.

circumstances presented in this Rate Case, promote the convenience, comfort, and safety, and the preservation of health, of the employees and patrons of Tonto Basin, and avoid further litigation in the determination of fair value rate base and the setting of rates.

1.12 The Signatories agree to ask the Commission: (1) to find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with any and all other necessary findings, and (2) to approve this Agreement such that it and the rates contained herein may become effective on or before June 15, 2015.

NOW, THEREFORE, in consideration of the foregoing, and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Signatories, intending to be legally bound, hereby agree to the following terms and conditions.

II. REVENUE REQUIREMENT AND RATE INCREASE PROVISIONS.

2.1 Rate Increase.

The Signatories agree to a revenue requirement of \$506,991, which reflects an annual increase of \$199,816 or 65.05 percent as reflected on Settlement Schedule BAB-1 of the Settlement Schedules attached hereto as Exhibit 1.

2.2 Fair Value Rate Base.

2.2.1 Amount of Rate Base.

The Signatories agree to a fair value rate base of \$610,490 as shown on Settlement Schedule BAB-1 of the Settlement Schedules attached hereto as Exhibit 1, which rate base was used to establish the revenue requirement and rates agreed to herein. Tonto Basin agrees to the use of original cost rate base as its fair value rate base for purposes of setting rates in this case. The Signatories further acknowledge and agree that the rate base agreed to herein has been adequately supported and represents the fair value of the property Tonto Basin devotes to public water utility service.

2.2.2 Working Capital.

The fair value rate base agreed to herein includes an allowance for working capital. In its next rate filing, Tonto Basin agrees to base a request for a working capital allowance on a lead/lag study to be included in its rate filing. The inclusion of a lead/lag study may increase the level of rate case expense to be incurred in that rate filing.

2.3 Operating Expenses.

The Signatories agree to total operating expenses of \$445,942 as shown on Settlement Schedule BAB-10 of the Settlement Schedules attached hereto as Exhibit 1, which expense

levels were used to establish the revenue requirement and rates agreed to herein. This results in an Operating Income of \$61,049.

2.4 Test Year.

The rates agreed to herein are based on a test year ending June 30, 2014, with adjustments for known and measurable changes.

III. BILL IMPACTS AND RATE DESIGN.

3.1 Rates.

The Signatories agree to the rates shown on Settlement Schedule BAB-19 of the Settlement Schedules attached hereto as Exhibit 1. The Signatories agree and jointly represent to the Commission that these rates are just and reasonable and will provide Tonto Basin a reasonable opportunity to earn its revenue requirement.

3.2 Bill Impacts.

Upon the effective date of the new rates, the monthly bill for a 5/8" x 3/4" meter residential customer using 5,598 gallons per month, the average usage, will be \$41.88, an increase of 61.56 percent, and the typical residential bill with median use of 3,205 gallons would go from \$20.97 to \$33.37, for an increase of \$12.40 or 59.15 percent as shown on Settlement Schedule BAB-20 of the Settlement Schedules attached hereto as Exhibit 1.

IV. COST OF CAPITAL.

4.1 Capital Structure.

The Signatories agree that a capital structure comprised of 100 percent common equity is reasonable under the circumstances of this rate case.

4.2 Cost of Equity.

The Signatories agree that a cost of common equity equal to 10 percent is fair and reasonable under the circumstances of this rate case.

4.3 Rate of Return.

The Signatories agree that a fair value rate of return of 10 percent is fair and reasonable under the circumstances of this rate case.

V. ENGINEERING.

5.1 Tank Coatings.

Tonto Basin agrees to apply protective coatings to its storage and pressure tanks according to the following progression: (1) the Lake Roosevelt Gardens East water system

hydro-pneumatic pressure tank and storage tank, (2) the Cactus Forest water system hydro-pneumatic pressure tank, (3) the Roosevelt Lake Estates water system storage tank, and (4) the North Bay Estates water system hydro-pneumatic pressure tank and storage tank. Tonto Basin agrees to complete all of these protective coatings no later than 12 months of the effective date of new rates in this Docket.

5.2 North Bay Estates Storage Capacity.

Within 30 days of the effective date of new rates in this Docket Tonto Basin agrees to make a written request that ADEQ conduct a water system inspection of the North Bay Estates water system. Tonto Basin will request that ADEQ specifically address the adequacy of Tonto Basin's storage capacity. Tonto Basin will provide Staff with a copy of any written report issued by ADEQ within 30 days of Tonto Basin's receipt thereof, along with a plan for Tonto Basin to implement any recommendations made by ADEQ.

5.3 Best Management Practices Tariffs.

Tonto Basin agrees to implement BMPs as follows: (1) for the Cactus Forest system, which is located in an Active Management Area, Tonto Basin will implement the five (5) BMPs attached as **Exhibit 2**; and (2) for the other systems, Tonto Basin will implement the three (3) BMPs attached as **Exhibit 3**. Tonto Basin agrees to notify its customers, in a form acceptable to Staff, of the BMP Tariffs approved by the Commission and their effective date, which notice may be included with notice of the new rates. Staff agrees and acknowledges that Tonto Basin may seek cost recovery related to the implementation of BMPs in a future rate proceeding.

VI. REOPENING OF DECISION NO. 60972 TO TRANSFER CACTUS FOREST WATER SYSTEM TO TONTO BASIN.

6.1 Decision No. 60972 (June 19, 1998).

During the course of its investigation and analysis in this rate case, Staff discovered that Decision No. 60972, which approved the reorganization of Tonto Basin's predecessors, omitted Tonto Basin's Cactus Forest water system from the new CC&N for Tonto Basin. Tonto Basin continues to serve customers in the Cactus Forest system, and the Signatories agree that the omission of the Cactus Forest system from CC&N appears to be inadvertent.

6.2 40-252 Application.

Within 10 days of the filing of this Agreement with the Commission, Tonto Basin will file an application pursuant to A.R.S. § 40-252 requesting that the Commission reopen Decision No. 60972 to consider amending it to include the Cactus Forest system in Tonto Basin's CC&N.

VII. ROOSEVELT LAKE ESTATES WATER HAULING TARIFF.

7.1 Roosevelt Lake Estates Water Supply.

Tonto Basin serves 195 customers in its Roosevelt Lake Estates system ("RLE"). During the pendency of this rate case, Tonto Basin began to experience severe water supply shortages in this system. Other well owners in the region are experiencing similar decreases in well production. Well production has declined by roughly 66 percent and RLE is in stage 4 conservation restrictions under the curtailment tariff for Tonto Basin Water Co. and has been since January 2015. Remedial efforts to date have failed to appreciably increase well production. However, these efforts continue. In the meantime, Tonto Basin has already had to haul water into this system, and may be required to do so in the future.

7.2 RLE Water Hauling Tariff.

The Signatories agree that this Docket should be left open for 6 months following a decision implementing new rates in this case to enable Tonto Basin the opportunity to propose a Water Hauling Tariff for the RLE system. Staff will review such tariff if and when Tonto Basin files one. Staff is not obligated to support such a tariff and Tonto Basin is not obligated to propose one.

VIII. COMMISSION EVALUATION OF PROPOSED SETTLEMENT.

8.1 The Signatories acknowledge and agree that the determination of Tonto Basin's fair value rate base and establishment of just and reasonable rates thereon requires Commission approval, and that the Commission will independently consider and evaluate the terms of this Agreement. With respect to approval of this Agreement, the Signatories agree as follows:

8.1.1 That this Agreement shall serve as a procedural device by which the Signatories will submit their settlement of Tonto Basin's Rate Case Docket No. W-03515A-14-0310 to the Commission.

8.1.2 That Tonto Basin shall submit this Agreement to the Commission immediately following execution along with supporting testimony, and then, within seven (7) days thereafter, Staff will file its testimony in support of the Agreement.

8.1.3 To support and defend the Agreement at any and all hearings, open meetings, or other proceedings in the Docket related to the Agreement, and taking any and all other steps reasonably necessary to obtain Commission adoption of the material terms of the Agreement.

8.1.4 To waive all rights to appeal a Commission decision providing the Commission adopts the material terms of this Agreement.

8.1.5 In the event the Commission fails to issue an order adopting all material terms of this Agreement or modifies or adds material terms to this Agreement, one or both of the Signatories may withdraw from this Agreement, and such Signatory or Signatories may pursue

without prejudice their respective remedies at law. For purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory choosing to withdraw from the Agreement. If a Signatory withdraws from the Agreement pursuant to this paragraph and files an application for rehearing, the other Signatory shall support the application for rehearing by filing a document with the Commission that supports approval of the Agreement in its entirety.

8.1.6 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

IX. MISCELLANEOUS PROVISIONS.

9.1 The Signatories hereby agree to the incorporation of the Recitals set forth above as part of the terms and conditions of this Agreement.

9.2 The provisions set forth herein regarding the quantification of cost of capital, fair value rate base, fair value rate of return, operating expenses, and the revenue requirement are made for purposes of settlement only and should not be construed as admissions against interest or waivers of litigation positions related to other or future cases, nor should the acceptance by any Signatory of a specific element of this Agreement be considered as precedent for acceptance of that element in any other context.

9.3 No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory will offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

9.4 Neither this Agreement nor any of the positions taken in this Agreement by any of the Signatories may be referred to, cited, and/or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except to secure approval of this Agreement and enforce its terms.

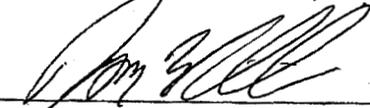
9.5 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule, or regulation, this Agreement will control.

9.6 The Signatories acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of this Agreement.

9.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered will be deemed an original and all of which taken together will constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

Executed this 13th day of March, 2015.

TONTO BASIN WATER CO., INC.

By: 

Its: President

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF

By: 

Its: Director

Exhibit 1

Settlement Schedules

Docket No. W-03515A-14-0310

EXHIBIT 1

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

SETTLEMENT TESTIMONY OF BRITON BAXTER

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Tonto Basin Water Co., Inc.
 Docket No. W-03515A-14-0310
 Test Year Ended: June 30, 2014

Settlement Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[B]
		COMPANY ORIGINAL COST	STAFF ORIGINAL COST
1	Adjusted Rate Base	\$626,459	\$610,490
2	Adjusted Operating Income (Loss)	(\$106,413)	(\$83,515)
3	Current Rate of Return (L2 / L1)	-16.99%	-13.68%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$75,175	\$61,049
6	Operating Income Deficiency (L5 - L2)	\$181,588	\$144,564
7	Gross Revenue Conversion Factor	1.4003	1.3822
8	Required Revenue Increase (L7 * L6)	\$254,278	\$199,816
9	Adjusted Test Year Revenue	\$307,175	\$307,175
10	Proposed Annual Revenue (L8 + L9)	\$561,453	\$506,991
11	Required Increase in Revenue (%)	82.78%	65.05%

References:

Column [A]: Company Supplemental Schedule S-1
 Column [B]: Staff Schedules BAB-2, BAB-3, BAB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<i>Calculation of Gross Revenue Conversion Factor</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (L17) + Property Tax Factor (L22)	27.6514%			
5	Subtotal (L3 - L4)	72.3486%			
6	Revenue Conversion Factor (L1 / L5)	1.3822			
<i>Calculation of Uncollectible Factor</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (L17)	26.5481%			
9	One Minus Combined Income Tax Rate (L7 - L8)	73.4519%			
10	Uncollectible Rate	0.3272%			
11	Uncollectible Factor (L9 * L10)	0			
<i>Calculation of Effective Tax Rate</i>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (L44)	21.4418%			
16	Effective Federal Income Tax Rate (L14 * L15)	20.0481%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	26.5481%			
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (L17)	26.5481%			
20	One Minus Combined Income Tax Rate (L18 - L19)	73.4519%			
21	Property Tax Factor (BAB-17, L24)	1.5021%			
22	Effective Property Tax Factor (L21 * L22)	0.011032946			
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)		27.6514%		
24	Required Operating Income (Schedule BAB-1, L5)	\$61,049			
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, L30)	(83,515)			
26	Required Increase in Operating Income (L24 - L25)		\$144,564		
27	Income Taxes on Recommended Revenue (Col. [D], L52)	\$19,463			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	(32,788)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$52,251		
30	Recommended Revenue Requirement (Schedule BAB-1, L10)	\$506,991			
31	Uncollectible Rate (L10)	0.3272%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$1,659			
33	Adjusted Test Year Uncollectible Expense	0			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$1,659		
35	Property Tax with Recommended Revenue (BAB-17, L19)	\$16,843			
36	Property Tax on Test Year Revenue (BAB-17, L20)	13,842			
37	Increase in Property Tax Due to Increase in Revenue (BAB-17, L22)		\$3,001		
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)		\$201,475		
<i>Calculation of Income Tax</i>					
39	Revenue (Schedule BAB-10, Col.[C], L5 & Sch. BAB-1, Col. [B], L10)	\$307,175	\$199,816	\$506,991	
40	Operating Expenses Excluding Income Taxes	422,473		425,475	
41	Synchronized Interest (L47)	0.00%		0.00%	
42	Arizona Taxable Income (L36 - L37 - L38)	(\$115,298)		\$81,517	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 * L40)		(\$7,494)		\$5,299
45	Federal Taxable Income (L33 - L35)	(\$107,804)		\$76,218	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(7,500)		7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	(6,250)		6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	(8,500)		414	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	(3,044)		0	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0		0	
51	Total Federal Income Tax		(25,294)		14,164
52	Combined Federal and State Income Tax (L35 + L42)		(\$32,788)		\$19,463
53	Applicable Federal Income Tax Rate (Col. [D], L42 - Col. [B], L42) / [Col. [C], L36 - Col. [A], L36]				21.44%
<i>Calculation of Interest Synchronization</i>					
54	Rate Base (Schedule BAB-3, Col. [C], L22)	\$610,490			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 * L46)	\$0			

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Settlement Schedule BAB-3

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A]	[B]	REF	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$1,716,214	\$279,055	A	\$1,995,269
2	Less: Accumulated Depreciation	742,617	105,042	B	847,659
3	Net Plant in Service	<u>\$973,597</u>	<u>\$174,012</u>		<u>\$1,147,609</u>
4					
5	<u>LESS:</u>				
6					
7	Net Contribution in Aid-of Construction (CIAC)	\$221,746	\$189,981	C	\$411,727
8					
9	Advances in Aid of Construction (AIAC)	126,057	0		126,057
10					
11	Customer Deposits	39,770	0		39,770
12					
13	Total Deductions	<u>\$387,573</u>	<u>\$189,981</u>		<u>\$577,554</u>
14					
15					
16	<u>ADD:</u>				
17	Allowance for Working Capital	40,435	0		40,435
18					
19	Total Additions	<u>\$40,435</u>	<u>\$0</u>		<u>\$40,435</u>
20					
21					
22	Original Cost Rate Base	<u>\$626,459</u>	<u>(\$15,969)</u>		<u>\$610,490</u>

References:

Column [A]: Company Application page 15, and Supplemental Schedule S-2

Column [B]: Schedule BAB

Column [C]: Column [A] + Column [B]

Explanation of Adjustment:

A - For Rate Base adjustment A, see Schedule BAB-4

B - For Rate Base adjustment B, see Schedule BAB-9

C - For Rate Base adjustment C, see Schedule BAB-8b

Tonto Basin Water Co., Inc.
 Docket No. W-03515A-14-0310
 Test Year Ended: June 30, 2014

Settlement Schedule BAB-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	COMPANY AS FILED	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]
					Structures & Improvements ADJ No. 1 Ref. Sch BAB-5a	Wells & Springs ADJ No. 2 Ref. Sch BAB-5b	Electric Pumping Equipment ADJ No. 3 Ref. Sch BAB-5c	Water Treatment Equipment ADJ No. 4 Ref. Sch BAB-5d	Distribution Reservoirs & Standpipes ADJ No. 5 Ref. Sch BAB-6a	Transmission & Distribution Mains ADJ No. 6 Ref. Sch BAB-6b	Services ADJ No. 7 Ref. Sch BAB-7a	Meters & Meter Installations ADJ No. 8 Ref. Sch BAB-7b	Miscellaneous Equipment ADJ No. 9 Ref. Sch BAB-7c	Other Tangible Plant ADJ No. 10 Ref. Sch BAB-8a	Unsupported Plant ADJ No. 11 Ref. Sch BAB-8b	Accumulated Depreciation ADJ No. 12 Ref. Sch BAB-9	STAFF ADJUSTED
1	301	Organization Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302	Franchise Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	303	Land & Land Rights	5,241	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	304	Structures & Improvements	517,762	(97,244)	0	0	0	0	0	0	0	0	0	0	0	0	0
5	307	Wells & Springs	114,504	0	360,014	0	0	0	0	0	0	0	0	0	0	0	5,241
6	311	Electric Pumping Equipment	153,262	0	0	0	0	0	0	0	0	0	0	0	0	0	420,518
7	320	Water Treatment Equipment	8,058	0	0	6,182	0	0	0	0	0	0	0	0	0	0	474,518
8	320.1	Water Treatment Plants	0	0	0	0	(8,058)	0	0	0	0	0	0	0	0	0	159,444
9	320.2	Solutions & Feeders	0	0	0	0	181,837	0	0	0	0	0	0	0	0	0	0
10	320.3	Arsenic Remediation Plant	0	0	0	0	8,058	0	0	0	0	0	0	0	0	0	181,837
11	330	Distribution Reservoirs & Standpipes	89,989	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	330.1	Storage Tank	0	0	0	0	0	(89,989)	0	0	0	0	0	0	0	0	0
13	330.2	Pressure Tanks	0	0	0	0	0	116,577	0	0	0	0	0	0	0	0	0
14	331	Transmission & Distribution Mains	177,853	0	0	0	0	0	0	0	0	0	0	0	0	0	116,577
15	333	Services	27,652	0	0	0	0	0	0	0	0	0	0	0	0	0	25,295
16	334	Meters & Meter Installations	161,647	0	0	0	0	0	52,335	0	0	0	0	0	0	0	230,188
17	335	Hydrants	5,269	0	0	0	0	0	0	0	16,416	0	0	0	0	0	44,068
18	336	Backflow Prevention Devices	0	0	0	0	0	0	0	0	0	0	0	0	0	0	191,763
19	339	Other Plant & Misc. Equip.	116,804	0	0	0	0	0	0	0	0	0	0	0	0	0	5,269
20	340	Office Furniture & Fixtures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	340.1	Computer & Software	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	341	Transportation Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	116,804
23	342	Store Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	343	Tools & Work Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	344	Laboratory Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	345	Power Operated Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	346	Communications Equipment	3,421	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	347	Miscellaneous Equipment	2,209	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	348	Other Tangible Plant	3,142	0	0	0	0	0	0	0	0	0	0	0	0	0	3,421
30			329,401	0	0	0	0	0	0	0	0	0	0	0	0	0	2,209
31																	3,981
32																	6,078
33		Gross Utility Plant in Service	\$1,716,214	(97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$16,416	\$30,116	\$839	\$0	\$0	\$0	\$0	\$1,995,269
34		Less: Accumulated Depreciation	742,617	0	0	0	0	0	0	0	0	0	0	0	0	105,042	847,659
35		Net Utility Plant in Service (L29 - L30)	\$973,597	(97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$16,416	\$30,116	\$839	\$0	\$0	\$0	(\$105,042)	\$1,147,609
37		DEDUCTIONS:															
38		Contributions in Aid of Construction (CIAC)	\$328,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$569,660
39		Less: Accumulated Amortization	106,819	0	0	0	0	0	0	0	0	0	0	0	0	0	157,933
40		Net CIAC (L32 - L33)	\$221,746	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$411,727
41		Advances in Aid of Construction (AIAC)	126,057	0	0	0	0	0	0	0	0	0	0	0	0	0	126,057
42		Customer Meter Deposits	39,770	0	0	0	0	0	0	0	0	0	0	0	0	0	39,770
43		Total Deductions	\$387,573	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,459
44																	
45		ADDITIONS:															
46		Allowance for Working Capital	\$40,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,435
47		Total Additions	\$40,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,435
48																	
49		ORIGINAL COST RATE BASE	\$626,459	(97,244)	\$360,014	\$6,182	\$181,837	\$51,883	\$52,335	\$16,416	\$30,116	\$839	\$0	\$0	\$0	(\$105,042)	\$610,490

RATE BASE ADJUSTMENT NO. 1 - STRUCTURES & IMPROVEMENTS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	304	Structures & Improvements	\$517,762	(\$97,244)	\$420,518
2					
3					
4					
5					

STAFF ADDITIONS

Act. No.	Description	2001	2002	2007	2009	2010	2011	Total
304	Structures & Improvements		\$1,583	\$6,776	\$13,654	\$87,934		\$109,947

MISCLASSIFIED

Act. No.	Description	2001	2002	2007	2009	2010	2011	Total
304	Structures & Improvements	\$992	\$1,095		\$9,043	(\$168,607)	(\$49,714)	(\$207,191)
307	Wells & Springs					850	39,217	40,067
320.1	Water Treatment Plants					171,340	10,497	181,837
330	Distribution Reservoirs & Standpipes				(9,043)	(3,583)		(12,626)
331	Transmission & Distribution Mains	(992)	(1,379)					(2,371)
334	Meters & Meter Installations		284					284
								\$0

REFERENCES:

- Column [A]: Company Application pages 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 17: Cross reference to Settlement Schedule BAB-5b.
- Line 18: Cross reference to Settlement Schedule BAB-6a.
- Line 19: Cross reference to Settlement Schedule BAB-6b.
- Line 20: Cross reference to Settlement Schedule BAB-6c.
- Line 21: Cross reference to Settlement Schedule BAB-7b.

RATE BASE ADJUSTMENT NO. 2 - WELLS & SPRINGS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	307	Wells & Springs	\$114,504	\$360,014	\$474,518

2
3
4
5
6

STAFF ADDITIONS						
Act. No.	Description	2007	2008	2010	2011	Total
8	307 Wells & Springs		\$727			\$727

9
10
11

MISCLASSIFIED						
Act. No.	Description	2007	2008	2010	2011	Total
14	304 Structures & Improvements			(\$850)	(\$49,714)	(\$50,564)
15	307 Wells & Springs	(3,264)	322,484	850	39,217	359,287
16	311 Electric Pumping Equipment	3,264				3,264
17	320.1 Water Treatment Plants				10,497	10,497
18	348 Other Tangible Plant		(322,484)			(322,484)
19						\$0

REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 14: Cross reference to Settlement Schedule BAB-5a.
- Line 16: Cross reference to Settlement Schedule BAB-5c.
- Line 17: Cross reference to Settlement Schedule BAB-6a.
- Line 18: Cross reference to Settlement Schedule BAB-8a.

RATE BASE ADJUSTMENT NO. 3 - ELECTRIC PUMPING EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	311	Electric Pumping Equipment	\$153,262	\$6,182	\$159,444
2					
3					
4					
5					

STAFF ADDITIONS

Act. No.	Description	2003	2005	2006	2007	2008	2009	2012	2013	Test Year	Total
311	Electric Pumping Equipment			\$440		\$567			\$74	\$722	\$1,803

MISCLASSIFIED

Act. No.	Description	2003	2005	2006	2007	2008	2009	2012	2013	Test Year	Total
307	Wells & Springs				(\$3,264)						(\$3,264)
311	Electric Pumping Equipment	(193)	(94)	1,942	3,264		(268)	(272)			4,379
330	Distribution Reservoirs & Standpipes			(1,942)							(1,942)
											<u>(\$827)</u>

620	Repairs & Maintenance	\$193	\$94			\$268	\$272				\$827
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REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 13: Cross reference to Settlement Schedule BAB-5b.
- Line 15: Cross reference to Settlement Schedule BAB-6b.
- Line 18: Cross reference to Settlement Schedule BAB-13.

Tonto Basin Water Co., Inc.
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Settlement Schedule BAB-6a

RATE BASE ADJUSTMENT NO. 4 - WATER TREATMENT EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	320	Water Treatment Equipment	\$8,058	(\$8,058)	\$0
2	320.1	Water Treatment Plants	0	181,837	181,837
3	320.2	Solutions & Feeders	0	8,058	8,058

MISCLASSIFIED

Act. No.	Description	2001	2004	2010	2011	Test Year	Total
8	304 Structures & Improvements			(\$172,190)	(\$10,497)		(\$182,687)
9	307 Wells & Springs			850			850
10	320 Water Treatment Equipment	(2,255)	(926)		(2,744)	(2,133)	(8,058)
11	320.1 Water Treatment Plants			171,340	10,497		181,837
12	320.2 Solutions & Feeders	2,255	926		2,744	2,133	8,058
13							\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB
 Column [B]: Direct Testimony, BAB, Engineering report
 Column [C]: Column [A] + Column [B]
 Line 8: Cross reference to Settlement Schedule BAB-5a.
 Line 9: Cross reference to Settlement Schedule BAB-5b.

RATE BASE ADJUSTMENT NO. 5 - DISTRIBUTION RESEVOIRS & STANDPIPES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	330	Distribution Reservoirs & Standpipes	\$89,989	(\$89,989)	\$0
2	330.1	Storage Tank	0	116,577	116,577
3	330.2	Pressure Tanks	0	25,295	25,295

STAFF ADDITIONS

Act. No.	Description	2003	2004	2006	2007	2008	2009	2010	Test Year	Total
330	Distribution Reservoirs & Standpipes	\$7,914	\$169	\$32,419	\$8,600	\$2,772	\$64,583	\$10,547		\$127,004

MISCLASSIFIED

Act. No.	Description	2003	2004	2006	2007	2008	2009	2010	Test Year	Total
304	Structures & Improvements						\$9,043	\$3,583		\$12,626
311	Electric Pumping Equipment			1,942						1,942
330	Distribution Reservoirs & Standpipes	(22,647)	(2,217)	(34,978)	(8,600)	(2,772)	(64,583)	(10,547)	(70,649)	(216,993)
330.1	Storage Tank	13,938					55,540		47,099	116,577
330.2	Pressure Tanks	1,745							23,550	25,295
331	Transmission & Distribution Mains	6,964		29,406	8,600	2,772		6,964		54,706
333	Services		2,217	3,630						5,847
										\$0

REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB, Company response to Staff DR BAB 4.3
- Column [C]: Column [A] + Column [B]
- Line 13: Cross reference to Settlement Schedule BAB-5a.
- Line 14: Cross reference to Settlement Schedule BAB-5c.
- Line 18: Cross reference to Settlement Schedule BAB-6c.
- Line 19: Cross reference to Settlement Schedule BAB-7a.

RATE BASE ADJUSTMENT NO. 6 - TRANSMISSION & DISTRIBUTION MAINS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	331	Transmission & Distribution Mains	\$177,853	\$52,335	\$230,188
2					
3					
4					
5					

MISCLASSIFIED

Act. No.	Description	2001	2002	2003	2006	2007	2008	2010	Total
8	304 Structures & Improvements	\$992	\$1,095					\$3,583	\$5,670
9	330 Distribution Reservoirs & Standpipes			(22,647)	(33,036)	(8,600)	(2,772)	(10,547)	(77,602)
10	330.1 Storage Tank			13,938					13,938
11	330.2 Pressure Tanks			1,745					1,745
12	331 Transmission & Distribution Mains	(992)	(1,379)	6,964	29,406	8,600	2,772	6,964	52,335
13	333 Services				3,630				3,630
14	334 Meters & Meter Installations		284						284
15									\$0

REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 8: Cross reference to Settlement Schedule BAB-5a.
- Line 9-11: Cross reference to Settlement Schedule BAB-6b.
- Line 13: Cross reference to Settlement Schedule BAB-7a.
- Line 14: Cross reference to Settlement Schedule BAB-7b.

RATE BASE ADJUSTMENT NO. 7 - SERVICES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	333	Services	\$27,652	\$16,416	\$44,068
2					
3					
4					
5					

STAFF ADDITIONS

Act. No.	Description	2002	2003	2004	2006	2007	2009	2013	Test Year	Total
333	Services	\$1,760	\$1,407			\$1,391	\$5,581	\$303	\$544	\$10,986

MISCLASSIFIED

Act. No.	Description	2002	2003	2004	2006	2007	2009	2013	Test Year	Total
311	Electric Pumping Equipment				\$1,942					\$1,942
330	Distribution Reservoirs & Standpipes			(2,217)	(34,978)					(37,195)
331	Transmission & Distribution Mains				29,406					29,406
333	Services			2,217	3,630				(417)	5,430
										(\$417)
620	Repairs & Maintenance								417	417

REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 13: Cross reference to Settlement Schedule BAB-5c.
- Line 14: Cross reference to Settlement Schedule BAB-6b.
- Line 15: Cross reference to Settlement Schedule BAB-6c.
- Line 19: Cross reference to Settlement Schedule BAB-13.

RATE BASE ADJUSTMENT NO. 8 - METERS & METER INSTALLATIONS

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	334	Meters & Meter Installations	\$161,647	\$30,116	\$191,763
2					
3					
4					
5					

STAFF ADDITIONS

Act. No.	Description	2002	2003	2005	2007	2008	2013	Test Year	Total
8	334 Meters & Meter Installations		\$13,776	\$1,973	\$3,317	\$9,856	\$189	\$721	\$29,832

MISCLASSIFIED

Act. No.	Description	2002	2003	2005	2007	2008	2013	Test Year	Total
13	304 Structures & Improvements	\$1,095							\$1,095
14	331 Transmission & Distribution Mains	(1,379)							(1,379)
15	334 Meters & Meter Installations	284							284
16									\$0

REFERENCES:

- Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
- Column [B]: Direct Testimony, BAB
- Column [C]: Column [A] + Column [B]
- Line 13: Cross reference to Settlement Schedule BAB-5a.
- Line 14: Cross reference to Settlement Schedule BAB-6c.

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Settlement Schedule BAB-7c

RATE BASE ADJUSTMENT NO. 9 - MISCELLANEOUS EQUIPMENT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	347	Miscellaneous Equipment	\$3,142	\$839	\$3,981
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	2006		Total
8	347	Miscellaneous Equipment	\$839		\$839
9	348	Other Tangible Plant	(839)		(839)
10					\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5

Column [B]: Direct Testimony, BAB

Column [C]: Column [A] + Column [B]

Line 9: Cross reference to Settlement Schedule BAB-8a.

Tonto Basin Water Co., Inc.
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Settlement Schedule BAB-8a

RATE BASE ADJUSTMENT NO. 10 - OTHER TANGIBLE PLANT

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	348	Other Tangible Plant	\$329,401	(\$323,323)	\$6,078
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	2006	2008	Total
8	307	Wells & Springs		\$322,484	\$322,484
9	347	Miscellaneous Equipment	839		839
10	348	Other Tangible Plant	(839)	(322,484)	(323,323)
11					\$0

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
 Column [B]: Direct Testimony, BAB
 Column [C]: Column [A] + Column [B]
 Line 8: Cross reference to Settlement Schedule BAB-5b.
 Line 9: Cross reference to Settlement Schedule BAB-7c.

RATE BASE ADJUSTMENT NO. 11 - UNSUPPORTED PLANT TREATED AS CIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Contributions in Aid of Construction (CIAC)	\$328,565	\$241,095	\$569,660
2	Amortization of CIAC	106,819	51,114	157,933
3	Net CIAC	<u>\$221,746</u>	<u>\$189,981</u>	<u>\$411,727</u>

Act. No.	Description	Unsupported Plant - CIAC	Year Transferred to CIAC	Number of Interim Years	Depreciation Rate	Amortization of CIAC
7	304 Structures & Improvements	\$9,660	2008	5.5	3.33%	\$1,769
8	304 Structures & Improvements	301,048	2011	2.5	3.33%	25,062
9	307 Wells & Springs	1,988	2001	12.5	3.33%	828
10	307 Wells & Springs	1,891	2007	6.5	3.33%	409
11	307 Wells & Springs	322,484	2008	5.5	3.33%	59,063
12	311 Electric Pumping Equipment	7,678	2002	11.5	12.50%	7,678
13	311 Electric Pumping Equipment	2,576	2003	10.5	12.50%	2,576
14	311 Electric Pumping Equipment	6,834	2004	9.5	12.50%	6,834
15	311 Electric Pumping Equipment	6,705	2005	8.5	12.50%	6,705
16	311 Electric Pumping Equipment	6,430	2009	4.5	12.50%	3,617
17	311 Electric Pumping Equipment	1,260	2010	3.5	12.50%	551
18	311 Electric Pumping Equipment	32,716	2011	2.5	12.50%	10,224
19	311 Electric Pumping Equipment	584	2012	1.5	12.50%	110
20	320.2 Solutions & Feeders	2,255	2001	12.5	5.00%	1,409
21	320.2 Solutions & Feeders	926	2004	9.5	5.00%	440
22	320.2 Solutions & Feeders	2,744	2011	2.5	5.00%	343
23	331 Transmission & Distribution Mains	1,624	2001	12.5	2.00%	406
24	331 Transmission & Distribution Mains	1,268	2002	11.5	2.00%	292
25	331 Transmission & Distribution Mains	15,663	2003	10.5	2.00%	3,289
26	331 Transmission & Distribution Mains	8,312	2011	2.5	2.00%	416
27	334 Meters & Meter Installations	5,952	2001	12.5	8.33%	5,952
28	334 Meters & Meter Installations	5,886	2002	11.5	8.33%	5,638
29	334 Meters & Meter Installations	14,293	2004	9.5	8.33%	11,311
30	334 Meters & Meter Installations	5,652	2006	7.5	8.33%	3,531
31	334 Meters & Meter Installations	5,670	2009	4.5	8.33%	2,125
32	334 Meters & Meter Installations	3,554	2010	3.5	8.33%	1,036
33	334 Meters & Meter Installations	9,973	2011	2.5	8.33%	2,077
34	334 Meters & Meter Installations	4,411	2012	1.5	8.33%	551
35	345 Power Operated Equipment	919	2006	7.5	5.00%	345
36	345 Power Operated Equipment	566	2008	5.5	5.00%	156
37	346 Communications Equipment	569	2003	10.5	10.00%	569
38	346 Communications Equipment	1,640	2004	9.5	10.00%	1,558
39	347 Miscellaneous Equipment	2,094	2009	4.5	10.00%	942
40	347 Miscellaneous Equipment	1,048	2010	3.5	10.00%	367
41	348 Other Tangible Plant	6,777	2007	6.5	5.00%	2,203
42		<u>\$803,650</u>				<u>\$170,381</u>
43		x 30.00%				x 30.00%
44		<u>\$241,095</u>				<u>\$51,114</u>

REFERENCES:

Column [A]: Company Application page 13 and 15, PLANT ASSET PURCHASES supporting invoices, response to Staff DR BAB 2.5
Column [B]: Direct Testimony, BAB
Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
Docket No. W-03515A-14-0310
Test Year Ended: June 30, 2014

Settlement Schedule BAB-9

RATE BASE ADJUSTMENT NO. 12 - ACCUMULATED DEPRECIATION

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1		Accumulated Depreciation	\$742,617	\$105,042	\$847,659
2					
3					
4					
5					
6					
7					
8	301	Organization Costs	\$0	\$0	
9	302	Franchise Costs	0	0	
10	303	Land & Land Rights	5,241	0	
11	304	Structures & Improvements	420,517	101,598	
12	307	Wells & Springs	474,518	169,763	
13	311	Electric Pumping Equipment	159,443	59,695	
14	320	Water Treatment Equipment	0	0	
15	320.1	Water Treatment Plants	181,837	25,849	
16	320.2	Solutions & Feeders	8,058	3,092	
17	330	Distribution Reservoirs & Standpipes	0	0	
18	330.1	Storage Tank	116,577	63,574	
19	330.2	Pressure Tanks	25,295	23,550	
20	331	Transmission & Distribution Mains	230,188	171,892	
21	333	Services	43,221	31,879	
22	334	Meters & Meter Installations	190,853	74,115	
23	335	Hydrants	5,269	1,419	
24	336	Backflow Prevention Devices	0	0	
25	339	Other Plant & Misc. Equip.	116,804	116,804	
26	340	Office Furniture & Fixtures	0	0	
27	340.1	Computer & Software	0	0	
28	341	Transportation Equipment	0	0	
29	342	Store Equipment	0	0	
30	343	Tools & Work Equipment	0	0	
31	344	Laboratory Equipment	0	0	
32	345	Power Operated Equipment	3,421	1,369	
33	346	Communications Equipment	2,209	760	
34	347	Miscellaneous Equipment	3,980	747	
35	348	Other Tangible Plant	6,079	1,551	
			\$1,993,510	\$847,659	

REFERENCES:

Column [A]: Company Application page 15
Column [B]: Direct Testimony, BAB
Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1		<u>REVENUES:</u>					
2	461	Metered Water Sales	\$303,588	\$0	\$303,588	\$199,816	\$503,404
3	460	Unmetered Water Sales	0	0	0	0	0
4	474	Other Water Revenue	3,587	0	3,587	0	3,587
5		Total Operating Revenues	\$307,175	\$0	\$307,175	\$199,816	\$506,991
6							
7		<u>OPERATING EXPENSES:</u>					
8	601	Salaries & Wages	\$39,759	(\$8,880)	\$30,879	\$0	\$30,879
9	610	Purchased Water	0	0	0	0	0
10	615	Purchased Power	47,471	0	47,471	0	47,471
11	618	Chemicals	1,428	0	1,428	0	1,428
12	620	Repairs & Maintenance	23,221	(1,340)	21,881	0	21,881
13	621	Office Supplies & Expense	17,016	0	17,016	0	17,016
14	630	Outside services	162,297	0	162,297	0	162,297
15	635	Water Testing	8,823	(1,514)	7,309	0	7,309
16	641	Rents	17,815	0	17,815	0	17,815
17	650	Transportation Expense	12,960	0	12,960	0	12,960
18	657	Insurance - General Liability	2,895	0	2,895	0	2,895
19	659	Insurance - Health & Life	0	0	0	0	0
20	666	Regulatory Commission Expense	25,000	(8,333)	16,667	0	16,667
21	675	Miscellaneous Expense	11,211	0	11,211	0	11,211
22	403	Depreciation Expense	69,076	(10,274)	58,802	0	58,802
23	408	Taxes Other than Income	0	0	0	0	0
24	408.11	Property Taxes	9,432	4,410	13,842	3,001	16,843
25	670	Bad Debt Expense	1,005	0	1,005	0	1,005
26	409	Income Tax	(35,821)	3,033	(32,788)	52,251	19,463
27							
28		Total Operating Expenses	\$413,588	(\$22,898)	\$390,690	\$55,252	\$445,942
29							
30		Operating Income (Loss)	(\$106,413)	\$22,898	(\$83,515)	\$144,564	\$61,049

References:

Column [A]: Company Application page 19-1
Column [B]: Settlement Schedule BAB-11
Column [C]: Column [A] + Column [B]
Column [D]: Settlement Schedules BAB-17 and BAB-18
Column [E]: Column [C] + Column [D]

Tonto Basin Water Co., Inc.
 Docket No. W-03515A-14-0310
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Settlement Schedule BAB-II

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR											
LINE NO.	ACCT. NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
			COMPANY AS FILED	Salaries & Wages ADJ No. 1	Repairs & Maintenance ADJ No. 2	Water Testing ADJ No. 3	Regulatory Commission Expense ADJ No. 4	Depreciation Expense ADJ No. 5	Property Taxes ADJ No. 6	Income Tax ADJ No. 7	STAFF ADJUSTED
			Ref: Sch BAB-12	Ref: Sch BAB-13	Ref: Sch BAB-14	Ref: Sch BAB-15	Ref: Sch BAB-16	Ref: Sch BAB-17	Ref: Sch BAB-18		
1 REVENUES:											
2	461	Metered Water Sales	\$303,588	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$303,588
3	460	Unmetered Water Sales	0	0	0	0	0	0	0	0	0
4	474	Other Water Revenue	3,587	0	0	0	0	0	0	0	0
5		Total Operating Revenues	\$307,175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$307,175
6 OPERATING EXPENSES:											
7	601	Salaries & Wages	\$39,759	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,879
8	610	Purchased Water	0	0	0	0	0	0	0	0	0
9	615	Purchased Power	47,471	0	0	0	0	0	0	0	47,471
10	618	Chemicals	1,428	0	0	0	0	0	0	0	1,428
11	620	Repairs & Maintenance	23,221	0	(1,340)	0	0	0	0	0	21,881
12	621	Office Supplies & Expense	17,016	0	0	0	0	0	0	0	17,016
13	630	Outside services	162,297	0	0	0	0	0	0	0	162,297
14	635	Water Testing	8,823	0	0	(1,514)	0	0	0	0	7,309
15	641	Rents	17,815	0	0	0	0	0	0	0	17,815
16	650	Transportation Expense	12,960	0	0	0	0	0	0	0	12,960
17	657	Insurance - General Liability	2,895	0	0	0	0	0	0	0	2,895
18	659	Insurance - Health & Life	0	0	0	0	0	0	0	0	0
19	666	Regulatory Commission Expense	25,000	0	0	0	(8,333)	0	0	0	16,667
20	675	Miscellaneous Expense	11,211	0	0	0	0	0	0	0	11,211
21	403	Depreciation Expense	69,076	0	0	0	0	(10,274)	0	0	58,802
22	408	Taxes Other than Income	0	0	0	0	0	0	0	0	0
23	408.11	Property Taxes	9,432	0	0	0	0	0	4,410	0	13,842
24	670	Bad Debt Expense	1,005	0	0	0	0	0	0	0	1,005
25	409	Income Tax	(35,821)	0	0	0	0	0	0	0	0
26		Total Operating Expenses	\$413,588	(\$8,880)	(\$1,340)	(\$1,514)	(\$8,333)	(\$10,274)	\$4,410	3,033	(\$390,690)
27		Operating Income (Loss)	(\$106,413)	\$8,880	\$1,340	\$1,514	\$8,333	\$10,274	(\$4,410)	(\$3,033)	(\$83,515)

Tonto Basin Water Co., Inc.
 Docket No. W-03515A-14-0310
 Test Year Ended: June 30, 2014

Settlement Schedule BAB-12a

OPERATING INCOME ADJUSTMENT NO. 1 - SALARIES & WAGES

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED	
1	601	Salaries & Wages	\$39,759	(\$8,880)	\$30,879	
2						
3						
4						
5						
6	Employee	Tonto Basin Direct	Pay to be allocated	4-factor allocation	Allocated pay	Total salaries and wages
7	Stouder	\$10,292	\$10,202	39.65%	\$4,045	\$14,337
8	Dominick	10,453	15,357	39.65%	6,089	16,541
9						\$30,879

References:
 Column [A]: Company Application page 19-1
 Column [B]: Direct Testimony BAB, Company response to Staff's DR BAB 4.2, Settlement Schedule BAB-12b
 Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT - 4-FACTOR ALLOCATION CALCULATION

Line No.	Company	[A] Customer count	[B] Customer count %	[C] Net Plant in service	[D] Net Plant in service %	[E] Operating expenses	[F] Operating expenses %	[G] Number of systems	[H] Number of systems %	[I] 4-factor %
1	Navajo	301	13.16%	\$112,393	6.35%	\$80,284	9.52%	3	18.75%	11.94%
2	Payson	1,101	48.12%	962,632	54.41%	346,604	41.10%	8	50.00%	48.41%
3	Tonto Basin	886	38.72%	694,289	39.24%	416,380	49.38%	5	31.25%	39.65%
4	Total	2,288		\$1,769,314		\$843,268		16		100.00%

References:

Column [A]: The Customer counts are from December 2013, provided in response to Staff DR BAB-4.1.

Column [B]: Column [A] / Line 4.

Column [C]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [D]: Column [C] / Line 4.

Column [E]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [F]: Column [E] / Line 4.

Column [G]: From the 2013 annual reports. Staff used the annual reports as it is the most recent, consistently prepared data for all three companies.

Column [H]: Column [G] / Line 4.

Column [I]: Average of Columns [B, D, F, and H].

Tonto Basin Water Co., Inc.
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Settlement Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - REPAIRS & MAINTENANCE

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	620	Repairs & Maintenance	\$23,221	(\$1,340)	\$21,881

2
3
4
5

MISCLASSIFIED

Act. No.	Description	Test Year	Total
7			
8	333 Services	(\$417)	(\$417)
9	620 Repairs & Maintenance	417	417
10			
11	Year end journal entry		\$3,318
12	Portion supported by invoices		1,561
13	Portion that should have remained as plant		1,757
14			
	Staff Adjustment		<u>(\$1,340)</u>

References:

Column [A]: Company Application page 19-1

Column [B]: Direct Testimony BAB, Staff's DRs BAB 4.4a and BAB 4.4b as adjusted by settlement discussions.

Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
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Settlement Schedule BAB-14

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	635	Water Testing	\$8,823	(\$1,514)	\$7,309

References:

Column [A]: Company Application page 19-1
Column [B]: Direct Testimony BAB, Engineering report
Column [C]: Column [A] + Column [B]

Tonto Basin Water Co., Inc.
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Test Year Ended: June 30, 2014

Settlement Schedule BAB-15

OPERATING INCOME ADJUSTMENT NO. 4 - REGULATORY COMMISSION EXPENSE

LINE NO.	ACT. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	666	Regulatory Commission Expense	\$25,000	(\$8,333)	\$16,667

References:

Column [A]: Company Application page 19-1, Supplemental response to Staff's DR BAB 1.26

Column [B]: Direct Testimony BAB

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] GROSS UTILITY PLANT IN SERVICE	[B] FULLY/NON DEPRECIABLE	[C] DEPRECIABLE PLANT	[D] DEPREC. RATE	[E] EXPENSE
<i>Plant In Service</i>							
1	301	Organization Costs	\$0	\$0	\$0	0.00%	\$0
2	302	Franchise Costs	0	0	0	0.00%	0
3	303	Land & Land Rights	5,241	5,241	0	0.00%	0
4	304	Structures & Improvements	420,518	0	420,518	3.33%	14,003
5	307	Wells & Springs	474,518	0	474,518	3.33%	15,801
6	311	Electric Pumping Equipment	159,444	0	159,444	12.50%	19,931
7	320	Water Treatment Equipment	0	0	0		
8	320.1	Water Treatment Plants	181,837	0	181,837	3.33%	6,055
9	320.2	Solutions & Feeders	8,058	0	8,058	20.00%	1,612
10	320.3	Arsenic Remediation Plant	0	0	0	3.33%	0
11	330	Distribution Reservoirs & Standpipes	0	0	0		
12	330.1	Storage Tank	116,577	0	116,577	2.22%	2,588
13	330.2	Pressure Tanks	25,295	0	25,295	5.00%	1,265
14	331	Transmission & Distribution Mains	230,188	0	230,188	2.00%	4,604
15	333	Services	44,068	0	44,068	3.33%	1,467
16	334	Meters & Meter Installations	191,763	0	191,763	8.33%	15,974
17	335	Hydrants	5,269	0	5,269	2.00%	105
18	336	Backflow Prevention Devices	0	0	0	6.67%	0
19	339	Other Plant & Misc. Equip.	116,804	116,804	0	6.67%	0
20	340	Office Furniture & Fixtures	0	0	0	6.67%	0
21	340.1	Computer & Software	0	0	0	20.00%	0
22	341	Transportation Equipment	0	0	0	20.00%	0
23	342	Store Equipment	0	0	0	4.00%	0
24	343	Tools & Work Equipment	0	0	0	5.00%	0
25	344	Laboratory Equipment	0	0	0	10.00%	0
26	345	Power Operated Equipment	3,421	0	3,421	5.00%	171
27	346	Communications Equipment	2,209	0	2,209	10.00%	221
28	347	Miscellaneous Equipment	3,981	0	3,981	10.00%	398
29	348	Other Tangible Plant	6,078	0	6,078	5.00%	304
30							
31		Subtotal General	<u>\$1,995,269</u>	<u>\$122,045</u>	<u>\$1,873,224</u>		\$84,499
32							
33		Less: Amortization of Contributions			\$569,660	4.51%	<u>\$25,697</u>
34							
35		Staff Recommended Depreciation Expense					\$58,802
36		Company Proposed Depreciation Expense					<u>69,076</u>
37		Increase/(Decrease) to Depreciation Expense					<u><u>(\$10,274)</u></u>

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$307,175	\$307,175
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$614,350	\$614,350
4	Staff Recommended Revenue	307,175	506,991
5	Subtotal (Line 4 + Line 5)	\$921,525	\$1,121,341
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$307,175	\$373,780
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$614,350	\$747,561
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$614,350	\$747,561
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	\$113,655	\$138,299
15	Composite Property Tax Rate	12.179%	12.179%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$13,842	
17	Company Proposed Property Tax	9,432	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$4,410	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$16,843
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		13,842
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$3,001
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$3,001
23	Increase in Revenue Requirement		\$199,816
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.502%

REFERENCES:

- Line 15: Composite Tax Rate line 15 of the Company's proforma adjustment number 2, page 19c.
- Line 17: Company Application page 19-1
- Line 21: Line 19 - Line 20

Tonto Basin Water Co., Inc.
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Settlement Schedule BAB-18

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	(\$35,821)	\$3,033	(\$32,788)
2	Total	(\$35,821)	\$3,033	(\$32,788)

References:

Column [A]: Company Application page 19-1

Column [B]: Direct Testimony BAB, Schedule BAB-2

Column [C]: Column [A] + Column [B]

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x 3/4" Meter	\$16.00	\$25.95	\$26.00
3/4" Meter	18.40	29.84	30.00
1" Meter	21.28	34.52	34.50
1 1/2" Meter	32.00	51.90	51.50
2" Meter	56.00	90.83	90.50
3" Meter	80.00	129.76	129.50
4" Meter	128.00	207.62	207.50
6" Meter	0.00	0.00	0.00
8" Meter	0.00	0.00	0.00
10" Meter	0.00	0.00	0.00
Commodity Rates			
5/8 x 3/4" & 3/4" Meter - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 3,000 Gallons			\$2.22
From 3,001 to 9,000 Gallons			3.56
Over 9,000 Gallons			5.31
5/8 x 3/4" & 3/4" Meter - Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 9,000 Gallons			\$3.56
Over 9,000 Gallons			5.31
1" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 11,000 Gallons			\$3.56
Over 11,000 Gallons			5.31
1 1/2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 20,000 Gallons			\$3.56
Over 20,000 Gallons			5.31

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 43,000 Gallons			\$3.56
Over 43,000 Gallons			5.31
3" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 66,000 Gallons			\$3.56
Over 66,000 Gallons			5.31
4" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 113,000 Gallons			\$3.56
Over 113,000 Gallons			5.31
6" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 4,000 Gallons	\$1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		\$3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 500,000 Gallons			\$3.56
Over 500,000 Gallons			5.31

RATE DESIGN CONT

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge
5/8" x 3/4" Meter	\$0	\$0	\$430	\$0	\$0	\$430	\$415	\$105	\$520
3/4" Meter	0	0	480	0	0	480	415	205	620
1" Meter	0	0	550	0	0	550	465	265	730
1½" Meter	0	0	775	0	0	775	520	475	995
2" Meter	0	0	1,305	0	0	1,305	800	995	1,795
3" Meter	0	0	1,815	0	0	1,815	1,015	1,620	2,635
4" Meter	0	0	2,860	0	0	2,860	1,430	2,570	4,000
6" Meter	0	0	0	0	0	0	2,150	4,925	7,075
Service Charges									
Establishment			\$25.00			\$25.00			\$25.00
Establishment (After Hours)			35.00			35.00			0.00
Reconnection (Delinquent)			20.00			20.00			20.00
Reconnection (Delinquent and After Hours)			30.00			30.00			0.00
After-Hours Service Charge			0.00			0.00			35.00
Meter Test			25.00			25.00			25.00
Deposit			*			*			*
Deposit Interest			*			*			*
Re-establishment (Within 12 Months)			**			**			****
Re-establishment (Within 12 Months After Hrs)			**			**			35.00
NSF Check			17.50			17.50			17.50
Deferred Payment, Per Month			1.5%			1.5%			1.5%
Meter Re-Read			25.00			25.00			25.00
Late Payment Penalty			1.5%			1.5%			1.5%
Moving Customer Meter (Customer Request)			***			***			***

* Per Commission Rule A.A.C. R-14-2-403(B)(7).

** Number of months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

*** Per Commission Rule A.A.C. R-14-2-405.

**** Month off system times the monthly minimum A.A.C. R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule A.A.C. 14-2-409D(5).

TYPICAL BILL ANALYSIS					
General Service 5/8 x 3/4-Inch Meter					

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,598	\$25.92	\$44.18	\$18.26	70.43%
Median Usage	3,205	\$20.97	\$35.57	\$14.60	69.62%
Staff Recommended					
Average Usage	5,598	\$25.92	\$41.88	\$15.96	61.56%
Median Usage	3,205	\$20.97	\$33.37	\$12.40	59.15%

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

Gallons Consumption	Present Rates	Company Proposed		Staff Recommended	
		Rates	% Increase	Rates	% Increase
0	\$16.00	\$25.95	62.19%	\$26.00	62.50%
1,000	\$17.55	\$28.95	64.96%	\$28.22	60.77%
2,000	\$19.10	\$31.95	67.28%	\$30.43	59.32%
3,000	\$20.65	\$34.95	69.25%	\$32.65	58.09%
4,000	\$22.20	\$37.95	70.95%	\$36.20	63.06%
5,000	\$24.53	\$41.85	70.61%	\$39.76	62.07%
6,000	\$26.86	\$45.75	70.33%	\$43.31	61.24%
7,000	\$29.19	\$49.65	70.09%	\$46.87	60.55%
8,000	\$31.52	\$53.55	69.89%	\$50.42	59.96%
9,000	\$33.85	\$57.45	69.72%	\$53.98	59.45%
10,000	\$36.18	\$61.35	69.57%	\$57.52	63.86%
11,000	\$38.51	\$66.15	71.77%	\$61.07	67.74%
12,000	\$40.84	\$70.95	73.73%	\$64.60	71.17%
13,000	\$43.17	\$75.75	75.47%	\$68.13	74.23%
14,000	\$45.50	\$80.55	77.03%	\$71.66	76.98%
15,000	\$47.83	\$85.35	78.44%	\$75.19	79.46%
16,000	\$50.16	\$90.15	79.72%	\$78.72	81.71%
17,000	\$52.49	\$94.95	80.89%	\$82.25	83.76%
18,000	\$54.82	\$99.75	81.96%	\$85.78	85.63%
19,000	\$57.15	\$104.55	82.94%	\$89.31	87.36%
20,000	\$59.48	\$109.35	83.84%	\$92.84	88.95%
25,000	\$71.13	\$133.35	87.47%	\$113.89	95.33%
30,000	\$82.78	\$157.35	90.08%	\$134.94	99.91%
35,000	\$94.43	\$181.35	92.05%	\$155.99	103.36%
40,000	\$106.08	\$205.35	93.58%	\$177.04	106.06%
45,000	\$117.73	\$229.35	94.81%	\$198.09	108.22%
50,000	\$129.38	\$253.35	95.82%	\$219.14	109.99%
75,000	\$187.63	\$373.35	98.98%	\$300.19	115.55%
100,000	\$245.88	\$493.35	100.65%	\$381.24	118.47%

EXHIBIT 2

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Public Education Program Tariff

PURPOSE

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

REQUIREMENTS

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

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

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

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

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and provide the customer with water conservation measures. The leak detection inspection may consist of a meter read check for flow verification. If the on-site inspection is requested by the customer, the Commission approved meter re-read tariff fee shall apply.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Customer High Water Use Notification Tariff – BMP 3.7

PURPOSE

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

REQUIREMENTS

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

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

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).

9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: 720-949-1384

Effective Date: _____

Meter Repair and/or Replacement Tariff – BMP 4.2

PURPOSE

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement Program).

REQUIREMENTS

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

1. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Upon the effective date of this tariff, the Company shall install all replacement meters with new:
 - a. 1-inch and smaller meters that register in 1 gallon increments,
 - b. 1-1/2-inch through 4-inch meters that register in 10 gallon increments, and
 - c. 6-inch and larger meters that register in 100 gallon increments.
5. The Company shall keep records of all inspected and replacement meters and make this information available to the Commission upon request.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

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

REQUIREMENTS:

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

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Docket No. W-03515A-14-0310

EXHIBIT 3

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Public Education Program Tariff

PURPOSE

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

REQUIREMENTS

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

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

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

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

1. The Company shall handle high water use inquiries as calls are received.
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3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and provide the customer with water conservation measures. The leak detection inspection may consist of a meter read check for flow verification. If the on-site inspection is requested by the customer, the Commission approved meter re-read tariff fee shall apply.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

Customer High Water Use Notification Tariff – BMP 3.7

PURPOSE

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

REQUIREMENTS

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

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

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).

9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Docket No. W-03515A-14-0310

EXHIBIT B

1 SHAPIRO LAW FIRM, P.C.
Jay L. Shapiro (No. 014650)
2 1819 E. Morten Avenue, Suite 280
Phoenix, Arizona 85020
3 Telephone (602) 559-9575

4 Attorneys for Tonto Basin Water Co., Inc.

5

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7

8 IN THE MATTER OF THE APPLICATION
OF TONTO BASIN WATER CO., INC., AN
ARIZONA CORPORATION, FOR A
9 DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
10 PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR
11 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03515A-14-0310

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TESTIMONY OF

17

JASON P. WILLIAMSON

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IN SUPPORT OF

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SETTLEMENT AGREEMENT

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III. ROOSEVELT LAKE ESTATES WATER HAULING TARIFF 4

1 **I. INTRODUCTION, BACKGROUND, AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jason P. Williamson. My business address is 7581 E. Academy
4 Boulevard, Suite 229, Denver, Colorado 80230.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. I'm testifying on behalf of Tonto Basin Water Co., Inc. ("Tonto Basin" or the
7 "Company").

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. I'm Manager of JW Water Holdings, LLC, a Colorado limited liability company
10 ("JW Water"), which owns three utility companies – Tonto Basin, Navajo Water
11 Co., Inc., and Payson Water Co., Inc. I'm also President and Manager of Pivotal
12 Utility Management, LLC ("Pivotal"). Pivotal manages and/or operates a total of
13 ten water and sewer utilities, eight of which are in Arizona, seven of them regulated
14 by the Commission. I am the single common thread between JW Water and Pivotal
15 as the two holding companies have no other common interests.

16 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES FOR THE UTILITIES
17 AND HOLDING COMPANIES.**

18 A. I oversee the day-to-day operations and business management functions for
19 JW Water and Pivotal, including providing contract management services for a
20 number of water and sewer system operations. My job includes supervision of
21 employees/contractors, approving and paying invoices, budgeting and planning,
22 as well as managing ACC-related functions like rate cases and annual report filings.

23 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

24 A. Yes. I've testified in several rate proceedings and CC&N proceedings.
25
26

1 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

2 A. No, I did not. Tonto Basin initiated this proceeding with a short form rate
3 application, which does not include the prefilings of testimony. Therefore, this is the
4 first testimony I've submitted in this rate case.

5 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

6 A. To testify in support of the Settlement Agreement reached between Tonto Basin and
7 the Arizona Corporation Commission Utilities Division Staff ("Staff") (collectively,
8 the "Signatories").

9 **Q. DOES TONTO BASIN BELIEVE THAT THE COMMISSION SHOULD**
10 **APPROVE THE SETTLEMENT AGREEMENT?**

11 A. Yes.

12 **Q. DO YOU BELIEVE THAT APPROVAL OF THE TERMS OF THE**
13 **SETTLEMENT IS IN THE PUBLIC INTEREST?**

14 A. Yes, the settlement represent a balance of benefits. First, and foremost, they
15 establish just and reasonable rates for the water utility service provided by the
16 Company under the facts and circumstances of this case. Second, there is benefit
17 from the elimination of time and resources that would otherwise be needed to
18 continue with a contested rate proceeding. There is likewise benefit from greater
19 certainty, sooner. Third, the agreement addresses all of the concerns that have been
20 raised by Staff in this rate case.

21 **II. CONCERNS ADDRESSED BY THE SETTLEMENT AGREEMENT**

22 **Q. YOU TESTIFIED THAT THE SETTLEMENT AGREEMENT ADDRESSES**
23 **CONCERNS THAT HAVE BEEN EXPRESSED BY STAFF. WHICH**
24 **CONCERNS AND HOW ARE THEY BEING RESOLVED?**

25 A. There were several engineering related recommendations identified in the
26 Engineering Report that Tonto Basin will satisfy as set forth in the Settlement

1 Agreement. First, Tonto Basin will be applying protective coatings to its pressure
2 and storage tanks as recommended by Staff.¹ Second, the Company will be asking
3 ADEQ to inspect its system, specifically its storage capacity.² Third, Tonto Basin
4 has agreed to implement BMPs.³

5 **Q. DID THE SIGNATORIES ADDRESS THE ISSUE CONCERNING THE**
6 **CC&N FOR TONTO BASIN'S CACTUS FOREST SYSTEM?**

7 A. Yes. During the course of its analysis, Staff discovered that Decision No. 60972
8 (June 19, 1998), which approved the reorganization of Tonto Basin's predecessors,
9 inadvertently omitted the Cactus Forest system from the resultant CC&N for
10 Tonto Basin. The Company and Staff have agreed that, within ten days after the
11 docketing of the Settlement Agreement, the Company will file an application
12 pursuant to A.R.S. §40-252 requesting that the Commission reopen Decision No.
13 60972 to consider amending it to include the Cactus Forest system in Tonto Basin's
14 CC&N.⁴ We hope the Commission will do so in this docket or at least at the same
15 time so we can avoid additional proceedings.

16 **Q. WHAT ABOUT THE OTHER PARTIES?**

17 A. Brooke Utilities, Inc. and Tonto Creek Trail RV Park, Inc. have been advised of the
18 settlement discussions and received copies of the draft agreement as it was being
19 negotiated. Neither has expressed opposition.

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¹ Settlement Agreement, ¶ 5.1.
² Settlement Agreement, ¶ 5.2.
³ Settlement Agreement, ¶ 5.3.
⁴ Settlement Agreement, ¶ 6.2.

1 **III. ROOSEVELT LAKE ESTATES WATER HAULING TARIFF**

2 **Q. THE SETTLEMENT AGREEMENT ALSO ADDRESSES THE**
3 **POSSIBILITY OF A HAULING TARIFF FOR THE ROOSEVELT LAKE**
4 **ESTATES SYSTEM. CAN YOU PROVIDE SOME BACKGROUND ON**
5 **THIS MATTER, MR. WILLIAMSON?**

6 A. Yes, recently Tonto Basin has experienced severe water supply shortages in its
7 Roosevelt Lake Estates ("RLE") system. Well production has declined by roughly
8 66 percent. In mid-January 2015, the system's primary well, which had been
9 producing around 35 gpm, suddenly dropped to 12 to 13 gpm. Since that time RLE
10 has been in Stage 4 conservation restrictions under the Company's curtailment tariff
11 and other well owners in this region are experiencing similar decreases in well
12 production.

13 **Q. WHAT STEPS HAS THE COMPANY TAKEN IN RESPONSE?**

14 A. In January, the Company hired a drilling contractor to rehab its existing well.
15 This well was initially drilled (in 1960) to 100 feet, but over the years the bottom
16 had filled in and the well depth was only about 80 feet (the pump set at 74
17 feet). We had hoped we could bail out the well and lower the pump to get more
18 water from it; unfortunately, this did not work. The bailing technique gained only a
19 few feet of depth and there was no improvement in the production.

20 It was subsequently determined that a different technique would be necessary
21 to bail out the well to its original depth, requiring a different type of drilling rig.
22 A new contractor was hired and scheduled to begin work in late February.
23 Upon completion of the work, the well had been deepened to 103 feet, new casing
24 was installed, and the pump was lowered to 94 feet. Disappointingly, production
25 does not seem to have improved at all. During the time of this work, water was
26 offline and customers did not have water service. Gila County supplied a water truck

1 to the community (about 500 gallons), and the Company supplied free bottled
2 drinking water to customers through the local grocery store. At that point, there was
3 little to no water left in storage, and while the well pump was back on line by that
4 evening (pumping 12-13 gpm), it was not able to keep up with demand. By the next
5 morning it was clear that we did not have a sufficient supply, so a hauling truck was
6 called.

7 **Q. HOW MUCH WATER HAD TO BE HAULED IN?**

8 A. Over a 26-hour period approximately 54,000 gallons were hauled in from another of
9 Tonto Basin's systems, Lake Roosevelt Gardens West. The hauling cost about
10 \$4,500. It alleviated the immediate problem and restored water service to all
11 customers. Of course, it is only a temporary solution and we simply cannot afford
12 to subsidize service by continually hauling without recovery.

13 **Q. HAS THE COMPANY EXPLORED ANY OTHER ALTERNATIVES?**

14 A. Yes. We have since spoken with a prior operator of the system who indicated that
15 two additional wells had been drilled in 1990 in response to a similar situation
16 brought on by the lowering of the water levels in Lake Roosevelt. At that time,
17 the lake level was lowered on purpose so that a larger dam could be constructed.
18 One of these wells was known to him as a "good producer," supplied RLE for a
19 number of years, but apparently was taken offline by the previous owner for financial
20 considerations. A third well was said to be drilled into a deeper aquifer (about 250
21 feet deep), but was never activated because it had high arsenic levels.

22 This sounded promising, so we immediately scheduled to have a pump test
23 conducted on the "good producer." This is a 100-foot well in which the pump is set
24 at 70 feet, and the static water level prior to pumping was 49 feet. The test revealed
25 that this well produces approximately 33 gpm consistently for about three hours,
26 with the static dropping and holding steady throughout the test at 50.3 feet –

1 an encouraging result. Consequently, we began the process of determining what
2 equipment, controls, and plumbing changes would need to be done to bring the well
3 back online. It was decided that, with the installation of a larger well pump, we could
4 pump this well water directly into the water distribution system,⁵ precluding us from
5 having to rehab or replace the old storage tank. Additional plumbing changes would
6 be minimal, so the main expenses would be the new well pump installation, a few
7 parts, and the water testing.

8 **Q. SO BRINGING THIS WELL ONLINE MIGHT BE A POSSIBILITY?**

9 A. Yes, although ADEQ is currently insisting on a very broad scope of water sampling
10 to obtain their approval to do so. The Company is presently asking ADEQ to accept
11 a more limited scope of testing, similar to that required for wells that have been
12 offline for 3-5 years. The Company cannot afford to do full new source testing at
13 this time, and doesn't believe that should be required to do so given the well's
14 excellent history of compliance when it was in operation. With pump installation,
15 plumbing and control work, the well could be brought online in as little as 7-10 days.

16 **Q. SO IF YOU'RE ABLE TO WORK SOMETHING OUT WITH ADEQ, AND
17 BRING THAT WELL BACK ONLINE, IS THE PROBLEM SOLVED?**

18 A. We just don't know. The pump test seems to indicate that we have a good chance
19 of improving supply in the short term, but since this well is located in the same or
20 similar formation as the main well, it is possible it could experience a similar decline
21 in production at some point in the future.

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⁵ This methodology is used in Payson Water Co., Inc.'s Mesa Del Caballo system.

1 **Q. IN THAT CASE, THE HAULING TARIFF YOU MAY PROPOSE WOULD**
2 **BE A BACKUP PLAN IF THE SECOND WELL DOESN'T PAN OUT?**

3 A. Right. As our experiences in Payson, and recently in Tonto Basin tell us, aquifers
4 are rarely predictable.

5 **Q. WHAT IS THE COMPANY'S CURRENT STATUS IN TERMS OF**
6 **RESERVE STORAGE FOR THE RLE SYSTEM?**

7 A. Our storage volume has declined from 90 percent capacity (at its highest following
8 hauling) to around 35 percent capacity today. Depending on weather, and assuming
9 there are no unexpected leaks or line breaks, we estimate that we have about a week
10 before the water will run out again.

11 **Q. WHEN WILL TONTO BASIN FILE THE REQUEST FOR THE HAULING**
12 **TARIFF?**

13 A. I am not sure. There are just too many unknowns at this time. If ADEQ will not
14 allow us to move forward with the level of testing we can afford, we may be forced
15 to file it immediately. On the other hand, if the second well comes online and
16 consistently produces, we may not need to seek emergency relief before summer.
17 In any case, hauling is a temporary fix, but only if we can obtain concurrent cost-
18 recovery.⁶

19 **Q. THANK YOU. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD,**
20 **MR. WILLIAMSON?**

21 A. On behalf of Tonto Basin, I would like to thank Staff for working with us to reach
22 agreement. The settlement represents a chance for Tonto Basin to begin much
23 needed financial healing, and I respectfully urge the Commission to approve new
24 rates based on the Settlement Agreement as soon as possible.

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26 ⁶ Settlement Agreement, ¶ 7.2.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

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