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AZ CORP COMMISSION
DOCKET CONTROL

MEMORANDUM

TO: Docket Control Center

FROM: Thomas M. Broderick
Director
Utilities Division

DATE: August 3, 2015

RE: STAFF REPORT FOR PARKER LAKEVIEW ESTATES HOMEOWNER'S ASSOCIATION, INC. DBA PARKER SPRINGS WATER COMPANY'S REQUEST FOR APPROVAL OF ADJUSTMENT TO EXISTING RATES (DOCKET NO. W-01853A-15-0145.)

Attached is the Staff Report for Parker Lakeview Estates Homeowner's Association, Inc. DBA Parker Springs Water Company's application for a rate increase. Staff recommends approval of its recommended rates and charges.

TMB:JLK:vsc\ML

Originator: Jorn Keller

Arizona Corporation Commission
DOCKETED
AUG 03 2015
DOCKETED BY

ORIGINAL

Service List for: PARKER SPRINGS WATER COMPANY
Docket No. W-01853A-15-0145

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

PARKER LAKEVIEW ESTATES HOMEOWNER'S ASSOCIATION, INC.
DBA PARKER SPRINGS WATER COMPANY

DOCKET NO. W-01853A-15-0145

APPLICATION FOR A
PERMANENT RATE CASE

AUGUST 3, 2015

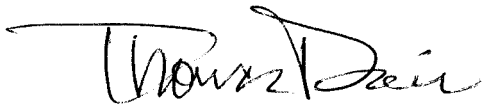
STAFF ACKNOWLEDGMENT

The Staff Report for Parker Lakeview Estates Homeowner's Association, Inc. DBA Parker Springs Water Company ('Company"), Docket No. W-04015A-15-0083, was the responsibility of the Staff members listed below. Jorn Keller was responsible for the review and analysis of the Company's application, recommended revenue requirements, rate base and rate design. Michael Thompson was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.

Jorn Keller
Public Utilities Analyst

Michael Thompson
Utilities Engineer – Water/Wastewater

Thomas Davis
Public Utilities Consumer Analyst I



EXECUTIVE SUMMARY
PARKER LAKEVIEW ESTATES HOMEOWNER'S ASSOCIATION, INC.
DBA PARKER SPRINGS WATER COMPANY
DOCKET NO. W-01853A-15-0145
RATE INCREASE REQUEST

Parker Lakeview Estates Homeowner's Association, Inc. DBA Parker Springs Water Company ("Parker" or "Company"), filed an application for a rate increase before the Arizona Corporation Commission ("Commission") on May 7, 2015. On June 4, 2015, Staff issued a Letter of Sufficiency.

Parker is a class E Arizona Public Service Corporation, providing potable water service to approximately 36 metered customers. The Company is located in Cochise County, near the town of Elgin, Arizona. The current rates were authorized in Decision No. 72638, dated October 14, 2011.

The Company proposes total annual operating revenue of $27,179, an increase of $0 over the Company's test year annual revenue of $27,179. Pursuant to Decision No. 72638, the Company was required to file this rate request as a follow-up to previous rates and financing cases (Docket Nos. W-01853A-11-0065 and 11-0050). The Company's proposed revenue would yield a 3.23 percent rate of return on the Company proposed original cost rate base ("OCRB") of $232,119. The Company did not propose a fair value rate base that differs from its OCRB. The Company's proposed rates would not increase the typical residential 5/8 x 3/4-inch meter bill, with a median usage of 379 gallons. The median bill would remain at $61.86, an increase of 0 percent.

Staff recommends total operating revenue of $31,066, an increase of $3,887 or 14.30 percent over the Company's test year revenue of $27,179. Staff's recommended revenue would yield a 5.16 percent rate of return on Staff's recommended OCRB of $234,817. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 379 gallons from $61.86 to $70.73, for an increase of $8.87, or 14.3 percent.

Staff's revenue requirement recommendation was determined by utilizing debt service requirements for a Water Infrastructure Finance Authority ("WIFA") loan. Staff's recommended revenue results in a 1.25 Debt Service Coverage Ratio.

STAFF RECOMMENDATIONS

Staff recommends:

1. Approval of its recommended rates and charges as shown in Schedule JLK-4.

2. The Water Infrastructure Finance Authority ("WIFA") Surcharge ordered by Decision No. 73237 be discontinued as of the effective date of the Decision in this Docket because the revenues from the Surcharge have been included in Staff's recommended rates.

3. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

4. The Company continue to monitor and record monthly water losses and repair all leaks when discovered and located.

5. The Company track, quantify and record water consumed during water main flushing and storage tank controlled overflows to account for the amount of water actually used for "Authorized Unbilled Consumption" purposes.

6. The Company be ordered to use the depreciation rates presented in Table F of the attached Engineering Report.

7. The Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three (3) BMP Tariff's that were provided during the site visit or select three (3) of its choosing in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at http:/www.azcc.gov/Divisions/Utilities/forms.asp.

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SCHEDULES

EXHIBIT

FACT SHEET

Company:

Type of Ownership: Non-profit Corporation.

Parker Lakeview Estates Homeowner's Association, Inc. DBA Parker Springs Water Company ("Parker" or "Company") is a class E Arizona public service corporation that provides potable water service to approximately 36 metered customers.

Rates:

Permanent rate increase application filed: May 8, 2015.

Current test year ended: December 31, 2014.

Prior test year ended: October 30, 2010.

The application became sufficient on June 4, 2015.

	Company Current Rates	Company Proposed Rates	Staff Recommended Rates
Monthly Minimum Rates			
Residential Monthly Minimum Charge 5/8 x 3/4-inch meter	$ 60.84	$ 60.84	$ 69.33
(Gallons included in the minimum)	0	0	0
Commodity Rates (Per 1,000 gallons)			
5/8 x 3/4 & 3/4 inch meters			
1 to 3,000 gallons	$ 2.70	$ 2.70	$ 3.70
3,001 to 8,000 gallons	$ 4.50	$ 4.50	$ 5.50
Over 8,000 gallons	$ 5.40	$ 5.40	$ 7.40

Fact Sheet (Continued)

	Company Current Rates	Company Proposed Rates	Staff Recommended Rates
Typical 5/8x3/4 or 3/4-inch residential bill			
Average use (598 gallons)	$ 62.45	$ 62.45	$ 71.54
Median use (379 gallons)	$ 61.86	$ 61.86	$ 70.73

Customers

Average Number of customers in the current test year (12/31/14): 36

There are no other meter sizes in use.

Notifications

Affidavit of mailing for the Customer Notification was filed on May 11, 2015.

Complaints

Number of comments filed against the rate increase application: 0.

Percentage of comments to customer base: 0.00 percent (0/36).

No customer complaints were filed against the Company from January 1, 2012 through July 8, 2015.

SUMMARY OF FILING

The test year results as adjusted by Utilities Division Staff ("Staff") for Parker Lakeview Estates Homeowner's Association, Inc. DBA Parker Springs Water Company's ("Parker" or "Company") rate application show total operating revenue of $27,179 and operating income of $8,239, as shown on Schedule JLK-1. The Original Cost Rate Base ("OCRB") as adjusted by Staff is $234,817.

The Company proposes total annual operating revenue of $27,179, an increase of $0 over the Company's test year annual revenue of $27,179. The Company's proposed revenue would yield a 3.23 percent rate of return on the Company proposed OCRB of $232,119. The Company did not propose a fair value rate base that differs from its OCRB. The Company's proposed rates would not increase the typical residential 5/8 x 3/4-inch meter bill, with median usage of 379 gallons. The median bill would remain at $61.86, an increase of 0 percent.

Staff recommends total operating revenue of $31,066, an increase of $3,887 or 14.30 percent over the Company's test year revenue of $27,179. Staff's recommended revenue would yield a 5.16 percent rate of return on Staff's recommended OCRB of $234,817. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 379 gallons from $61.86 to $70.73, for an increase of $8.87, or 14.3 percent.

The Company did not request a rate increase, and it believes that existing cash flow is adequate to meet operational expenses. However, Staff believes that a slight increase in rates is needed in order to meet expenses and to continue complying with the covenants of the Company's Water Infrastructure Finance Authority of Arizona ("WIFA") loan. Covenants of the WIFA loan require a Debt Service Coverage Ratio of 1.20.

COMPANY BACKGROUND

Parker is a class E Arizona Public Service Corporation, providing potable water service to 36 metered customers in Cochise, County near the town of Elgin, Arizona.

The Company's customers consist of 36 residential users with 5/8 x 3/4 inch meters. Many of these customers are part-time residents. The Company's current rates were authorized in Decision No. 72638, dated October 14, 2011. Decision No. 73254 also authorized a WIFA loan in the amount of $271,000 to construct capital improvement projects to address excessive water loss. On June 26, 2012, Decision No. 73237 ordered the implementation of a WIFA surcharge in the amount of $25.84 per connection per month. Under Staff's Proposal, the current WIFA surcharge would be eliminated and the required WIFA loan funding would be built into the base rates.

Pursuant to Decision No. 72638, Parker filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission") on May 8, 2015. The application was deemed sufficient on June 4, 2015.

CONSUMER SERVICES

A review of the Commission's records for the period beginning January 1, 2012 through July 8, 2015 found no complaints filed for the Company. No comments in opposition of the rate increase request have been filed through July 15, 2015.

The Company's affidavit of mailing "Customer Notification" was filed on May 11, 2015.

COMPLIANCE

The Utilities Division Compliance Section shows no outstanding compliance issues.

Parker is current on its property and Transaction Privilege Tax obligations. The Company is in good standing with the Corporations Division of the Commission.

ENGINEERING ANALYSIS

Staff inspected Parker's plant facilities on June, 2, 2015. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report.

RATE BASE

Staff's adjustments increased the Company's calculated rate base by $2,698, from $232,119 to $234,817 as shown on Schedule JLK-2, page 1. Details of Staff's adjustments are discussed below.

Utility Plant In Service

Staff adjustments increase plant in service by $1,102 from $305,575 to $306,677, as shown on Schedule JLK-2, pages 1 and 2. These adjustments properly reflect the plant in service account balances per Decision No. 72638 as well as plant additions, retirements and reassignments.

Wells and Springs – Adjustment A increases this account by $1,102 from $107,370 to $108,472 to add a well control circuit receiver that had been previously expensed.

Accumulated Depreciation

Accumulated Depreciation, Adjustment B, decreases accumulated depreciation by $864 from $58,456 to $57,592, as shown on Schedule JLK-2, page 3 of 3. The adjustment was necessary to adjust for the early retirement of assets per the conventions of the National Association of Utility Commissioners Uniform System of Accounts ("NARUC USoA"), to include the salvage of retired plant, to include depreciation on capitalized expense and other unaccounted for variances.

Advances in Aid of Construction

Staff increases Advances in Aid of Construction ("AIAC") by $245 from $140 to $385 to reflect the ending balance ordered in Decision 72638.

Working Capital

The Company did not request an allowance for Working Capital. Staff's adjustments D and E to Working Capital reflects Staff's adjusted operation and maintenance costs, resulting in a net increase to working capital of $976, from $0 to $976, as shown on Schedule JLK-2, page 1. Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

OPERATING INCOME STATEMENT

Operating Revenue

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

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of $740 from $19,680 to $18,940 as shown on Schedule JLK-3, pages 1 and 2. Details of Staff's adjustments are presented below.

Outside Services – Adjustment A decreases Outside Services expense by $1,102, from $5,507 to $4,405 as shown on Schedule JLK-3, pages 1 and 2. The purchase and installation of a well control circuit receiver was capitalized and added to the Wells and Springs plant account.

Water Testing Expense – Adjustment B decreases water testing expense by $342, from $1,485 to $1,143, as shown on Schedule JLK-3, pages 1 and 2. This adjustment reflects the annual water testing costs determined in Staff's Engineering Report.

Depreciation Expense – Adjustment C increases depreciation expense by $144, from $9,504 to $9,648, as shown on Schedule JLK-3, pages 1 and 3. Staff's reassignment of expenses and the Company's use of an incorrect depreciation rate for Account 320.2, Solutions and Feeders, increased and decreased Depreciation Expense for a net adjustment of $144.

Property Tax Expense – Adjustment D increases property tax expense by $560, from $584 to $1,144, as shown on Schedule JLK-3, page 3. Staff calculated property tax amount using a modified version of the Arizona Department of Revenue's ("ADOR") property tax method.

CASH FLOW

The Company proposed revenue requirement would provide an operating income of $7,499 and would yield a cash flow of $17,003 before debt service and ($468) after debt service as shown on Schedules JLK-1 and JLK-6.

Staff's recommended revenue requirement would provide an operating income of $12,126 and would yield a cash flow of $21,774 before debt service and $4,303 after debt service. Staff calculates cash flow as operating income, plus depreciation expense, less debt service. See Schedules JLK-1 and JLK-6.

REVENUE REQUIREMENT

Parker has a Staff-adjusted rate base of $234,817. Staff's revenue requirement yields a return on rate base of 5.16 percent.

Staff recommends a $3,887 or a 14.30% percent increase over the test year revenue of $27,179 to $31,066. Staff's recommended revenues would result in an operating income of $12,126, an after debt service cash flow of $4,303 and a DSCR of 1.25 as shown on Schedules JLK-1, JLK-6 and JLK-7. Staff has built in a five basis point cushion so there is some leeway for the Company to stay above the 1.20 minimum requirement.

Staff's total revenue requirement of $31,066 provides the Company with sufficient cash flow to meet normalized operating expenses, fund other contingencies, and meet WIFA Debt Service Requirements.

RATE DESIGN

Schedule JLK-4 presents a complete list of the Company's present and proposed rates and Staff's recommended rates and charges.

The Company requested that its total revenue remain $27,179, so the Company did not propose any change to Revenue Requirement or Rate Design.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 379 gallons from $61.86 to $70.73, for an increase of $8.87, or 14.3 percent as shown on Schedule JLK-5.

Staff's proposed rate design continues to recover a major portion of the revenue requirement through the monthly minimum. This is necessary because the water usage levels are low, and many customers are seasonal.

Parker Lakeview Est HOA, Inc. dba Parker Springs Water Schedule JLK-1
Docket No. W-01853A-15-0145
Test Year Ended December 31, 2014

SUMMARY OF OPERATING INCOME
ADJUSTED TEST YEAR AND STAFF RECOMMENDED

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Proposed
Revenues:				
Metered Water Revenue	$ 15,969	$ 15,969	$ 27,132	$ 31,019
Unmetered Water Revenue	-	-	-	-
Other Water Revenues	11,210	11,210	47	47
Total Operating Revenue	$ 27,179	$ 27,179	$ 27,179	$ 31,066
Operating Expenses:				
Operation and Maintenance	$ 9,591	$ 8,147	$ 9,591	$ 8,148
Depreciation	9,504	9,648	9,504	9,648
Property & Other Taxes	585	1,145	585	1,144
Income Tax	-	-	-	-
Total Operating Expense	$ 19,680	$ 18,940	$ 19,680	$ 18,940
Operating Income/(Loss)	$ 7,499	$ 8,239	$ 7,499	$ 12,126
Rate Base O.C.L.D.	$ 232,119	$ 234,821	$ 232,119	$ 234,821
Rate of Return - O.C.L.D.	3.23%	3.51%	3.23%	5.16%
Cash Flow	$ (468)	$ 463	$ (468)	$ 4,303

ORIGINAL COST RATE BASE/FAIR VALUE

	Original Cost			
	Company	Adjustment		Staff
Plant in Service	$ 305,575	$ 1,102	A	$ 306,677
Less:				
Accum. Depreciation	58,456	(864)	B	57,592
Net Plant	$ 247,119	$ 1,966		**$ 249,085**
Less:				
Plant Advances	140	245	C	385
Security Deposits	80	-		80
Total Advances	220	245		465
Contributions Gross	15,280	-		15,280
Less:				
Amortization of CIAC	500	-		500
Net CIAC	14,780	-		14,780
Total Deductions	$ 15,000	$ 245		**$ 15,245**
Plus:				
1/24 Power	-	19	D	19
1/8 Operation & Maint.	-	963	E	963
Inventory	-	-		-
Prepayments	-	-		-
Total Additions	$ -	$ 981		**$ 981**
Rate Base	**$ 232,119**	**$ 2,702**		**$ 234,821**

Explanation of Adjustment:

A Refer to JLK-2, Page 2
B Refer to JLK-2, Page 3
C To adjust Advances per Decision 72638
D&E To reflect Staff's calculation of cash working capital based on Staff's recommended power and operation expenses.

PLANT ADJUSTMENT

		Company Exhibit	Adjustment		Staff Adjusted
301	Organization	$ -	$ -		$ -
302	Franchise Costs	-	-		-
303	Land & Land Rights	10,500	-		10,500
304	Structures & Improvements	47,339	-		47,339
307	Wells & Springs	107,370	1,102	A	108,472
311	Electric Pumping Equipment	3,193	-		3,193
320	Water Treatment Equipment	-	-		-
320.1	Water Treatment Plants	-	-		-
320.2	Solutions & Feeders	2,224	-		2,224
320.3	Arsenic Remediation Plant	-	-		-
330	Distribution Reservoirs & Standpipes	-	-		-
330.1	Storage Tank	48,985	-		48,985
330.2	Pressure Tanks	-	-		-
331	Transmission & Distribution Mains	41,036	-		41,036
333	Services	9,048	-		9,048
334	Meters & Meter Installations	3,580	-		3,580
309	Supply Mains	32,018	-		32,018
336	Backflow Prevention Devices	-	-		-
339	Other Plant & Misc. Equip.	-	-		-
340	Office Furniture & Fixtures	-	-		-
340.1	Computer & Software	-	-		-
341	Transportation Equipment	-	-		-
342	Store Equipment	-	-		-
343	Tools & Work Equipment	282	-		282
344	Laboratory Equipment	-	-		-
345	Power Operated Equipment	-	-		-
346	Communications Equipment	-	-		-
347	Miscellaneous Equipment	-	-		-
348	Other Intangibles	-	-		-
105	C.W.I.P.	-	-		-
	TOTALS	$ 305,575	$ 1,102		**$ 306,677**

Explanation of Adjustment:

A To add well control curcuit receiver

ACCUMULATED DEPRECIATION ADJUSTMENT

		Amount	
Accumulated Depreciation - Per Company	$	58,456	
Accumulated Depreciation - Per Staff		57,592	A
Total Adjustment	**$**	**(864)**	

Explanation of Adjustment:

A - To adjust for early retirement of assets and salvage value of assets.

STATEMENT OF TEST YEAR OPERATING INCOME

	Company Exhibit	Staff Adjustments		Staff Adjusted
Revenues:				
461 Metered Water Revenue	$ 15,969	$ -		$ 15,969
460 Unmetered Water Revenue	-	-		-
474 Other Water Revenues	11,210	-		11,210
Total Operating Revenue	$ 27,179	$ -		$ 27,179
Operating Expenses:	-	-		$ -
601 Salaries and Wages	-	-		-
610 Purchased Water	-	-		-
616 Purchased Fuel	444	-		444
618 Chemicals	57	-		57
620 Repairs and Maintenance	630	-		630
621 Office Supplies & Expense	509	-		509
630 Outside Services	5,507	(1,102)	A	4,405
635 Water Testing	1,485	(342)	B	1,143
641 Rents	59	-		59
650 Transportation Expenses	-	-		-
657 Insurance - General Liability	750	-		750
659 Insurance - Health and Life	-	-		-
666 Regulatory Commission Expense - Rate Case	-	-		-
675 Miscellaneous Expense	150	-		150
403 Depreciation Expense	9,504	144	C	9,648
408 Taxes Other Than Income	1	-		1
408.11 Property Taxes	584	560	D	1,144
409 Income Tax	-	-		-
Total Operating Expenses	$ 19,680	$ (740)		$ 18,940
OPERATING INCOME/(LOSS)	**$ 7,499**	**$ 740**		**$ 8,239**
Other Income/(Expense):				
419 Interest and Dividend Income	$ 1	$ -		$ 1
421 Non-Utility Income	-	-		-
427 Interest Expense	1,634	-		1,634
4XX Reserve/Replacement Fund Deposit	3,060	-		3,060
426 Miscellaneous Non-Utility Expense	-	-		-
Total Other Income/(Expense)	(4,693)	-		(4,693)
NET INCOME/(LOSS)	$ 2,806	$ 740		$ 3,546

STAFF ADJUSTMENTS

A.	630	OUTSIDE SERVICES - Per Company	$ 5,507		
		Per Staff	4,405	$	(1,102)
		To capitalize the expense of adding a well control curcuit receiver.			
B.	635	WATER TESTING - Per Company	$ 1,485		
		Per Staff	1,143	$	(342)
		To adjust per Staff Engineering Report.			
C.	403	DEPRECIATION - Per Company	$ 9,504		
		Per Staff	9,648	$	144
		To correct the Company's depreciation rate for Account 320.2			
		Pro Forma Annual Depreciation Expense:			
		Plant in Service	$ 338,320		
		Less: Non Depreciable Plant	10,500		
		Fully Depreciated Plant	17,673		
		Depreciable Plant	$ 310,147		
		Times: Staff Proposed Depreciation Rate	3.27%		
		Credit to Accumulated Depreciation	10,148		
		Less: Amort. of CIAC* @ 3.27%	500		
		Pro Forma Annual Depreciation Expense	$ 9,648		
		*** Amortization of CIAC:**			
		Contribution(s) in Aid of Construction (Gross)	$ 15,280		
		Less: Non Amortizable Contribution(s)	-		
		Fully Amortized Contribution(s)	-		
		Amortizable Contribution(s)	$ 15,280		
		Times: Staff Proposed Amortization Rate	3.27%		
		Amortization of CIAC	$ 500		
D.	408	PROPERTY TAXES - Per Company	$ 584		
		Per Staff	1,144	$	560
		Staff has applied the 2015 property tax rate and used the ADOR method of calculation.			

OPERATING INCOME ADJUSTMENT No. 3 - DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	UTILITY PLANT IN SERVICE BALANCES	FULLY/NON-DEPRECIABLE PLANT BALANCES	DEPRECIABLE PLANT IN SERVICE	DEPREC. RATE	DEPRECIATION EXPENSE
	Plant In Service						
1	301	Organization	$ -	$ -	$ -	0.00%	$ -
2	302	Franchise Costs	-	-	-	0.00%	-
3	303	Land & Land Rights	10,500	10,500	-	0.00%	-
1568	304	Structures & Improvements	47,339	243	47,096	3.33%	1,568
1569	307	Wells & Springs	108,472	4,500	103,972	3.33%	3,462
1570	310	Power Generation Equipment	31,642	-	31,642	5.00%	1,582
1571	311	Electric Pumping Equipment	3,193	1,473	1,720	12.50%	215
1572	320	Water Treatment Equipment					
1573	320.1	Water Treatment Plants	-	-	-	3.33%	-
1574	320.2	Solutions & Feeders	2,224	-	2,224	20.00%	445
1575	320.3	Arsenic Remediation Plant		-		10.00%	
1576	330	Distribution Reservoirs & Standpipes	-				
1577	330.1	Storage Tank	48,985	-	48,985	2.22%	1,087
1578	330.2	Pressure Tanks	-	-	-	5.00%	-
1579	331	Transmission & Distribution Mains	41,036	9,557	31,479	2.00%	630
1580	333	Services	9,048	1,253	7,795	3.33%	260
1581	334	Meters & Meter Installations	3,580	647	2,933	8.33%	244
1582	309	Supply Mains	32,018	-	32,018	2.00%	640
1583	336	Backflow Prevention Devices	-	-	-	6.67%	-
1584	339	Other Plant & Misc. Equip.	-	-	-	6.67%	-
1585	340	Office Furniture & Fixtures	-		-	6.67%	-
1586	340.1	Computer & Software	-	-	-	20.00%	-
1587	341	Transportation Equipment	-	-	-	20.00%	-
1588	342	Store Equipment	-	-	-	4.00%	-
1589	343	Tools & Work Equipment	282	-	282	5.00%	14
1590	344	Laboratory Equipment	-	-	-	10.00%	-
1591	345	Power Operated Equipment	-	-	-	5.00%	-
28	346	Communications Equipment	-	-	-	10.00%	-
29	347	Miscellaneous Equipment	-	-	-	10.00%	-
	348	Other Intangibles	-	-	-	0.00%	-
				-			
29		Subtotal General	$ 338,320	$ 28,173	$ 310,147		$ 10,148
30		Less: Amortization of Contributions			**$ 15,280**	3.27%	$ 500
31		Staff Recommended Depreciation Expense					$ 9,648
32		Company Proposed Depreciation Expense					9,504
33		Increase/(Decrease) to Depreciation Expense					$ 144

OPERATING INCOME ADJUSTMENT No. 3 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 27,179	$ 27,179
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$ 54,358	$ 54,358
4	Staff Recommended Revenue	$ 27,179	$31,066
5	Subtotal (Line 4 + Line 5)	$ 81,537	$ 85,424
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 27,179	$ 28,475
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 54,358	$ 56,949
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 54,358	$ 56,949
13	Assessment Ratio - 2014/2015 Rate	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	$ 10,056	$ 10,536
15	Composite Property Tax Rate - Obtained from ADOR	10.86140%	10.86140%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 1,092	
17	Company Proposed Property Tax	584	
18	Staff Test Year Adjustment (Line 16 - Line 17)	$ 508	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 1,144
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		1,092
21	Increase in Property Tax Due to Increase in Revenue Requirement		$ 52
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		$ 52
23	Increase in Revenue Requirement		$ 3,887
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		**1.339573%**

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20
Line 23: Schedule xxx

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter	$ 60.84	$ 61.04	$ 69.33
3/4" Meter	$ 52.50	$ 52.50	$ 75.00
1" Meter	$ 87.50	$ 87.50	$ 75.00
1½" Meter	$ 175.00	$ 175.00	$ 150.00
2" Meter	$ 280.00	$ 280.00	$ 240.00
3" Meter	$ 560.00	$ 560.00	$ 480.00
4" Meter	$ 875.00	$ 875.00	$ 750.00
6" Meter	$ 1,750.00	$ 1,750.00	$ 1,500.00
8" Meter	$ -	$ -	$ -
10" Meter	$ -	$ -	$ -
Fire			
2"	$ -	$ -	$ -
4"	$ -	$ -	$ -
6"	$ -	$ -	$ -
8"	$ -	$ -	$ -
10"	$ -	$ -	$ -
12"	$ -	$ -	$ -
14"	$ -	$ -	$ -
20"	$ -	$ -	$ -
Private Hydrant	$ -	$ -	$ -
Public Hydrant	$ -	$ -	$ -
Public Sprinkler Head	$ -	$ -	$ -
Commodity Rates			
5/8 x 3/4" & 3/4" Meter - Residential			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
First 3,000 Gallons	$ 2.70		
From 3,001 to 8,000 Gallons	$ 4.50		
Over 8,000 Gallons	$ 5.40		
First 3,000 Gallons		$ 2.70	$ 3.70
From 3,001 to 8,000 Gallons		$ 4.50	$ 5.50
Over 8,000 Gallons		$ 5.40	$ 7.40
3/4" Meter - Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
First 3,000 Gallons	$ 2.70		
From 3,001 to 8,000 Gallons	$ 4.50		
Over 8,000 Gallons	$ 5.40		
First 3,000 Gallons		$ 2.70	$ 3.70
From 3,001 to 8,000 Gallons		$ 4.50	$ 5.50
Over 8,000 Gallons		$ 5.40	$ 7.40
1" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 1 to 10,000 Gallons	$ 4.50		
Over 10,000 Gallons	$ 5.40		
From 1 to 10,000 Gallons		$ 4.50	$ 5.50
Over 10,000 Gallons		$ 5.40	$ 7.40
1½" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 20,000 Gallons	$ 4.50		
Over 20,000 Gallons	$ 5.40		
From 0 to 20,000 Gallons		$ 4.50	$ 5.50
Over 20,000 Gallons		$ 5.40	$ 7.40
2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 40,000 Gallons	$ 4.50	$ 4.50	$ 5.50
Over 40,000 Gallons	$ 5.40	$ 5.40	$ 7.40
3" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 144,000 Gallons	$ 4.50	$ 4.50	$ 5.50
Over 144,000 Gallons	$ 5.40	$ 5.40	$ 7.40
4" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 225,000 Gallons	$ 4.50	$ 4.50	$ 5.50
Over 225,000 Gallons	$ 5.40	$ 5.40	$ 7.40
6" - Residential, Commercial & Industrial			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 0 to 450,000 Gallons	$ 4.50	$ 4.50	$ 5.50
Over450,000 Gallons	$ 5.40	$ 5.40	$ 7.40

RATE DESIGN

Service Line and Meter Installation Charges	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter	$ 520.00	$ 520.00	$ 520.00
3/4" Meter	$ 620.00	$ 620.00	$ 620.00
1" Meter	$ 780.00	$ 780.00	$ 780.00
1½" Meter	$ 1,050.00	$ 1,050.00	$ 1,050.00
2" Turbine Meter	Cost	Cost	Cost
2" Compound Meter	Cost	Cost	Cost
3" Turbine Meter	Cost	Cost	Cost
3" Compound Meter	Cost	Cost	Cost
4" Turbine Meter	Cost	Cost	Cost
4" Compound Meter	Cost	Cost	Cost
6" Turbine Meter	Cost	Cost	Cost
6" Compound Meter	Cost	Cost	Cost
Service Charges			
Establishment	$ 30.00	$ 35.00	$ 35.00
Reconnection (Delinquent)	$ 30.00	$ 35.00	$ 35.00
Meter Test (If Correct)	$ 30.00	$ 35.00	$ 30.00
Deposit	*	*	*
Deposit Interest	6.00%	2.00%	2.00%
Re-Establishment (Within 12 Months)	*	*	*
NSF Check	**	**	$ 20.00
Deferred Payment	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	$ 15.00	$ 15.00	$ 15.00
Late Fee	1.50%	1.50%	1.50%
After Hours Service Charge	10.00	15.00	$ 25.00
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	***	***	***
6"	***	***	***
8"	***	***	***
10"	***	***	***
Larger than 10"	***	***	***

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than $10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Parker Lakeview Est HOA, Inc. dba Parker Springs Water Schedule JLK-5
Docket No. W-01853A-15-0145
Test Year Ended December 31, 2014

TYPICAL BILL ANALYSIS

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

Average Number of Customers: 36

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	598	$ 62.45	$ 62.45	$ -	0.0%
Median Usage	379	$ 61.86	$ 61.86	$ -	0.0%
Staff Recommend					
Average Usage	598	$ 62.45	$ 71.54	$ 9.09	14.6%
Median Usage	379	$ 61.86	$ 70.73	$ 8.87	14.3%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	$ 60.84	$ 61.04	0.3%	$ 69.33	14.0%
1,000	63.54	63.74	0.3%	73.03	14.9%
2,000	66.24	66.44	0.3%	76.73	15.8%
3,000	68.94	69.14	0.3%	80.43	16.7%
4,000	73.44	73.64	0.3%	85.93	17.0%
5,000	77.94	78.14	0.3%	91.43	17.3%
6,000	82.44	82.64	0.2%	96.93	17.6%
7,000	86.94	87.14	0.2%	102.43	17.8%
8,000	91.44	91.64	0.2%	107.93	18.0%
9,000	96.84	97.04	0.2%	115.33	19.1%
10,000	102.24	102.44	0.2%	122.73	20.0%
15,000	129.24	129.44	0.2%	159.73	23.6%
20,000	156.24	156.44	0.1%	196.73	25.9%
25,000	183.24	183.44	0.1%	233.73	27.6%
50,000	318.24	318.44	0.1%	418.73	31.6%
75,000	453.24	453.44	0.0%	603.73	33.2%
100,000	588.24	588.44	0.0%	788.73	34.1%
125,000	723.24	723.44	0.0%	973.73	34.6%
150,000	858.24	858.44	0.0%	1,158.73	35.0%
175,000	993.24	993.44	0.0%	1,343.73	35.3%
200,000	1,128.24	1,128.44	0.0%	1,528.73	35.5%

Parker Lakeview Est HOA, Inc. dba Parker Springs Water
Docket No. W-01853A-15-0145
Test Year Ended December 31, 2014

Schedule JLK-6

CASH FLOW ANALYSIS

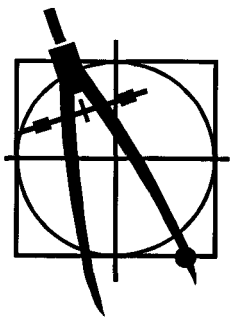
			Company Proposed	Staff Adjusted	Staff Recommended
		Cash Inflows:			
1	461	Metered Water Revenue	$ 15,969	$ 15,969	$ 31,019
2	460	Unmetered Water Revenue	-	-	-
3	474	Other Water Revenues	11,210	11,210	47
4		Total Operating Revenue	$ 27,179	$ 27,179	$ 31,066
		Cash Outflows:			
5	601	Salaries and Wages	$ -	$ -	$ -
6	610	Purchased Water	-	-	-
7	615	Purchased Power	444	444	444
8	618	Chemicals	57	57	57
9	620	Repairs and Maintenance	630	630	630
10	621	Office Supplies & Expense	509	509	509
11	630	Outside Services	5,507	4,405	4,405
12	635	Water Testing	1,485	1,143	1,143
13	641	Rents	59	59	59
14	650	Transportation Expenses	-	-	-
15	657	Insurance - General Liability	750	750	750
16	659	Insurance - Health and Life	-	-	-
17	666	Regulatory Commission Expense - Rate Case	-	-	-
18	675	Miscellaneous Expense	150	150	150
19	403	Depreciation Expense	9,504	9,648	9,648
20	408	Taxes Other Than Income	1	1	1
21	408.11	Property Taxes	584	1,144	1,144
22	409	Income Tax	-	-	
23		Total Operating Expenses	$ 19,680	$ 18,940	$ 18,940
24		**Operating Income**	$ 7,499	$ 8,239	$ 12,126
25		Plus: Depreciation Expense	$ 9,504	$ 9,648	$ 9,648
26		Less Loan Interest and Fee Payment	1,634	1,634	1,634
27		Less: Loan Debt Service Reserve Payment	3,061	3,061	3,061
28		Less: Loan Principal Payment	12,776	12,776	12,776
29		**Cash Flow from Operations**	$ (468)	$ 416	$ 4,303

Parker Lakeview Est HOA, Inc. dba Parker Springs Water
Docket No. W-01853A-15-0145
Test Year Ended December 31, 2014

Schedule JLK-7

DEBT SERVICE COVERAGE RATIO

	Company's Proposed Revenue	Staff's Recommended Revenue
Operating Revenue:	$ 27,179	$ 31,066
Operating Expenses:		
Operation and Maintenance	$ 9,591	8,148
Depreciation	9,504	9,648
Property Taxes	585	1,144
Income Taxes	-	-
Total Operating Expense	$ 19,680	18,940
Operating Income	$ 7,499	$ 12,126
Plus depreciation	9,504	9,648
Operating Income Plus Depreciation	$ 17,003	$ 21,774
Total Debt Service:		
Principal Repayment	12,776	12,776
Debt Service Reserve	3,061	3,061
Interest	-	-
Admin. Fees	1,634	1,634
Total Debt Service	17,471	17,471
Net Flow	$ (468)	$ 4,303
Debt Service Coverage Ratio (DSCR) (Adjusted Operating Income/Total Debt Service)	0.97	1.25



ENGINEERING REPORT FOR
Parker Lakeview Estates HOA, Inc.
dba Parker Springs Water Company

Docket No. W-01853A-15-0145 (Rates)

By Michael Thompson, P. E.

June 23, 2015

EXECUTIVE SUMMARY

CONCLUSIONS

1. The Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Utilities Staff" or "Staff") concludes that the Parker Lakeview Estates Homeowners Association, Inc. dba Parker Springs Water Company ("Parker Lakeview" or "Company") water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

2. The Company's original Certificate of Convenience & Necessity ("CC&N") was granted to Parker Springs Water Company, Inc. ("Parker Springs") in Commission Decision No. 34138, dated October 19, 1962. On June 5, 1990, Parker Springs and Parker Lakeview filed a joint application for approval of the sale of assets and transfer of the CC&N from Parker Springs to Parker Lakeview. The sale and transfer of assets as well as the Parker Springs CC&N were transferred to Parker Lakeview in Decision No. 57431 dated June 19, 1991. The CC&N currently covers an area totaling approximately 219.5 acres (0.34 square miles).

3. The Arizona Department of Environmental Quality ("ADEQ") Drinking Water Compliance Status Report ("CSR"), dated May 22, 2015, indicates that the Parker Lakeview water system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

4. ADEQ regulates the Parker Lakeview water system under ADEQ Public Water System Identification ("PWS ID") No. 04-02-045, and is classified as a Non-Transient Non-Community water system.

5. The Parker Lakeview water system service area is not located within an ADWR Active Management Area ("AMA"), and is not subject to the AMA monitoring and reporting requirements. Since ADEQ has classified Parker Lakeview as a Non-Transient Non-Community water system, Parker Lakeview is not currently regulated by ADWR.

6. Parker Lakeview does not anticipate any change in its current customer base. However, as mentioned in its application, Parker Lakeview believes that it may lose customers should it receive a substantial increase in its rates.

7. According to the Commission's Utilities Division Compliance Section database, Parker Lakeview currently has no delinquent Commission compliance items.

8. Parker Lakeview has approved Cross-Connection/Backflow Prevention and Curtailment Tariffs on file with the Commission.

9. Parker Lakeview does not have any Best Management Practice ("BMP") Tariffs on file with the Commission.

10. The capital and non-capital improvement projects listed in Table H are currently in operation and considered used and useful to the water system's provision of service.

RECOMMENDATIONS

1. Staff recommends an annual water testing expense of $1,143 and an annual certified operator expense of $2,100, totaling $3,243 be used for purposes of this application.

2. Staff further recommends that Parker Lakeview continue to monitor and record monthly water losses and repair all leaks when discovered and located.

3. Staff further recommends that Parker Lakeview track, quantify and record water consumed during water main flushing and storage tank controlled overflows to account for the amount of water actually used for "Authorized Unbilled Consumption" purposes.

4. Staff further recommends that Parker Lakeview continue to use the depreciation rates listed in Table F.

5. Staff further recommends that Parker Lakeview continue to use the service line and meter installation charges included in Table G.

6. Staff recommends that Parker Lakeview file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three (3) BMP Tariff's that were provided during the site visit or select three (3) of its choosing in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp.

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FIGURES

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A. INTRODUCTION AND LOCATION OF COMPANY

On May 8, 2015, Parker Lakeview Estates Homeowners Association, Inc. dba Parker Springs Water Company ("Parker Lakeview" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of a rate increase in Docket No. W-01853A-15-0145. Parker Lakeview's current rates were approved in Commission Decision No. 72638 dated October 14, 2011. Also in the decision, the Company was authorized to obtain from the Water Infrastructure and Finance Authority ("WIFA") an 18 to 22 year amortizing loan in an amount not to exceed $271,000. In Commission Decision No. 73237 dated June 26, 2012, Parker Lakeview was authorized to implement a WIFA loan surcharge.

Parker Lakeview is a Class E public utility water company that provides service to approximately 36 metered connections.[1] The water system, shown in Figure 1 located in the figure section of this report, is a groundwater-based system serving the Parker Lakeview Estates Subdivision. The subdivision, located adjacent to Parker Canyon Lake in the Coronado National Forest, is approximately 75 miles southeast of Tucson, Arizona. The Company's Certificate of Convenience and Necessity ("CC&N"), which covers an area totaling approximately 219.5 acres (0.34 square miles), is shown in Figure 2. The original CC&N was granted to Parker Springs Water Company, Inc. ("Parker Springs") in Commission Decision No. 34138, dated October 19, 1962. On June 5, 1990, Parker Springs and Parker Lakeview filed a joint application for approval of the sale of assets and transfer of the CC&N from Parker Springs to Parker Lakeview. The sale and transfer of assets as well as the CC&N of Parker Springs were transferred to Parker Lakeview in Decision No. 57431 dated June 19, 1991.

B. DESCRIPTION OF THE WATER SYSTEM

The Parker Lakeview water system was visited on June 2, 2015, by Staff member Michael Thompson. Mr. Thompson was accompanied by Mr. and Mrs. Pat Spain. Mrs. Spain (Gail Spain) is the water system administrator (secretary/Treasurer). Mr. Charles Sumner, Parker Lakeview's certified operator of record, did not attend the site visit.[2]

The water system contains two (2) active drinking water wells, two (2) chlorination systems, one (1) 10,000 gallon storage tank, and a distribution system. Both wells pump directly to the distribution system, while simultaneously filling the 10,000 gallon storage tank which floats the water system. Well Number 1 (ADWR No. 55-621240) located adjacent to Parker Canyon Lake is equipped with a submersible pump and motor which provides approximately 10 to 12 gallons per minute ("gpm"). The well motor is operated by one (1) of two (2) propane generators. Well Number 2 (ADWR No. 55-220855), located on the north side of South Coronado Trail approximately 250 feet west of the South Coronado Trail and West Canelo Hills Trail intersection, is

[1] Per water use data submitted with the application.
[2] Mr. Sumner is certified with the Arizona Department of Environmental Quality ("ADEQ") as a Grade 2 Water Distribution System Operator, and a Grade 3 Wastewater Collection System Operator. Mr. Sumner's ADEQ Operator Identification No. is OP004760, with an expiration date of July 31, 2016.

equipped with a submersible pump and motor which provides approximately 11 gpm. The well motor is operated by solar generated power. The 10,000 gallon storage tank, located on the west side of South Lake Road approximately 400 feet south of the South Lake Road and South Coronado Trail intersection, supplies water to the distribution system via gravity feed.

The in-service plant facilities (i.e., wells, tanks, and visible pipe) appeared to be in proper working order, properly maintained, and in good condition. Staff did not observe any leaks at the plant facilities, or in the distribution system. Detailed listings of the plant facilities are included in Table A. A site map and schematic of the service area are illustrated in Figures 3 and 4, respectively. Figures 3 and 4 are located in the figure section of this report.

Table A. Parker Lakeview Water System Plant Facilities Summary

Active Wells							
Well ID	ADWR Well ID	Pump (hp)	Pump Yield (gpm)[3]	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
(S) Well #1	55-621240	2	10 - 12	125	12	1	1962
(S) Well #2	55-220855	1140 watt Solar Powered	11	300	12	Seametrics Electronic Paddlewheel	2012

(S) Signifies Submersible Pump Well

Storage Tank, Treatment, & Structures	
Storage Tank (Welded Steel)	Capacity: 10,000 Gallons (16 feet high x 12 feet in diameter) Base Elevation: 5,704 feet High Water Elevation: 5,715 feet Year Constructed: 2013 Chain Link Fencing: Surrounds Solar Panel and Control Box Solar Panels: One (1) panel provides power for the Telemetry System
Well Site No. 1 ADWR No. 55-621240	Well Slab Elevation: 5,400 feet Liquid Chlorinator: Chemfeed Injector Pump & Chlorine Solution Tank Chain Link Fencing: Surrounds Well & Chlorinator Metal Shed: 6 feet x 15 feet – shelter for the two (2) generators & battery Propane Tank Two Propane-Powered Generators - 4.5 kVA (Onan) & 12 kVA (Kohler)
Well Site No. 2 ADWR No. 55-220855	Well Slab Elevation: 5,658 feet Liquid Chlorinator: Milton Variable Speed Injector Pump & Chlorine Solution Tank Chain Link Fencing: Surrounds Well, Meter Vault, & Utility Building Masonry Utility Building: 8' x 10' – shelter for Chlorinator, Sensors, Controls, & battery Solar Panel Array: Three (3) panels on Utility Building Roof, & four (4) panels on pedestal next to the Utility Building

[3] gpm signifies gallon per minute

Service Area Distribution Mains		
Diameter (inches)	Material	Length (feet)
2	Poly Vinyl Chloride ("PVC")	2,400
2	Galvanized	1,436
4	PVC	2,800
Total Length		6,636

Service Area Meters	
Size (inches	Quantity
5/8 x 3/4	36
Total Quantity	**36**

C. WATER USE

Table B summarizes water usage for the Parker Lakeview water system during the test year, January 2014 through December 2014.

Table B. Parker Lakeview Water Usage Summary (2014 Test Year)

Month/Year	Active Meters (Connections)	Gallons Produced	Gallons Sold	Gallons Unaccounted For	Gallons Consumed per Day	Gallons Consumed per Day per Connection	Water Loss
Jan-14	23	18,000	16,400	1,600	529	23	8.89%
Feb-14	24	16,800	14,000	2,800	500	21	16.67%
Mar-14	25	18,800	17,100	1,700	552	22	9.04%
Apr-14	23	30,200	27,500	2,700	917	40	8.94%
May-14	22	27,300	19,500	7,800	629	29	28.57%
Jun-14	30	21,400	19,500	1,900	650	22	8.88%
Jul-14	30	57,600	52,400	5,200	1,690	56	9.03%
Aug-14	32	24,500	21,700	2,800	700	22	11.43%
Sep-14	30	14,000	12,800	1,200	427	14	8.57%
Oct-14	25	22,300	18,600	3,700	600	24	16.59%
Nov-14	27	24,400	22,200	2,200	740	27	9.02%
Dec-14	29	25,000	16,700	8,300	539	19	33.20%
Total		**300,300**	**258,400**	**41,900**	**706***	**27***	**13.95%***

Note: * Asterisk indicates the value is an average

1. *Water Sold*

Figure 5, included in the figure section of this report, graphically illustrates the water consumption Parker Lakeview experienced during the test year. Customer consumption included an

average daily high water usage of 56 gallons per day ("gpd") per connection (30 connections) in July, and an average daily low water usage of 14 gpd per connection (30 connections) in September. The average daily water usage during the twelve-month period was 27 gpd per connection. Parker Lakeview reported 300,300 gallons of water produced, 258,400 gallons of water sold, and 41,900 gallons of water unaccounted for during the test year.[4]

2. Non-Accounted For Water

Non-accounted for water (the difference between the gallons of water produced and sold) should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage and any non-metered water use such as construction, theft, and line flushing. Parker Lakeview reported 300,300 gallons of water produced and 258,400 gallons of water sold during the test year ending December, 2014. As a result, Parker Lakeview water loss was 13.95 percent, exceeding the acceptable limit of 10 percent.

In order to gain a perspective on how Parker Lakeview's water loss has been trending over the past several years, production and sales figures from previous annual reports were used to determine both water loss volumes and percentages. Table C lists Parker Lakeview's water loss volumes and percentages from the past ten (10) year period, beginning in 2005 and ending in 2014. Figure 6, located in the figure section of this report, graphically illustrates the percentage of water loss Parker Lakeview experienced during the same period. As indicated in Table C and graphically illustrated in Figure 6, Parker Lakeview's water loss averaged 15.72 percent in 2005. Subsequently, in 2006 and 2007 water loss dropped below 10 percent, averaging 4.02 percent and 7.48 percent, respectively. However, during the following five (5) year period, 2008 through 2012, Parker Lakeview experienced its greatest water loss ranging from an average of 16.32 percent to 37.36 percent.

To gain additional insight, water loss and service connection trends, graphically illustrated in Figure 8, were compared. During the period from 2008 through 2010, the comparison revealed that as the number of service connections increased (an increase of five (5) connections) water loss also increased. Similarly, from 2011 through 2013, as the number of service connections decreased (a reduction of five (5) connections) water loss also decreased. Table C indicates that during the three (3) year period, 2008 through 2010, water loss increased, on average, an additional 57,333 gallons per year, whereas during the three (3) year period, 2011 through 2013, water loss decreased, on average, 54,533 gallons per year.

Two (2) independent water system evaluations, conducted by consultants in February and March of 2010, attributed the water loss to fairly substantial meter discrepancies and/or water system leakage. In 2013 and 2014, Parker Lakeview was able to decrease its water loss below 15 percent, resulting in 13.00 percent and 13.95 percent, respectively. Parker Lakeview attributed the

[4] Water produced and sold during the test year is based on the monthly data taken from the meter reads.

decrease in water loss to several items which include, but are not limited to: 1) the replacement of approximately 1,500 feet of 4-inch distribution water main, 2) the replacement of meters found to be reading inaccurately, and 3) the repair and/or replacement of leaking distribution water mains.

Table C. Parker Lakeview Historical Water Loss (Non-Accounted For Water)

Year	Water Loss – Non-Accounted for Water Volume (Gallons)	Water Loss – Non-Accounted for Water Percent	Source
2005	66,800	15.72	Annual Report
2006	18,400	4.02	Annual Report
2007	30,700	7.48	Annual Report
2008	78,100	16.32	Annual Report
2009	153,000	28.60	Annual Report
2010	202,700	37.36	Annual Report
2011	137,300	26.56	Annual Report
2012	148,400	31.40	Annual Report
2013	39,100	13.00	Annual Report
2014	41,900	13.95	Application

In an effort to further reduce water loss, Parker Lakeview is currently focusing on the following: 1) installing water meters on various water mains in an attempt to pin-point the location of suspected water main leaks for repair and/or replacement, 2) continuing to check for malfunctioning or inaccurate meters, and 3) replacing a water main suspected of leaking that crosses the middle of a buildable lot.

The two (2) additional practices Parker Lakeview could adopt in its effort to reduce water loss would be to include the tracking, quantifying and recording of water consumed during the flushing of water mains and controlled overflowing of its storage tank. Currently, Parker Lakeview isn't tracking or quantifying either of those functions. Both are generally considered "Authorized Unbilled Consumption" and when quantified and accounted for are usually deducted from the non-accounted for portion of water loss.

Parker Lakeview performs the function of periodically flushing its water mains primarily to keep water in the distribution system fresh, especially at dead ends, since the distribution system isn't looped. Similarly, the periodic overflowing of the storage tank is conducted primarily to keep water in the storage tank fresh due to a lack of adequate water turn-over within the tank, caused by low water consumption.

Staff recommends that Parker Lakeview continue to monitor and record monthly water losses and repair all leaks when discovered and located. Staff further recommends that Parker Lakeview track, quantify and record water consumed during water main flushing and storage tank controlled overflows to account for the amount of water actually used for "Authorized Unbilled Consumption" purposes.

3. Water System Analysis

The Parker Lakeview water system has two (2) active drinking water wells with a total production capacity of approximately 21 gpm (30,240 gpd). The water system has one (1) storage tank with a total capacity of approximately 10,000 gallons. During the peak month, July 2014, the water system was serving 30 connections when Parker Lakeview reported 52,400 gallons of water sold. Average daily demand for the month of July 2014 was determined to be 1,690 gpd, while average daily demand per connection was determined to be 56 gpd. Staff concludes that the Parker Lakeview water system has adequate production and storage capacity to serve the present customer base and any reasonable growth.

D. GROWTH

Table D below and Figure 7, located in the figure section of this report, show Parker Lakeview's customer growth based on service connection data from its past ten (10) Annual Reports. Accordingly, Parker Lakeview experienced minor growth in 2009 and 2010, and an equivalent decrease in growth in 2011 and 2012. Growth remained unchanged in 2013 and 2014, with a total of 36 customers. Currently, Parker Lakeview does not anticipate any change in its current customer base. However, as mentioned in its application, Parker Lakeview believes that it may lose customers should it receive a substantial increase in its rates.

Table D. Parker Lakeview Actual and Projected Growth

Year	Number of Customers	Source
2005	38	Annual Report
2006	38	Annual Report
2007	38	Annual Report
2008	38	Annual Report
2009	40	Annual Report
2010	41	Annual Report
2011	39	Annual Report
2012	38	Annual Report
2013	36	Annual Report
2014	36	Annual Report
2015	36	Projected
2016	36	Projected

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

1. Compliance Status

ADEQ regulates the Parker Lakeview water system under ADEQ Public Water System Identification ("PWS ID") No. 04-02-045, and is classified as a Non-Transient Non-Community water system. A Non-Transient-Non-Community water system is a water system that does not regularly serve at least 25 of the same persons over six months per year.

ADEQ inspected the Parker Lakeview water system on September 11, 2013. During the inspection no major deficiencies were found in the operation, maintenance, or certified operator status of the water system. According to the ADEQ Drinking Water Compliance Status Report ("CSR"), dated May 22, 2015, the Parker Lakeview water system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. Parker Lakeview is considered to be in full compliance by ADEQ.

2. Water Monitoring and Testing Expenses

In addition to Total Coliform, Disinfectant-By-Products, and Lead & Copper testing, the Parker Lakeview water system is also subject to mandatory participation in the Monitoring Assistance Program ("MAP").[5] In its Income and Expense Statement, Account No. 635 (Water Testing), Parker Lakeview reported $1,485.04 in water testing expenses for the 2014 test year. Upon reviewing the water testing invoices it was determined that MAP fees of approximately $342.52 were paid twice in 2014. Generally, ADEQ charges MAP fees in advance. However, ADEQ failed to issue the 2014 MAP invoice in 2013, causing Parker Lakeview to pay ADEQ the 2014 and 2015 MAP fees in 2014. Consequently, the 2014 water testing expenses actually should have been $1,142.52. Also included on each of the monthly water testing invoices, but not included in the water testing expenses, was the certified operator's fee of $175 per month, totaling $2,100 for the year.

The monitoring/testing expenses and the certified operator's fees that were reviewed, evaluated, and recalculated by Staff are represented in Table E. The total estimated annual water testing and certified operator expenses for the water system are $1,143 and $2,100, respectively. Staff recommends an annual water testing expense of $1,143 and an annual certified operator expense of $2,100, totaling $3,243 be used for purposes of this proceeding.

[5] The MAP is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections).

Table E. Staff Recommended Water Monitoring/Testing & Certified Operator Expenses

Water Test	Expense Per Test	Quantity of Tests Per 3 Years	3 Year Expenses	Total Expenses
Total Coliform	$25	36	$900	$300
Lead & Copper	$200	15	$600	$200
Disinfection-By-Products (TTHM's & HAA5's)	$300	3	$900	$300
Monitoring Assistance Program (MAP)	$343	MAP	$1,029	$343
Subtotal			**$3,429**	**$1,143**
Certified Operator Fee	$175	36	**$6,300**	**$2,100**
Total			**$9,729**	**$3,243**

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Parker Lakeview water system service area is not located within an ADWR Active Management Area ("AMA"), and is not subject to the AMA monitoring and reporting requirements. Since ADEQ has classified Parker Lakeview as a Non-Transient Non-Community water system, Parker Lakeview is not currently regulated by ADWR.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

A check of the Utilities Division Compliance Section database showed that there are no delinquent Commission compliance items for Parker Lakeview.[6]

H. DEPRECIATION RATES

Staff's typical and customary depreciation rates, which vary by National Association of Regulatory Utility Commissioners ("NARUC") plant categories, are illustrated in Table F. These rates represent typical and customary values within a range of anticipated equipment life. In Commission Decision No. 72638 dated October 14, 2011, Parker Lakeview was ordered to continue to the use the depreciation rates as shown in Table F. Staff recommends that Parker Lakeview continue to use the depreciation rates listed in Table F.

[6] Per Compliance Section email dated May 14, 2015.

Table F. Depreciation Rate Table

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

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

Parker Lakeview has not proposed changes to its existing service line and meter installation charges.[7] The installation charges, listed in Table G, are refundable advances and are similar to Staff's current range of charges for service line and meter installations. Staff recommends that Parker Lakeview continue to use the installation charges included in Table G.

[7] Parker Lakeview's current charges were approved in Decision No. 72638, effective October 14, 2011.

Table G. Service Line and Meter Installation Charges – Parker Lakeview

Meter Size	Parker Lakeview Installation Charges		
	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	$415	$105	$520
3/4-inch	$415	$205	$620
1-inch	$480	$300	$780
1-1/2-inch	$550	$500	$1,050
2-inch	Actual Cost	Actual Cost	Actual Cost
3-inch	Actual Cost	Actual Cost	Actual Cost
4-inch	Actual Cost	Actual Cost	Actual Cost
6-inch	Actual Cost	Actual Cost	Actual Cost

2. *Curtailment Tariff*

Parker Lakeview has an approved Curtailment Tariff on file with the Commission. This tariff became effective January 6, 2010.

3. *Cross-Connection/Backflow Prevention Tariff*

Parker Lakeview has an approved Cross-Connection/Backflow Prevention Tariff on file with the Commission. This tariff became effective May 21, 2015.

4. *Best Management Practices ("BMP") Tariff*

Currently, Parker Lakeview does not have any Best Management Practice ("BMP") Tariffs on file with the Commission. However, during Staff's site visit, Parker Lakeview was provided three (3) BMP Tariff's recommended by Staff for review and adoption. The three (3) recommended BMP's include:

1) Public Education Program (BMP Template)
2) Leak Detection Program (BMP #4.1)
3) Meter Repair and/or Replacement (BMP #4.2)

In an attempt to promote water conservation and reduce water loss, Parker Lakeview has implemented public education, meter repair/replacement, and leak detection programs. Since the programs are already in place Parker Lakeview considers the BMP Tariff's unnecessary. Furthermore, it believes the tariffs wouldn't provide any additional benefit and would place an excessive burden on a water system with only 36 part time active connections and a non-existent staff. The water system is currently managed by three (3) unpaid volunteers from the Homeowners Association ("HOA"). They are Mr. Victor Chacon – President, Mr. David Gallaher – Vice

President, and Mrs. Gail Spain – Treasurer/Secretary. Mrs. Spain and her husband, Pat, conduct a majority of the work associated with operating the water system.

Although Parker Lakeview has implemented similar water conservation programs, Staff contends that by adopting the recommended BMP Tariff's the water company would have the tools to authoritatively prevent water loss at a little to no extra cost to the Company.

Staff recommends that Parker Lakeview file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three (3) BMP Tariff's that were provided during the site visit or select three (3) of its choosing in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp. Parker Lakeview may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

5. Water Infrastructure Finance Authority ("WIFA") Loan

In Decision Number 72638 dated October 14, 2011 Parker Lakeview was authorized to obtain an 18 to 22 year amortizing loan from WIFA in an amount not to exceed $271,000 for the purposes of financing certain capital improvement projects. Tables H and I illustrate the costs associated with Parker Lakeview's current capitalized and non-capitalized improvement projects, respectively. As shown in Table H, capitalized improvement projects have totaled $239,211.34, whereas non-capitalized improvement projects, as shown in Table I, have totaled $6,248.75. Currently, the combined total cost of the improvement projects has amounted to a total of $245,460.09.

Table H. Parker Lakeview WIFA Capitalized Improvement Projects

NARUC Account Number	WIFA Funded Capitalized Improvement Projects	Vendor	Individual Costs	Total Costs
303	Well #2 - Land Purchase (Lot #65)	Landmark Title	$10,500.00	$10,500.00
304	Well #2 / Storage Tank - Fencing & Gates	A&M fencing	$6,955.26	$42,496.48
	Well #2 / Storage Tank - Building Permit	Cochise County Planning & Zoning	$309.30	
	Well #2 / Storage Tank - Wiring & Controls	HMS Works, LLC	$2,454.92	
	Well #2 - Building	Sopher Builders	$32,777.00	
307	Well #2 - Environmental Construction Permits	ADEQ	$1,750.00	$87,870.05
	Well #2 - Hydrogeological Services & Support	Basin Wells Associates, PLLC	$7,200.00	
	Well #2 - Well Site Excavation, Grading, & Compaction	Dos Llaves Enterprises, LLC	$4,820.00	
	Well #2 - Engineering & Environmental Services	Westland Resources, Inc	$12,875.00	
	Well #2 - New Source Water Sampling & Testing	Whetstone Environmental	$3,150.00	
	Well #2 - Well Drilling	Yellow Jacket Drilling Services	$58,075.05	
309	Well #2 - Transmission Water Main Installation	Weber Water Resources	$32,017.90	$32,017.90
310	Well #2 - Solar Panels & Well Pump Installation	Weber Water Resources	$14,738.07	$14,738.07
311	Well #2 - Pump Installation	Weber Water Resources	$1,719.50	$1,719.50
330.1	Storage Tank - Environmental Construction Permit	ADEQ	$800.00	$48,985.00
	Storage Tank - 10,000 Gallon Storage Tank Installation	Smyth Industries	$39,760.00	
	Storage Tank - Engineering & Environmental Services	Westland Resources, Inc	$8,425.00	
334	Well #2 - Flow Meter Installation	Westland Resources, Inc	$884.34	$884.34
Total Costs			**$239,211.34**	**$239,211.34**

Table I. Parker Lakeview WIFA Non-Capitalized Improvement Projects

NARUC Account Number	WIFA Funded Non-Capitalized Improvement Projects	Vendor	Individual Costs	Total Costs
408	Notice of Intent to Drill	ADWR	$100.00	$233.76
	Permit Fee	Cochise County Planning & Zoning	$165.00	
	Tax Credit	Landmark Title	-$31.24	
620	Capital Projects Sign	1800 Signs	$289.17	$289.17
621	Capital Projects Bidding Advertisement	Territorial Newspaper	$339.52	$339.52
631	Well #2 - ALTA Land Survey (Lot 65)		$1,712.50	$5,386.30
	Attorney (Required by WIFA)	Gust Rosenfeld, PLC	$3,395.80	
	Escrow Charges & Recording Fees	Landmark Title	$275.00	
Total Costs			**$6,245.75**	**$6,248.75**

Accordingly, and as illustrated in Table J, there is $25,539.91 of WIFA funds available for Parker Lakeview to utilize for additional capital improvement projects. Parker Lakeview has indicated in its application that the remaining WIFA funds would be utilized to replace existing leaking water mains.

Table J. Parker Lakeview Capitalized & Non-Capitalized Improvement Projects

WIFA Funded Improvement Projects	Total Costs
Capitalized Projects	$239,211.34
Non-Capitalized Projects	$6,248.75
Total Costs	**$245,460.09**
Authorized WIFA Funds	**$271,000.00**
WIFA Funds Remaining	**$25,539.91**

Based on the June 2, 2015 site visit and inspection of the Parker Lakeview water system, Staff concludes that the improvement projects listed in Table H are currently in operation and considered used and useful to the water system's provision of service.

FIGURES

COCHISE COUNTY

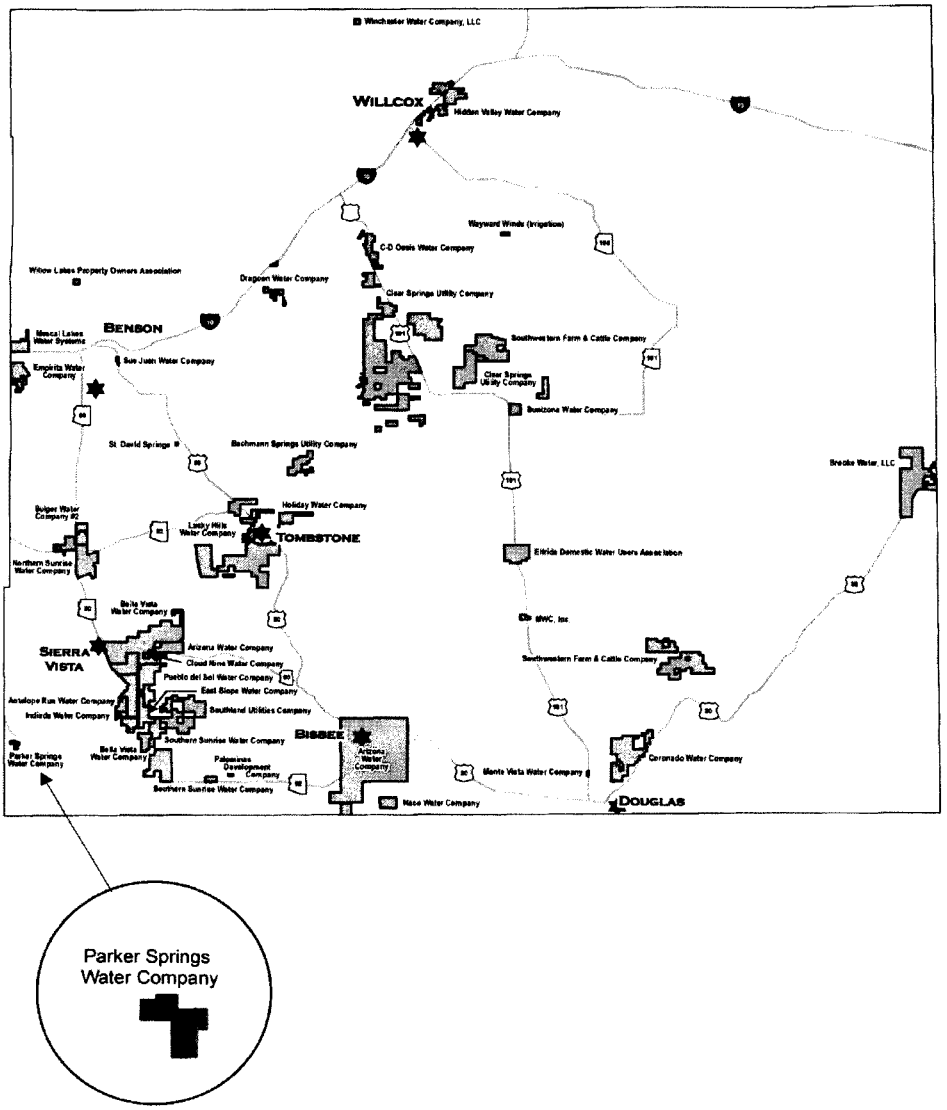

FIGURE 1 – COCHISE COUNTY MAP

FIGURE 2 – PARKER LAKEVIEW CERTIFICATED AREA

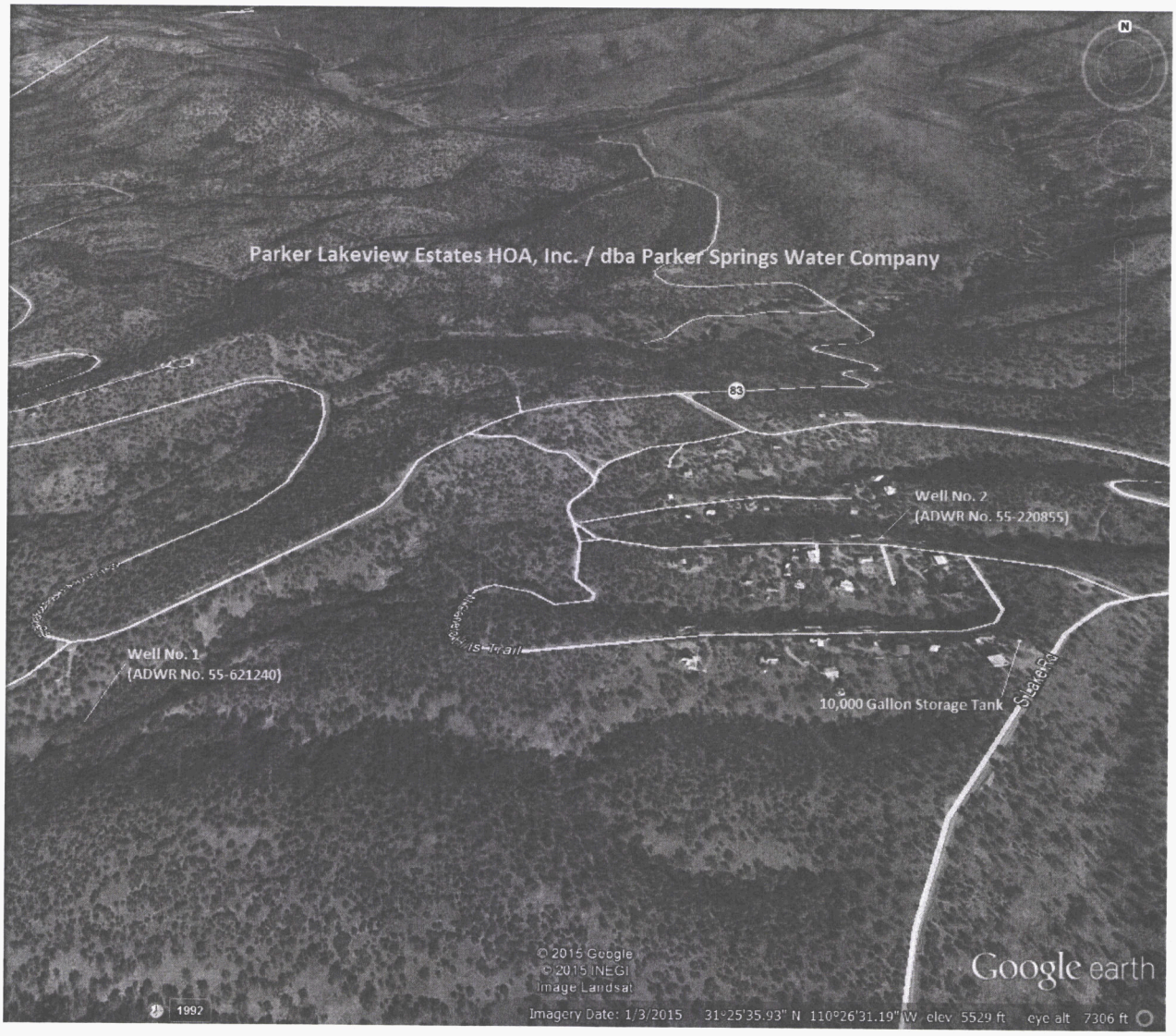

FIGURE 3 – PARKER LAKEVIEW SITE MAP

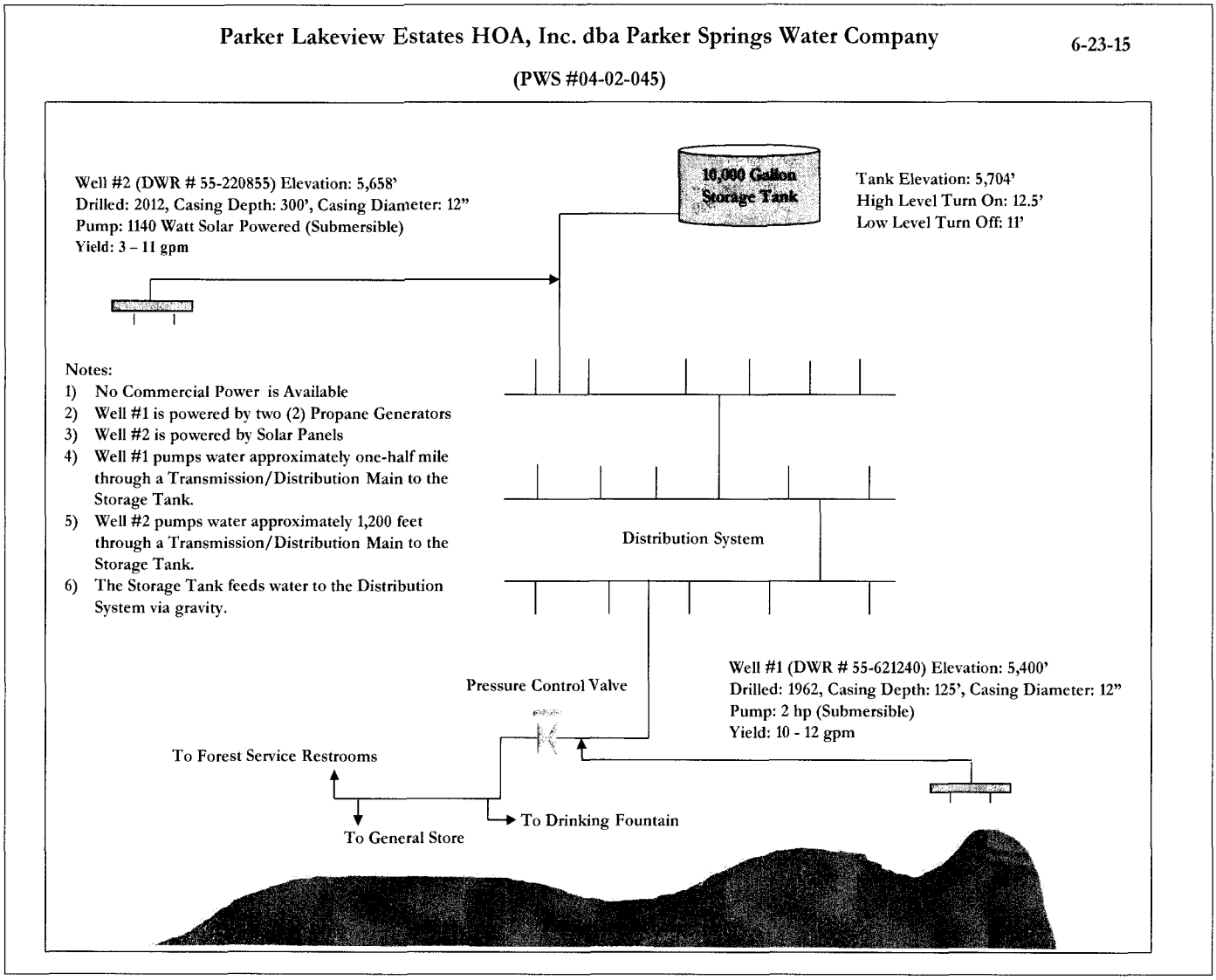

FIGURE 4 – PARKER LAKEVIEW WATER SYSTEM SCHEMATIC (PWS No. 04-02-0045)

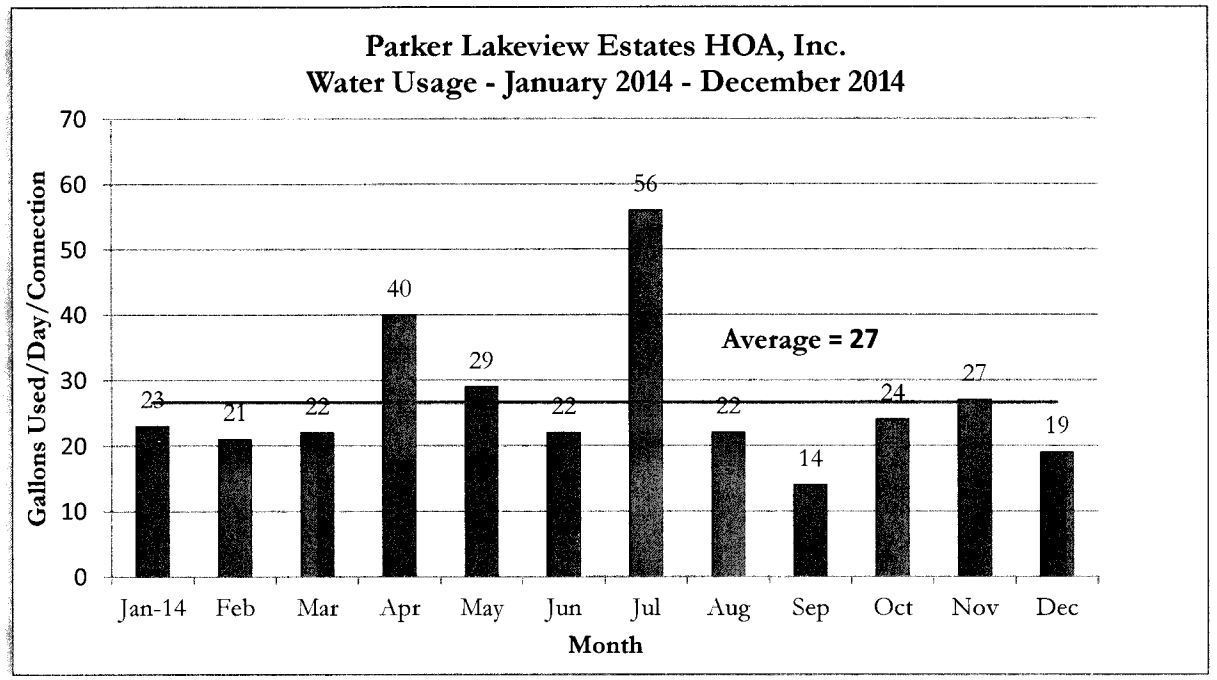

FIGURE 5 – PARKER LAKEVIEW WATER CONSUMPTION

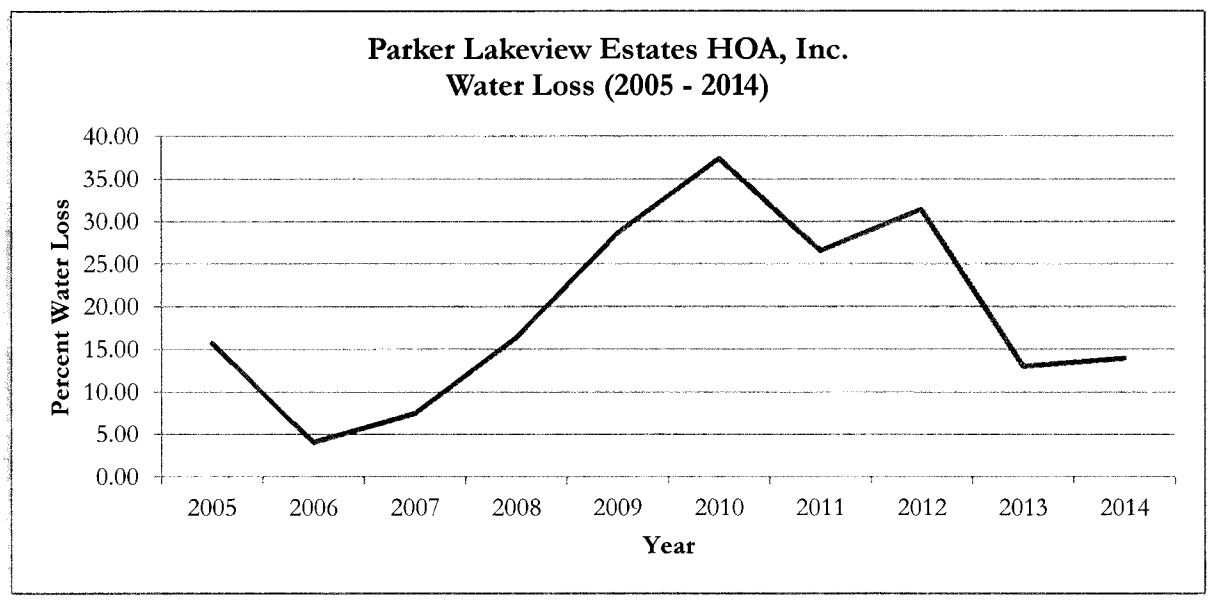

FIGURE 6 – PARKER LAKEVIEW HISTORICAL WATER LOSS

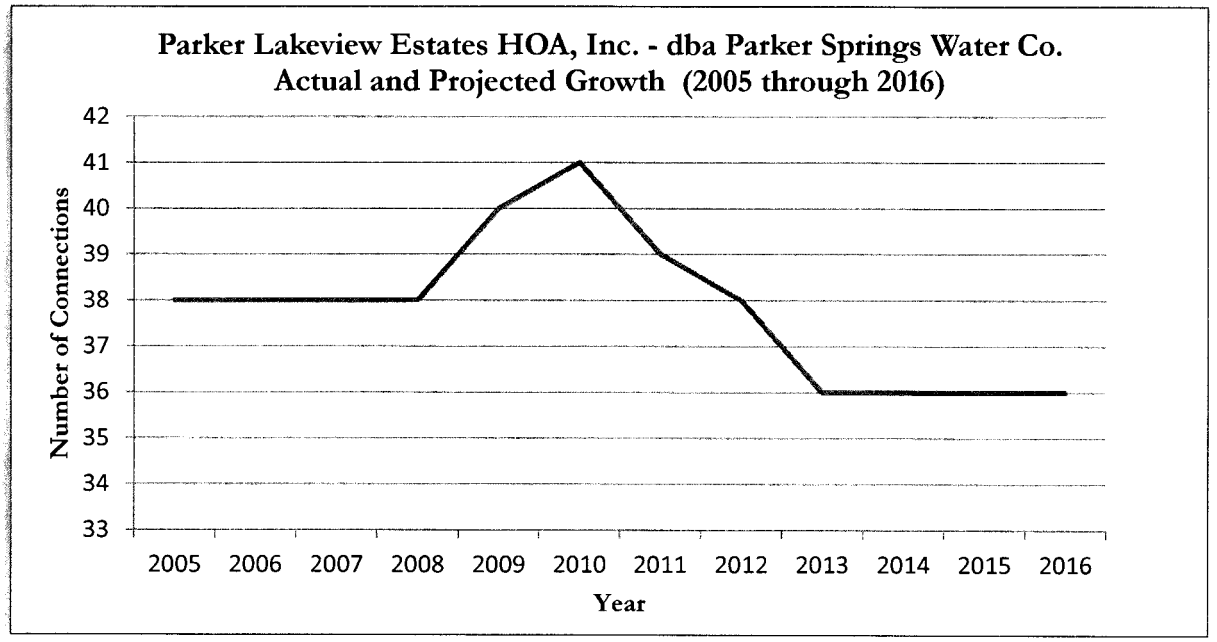

FIGURE 7 – PARKER LAKEVIEW GROWTH

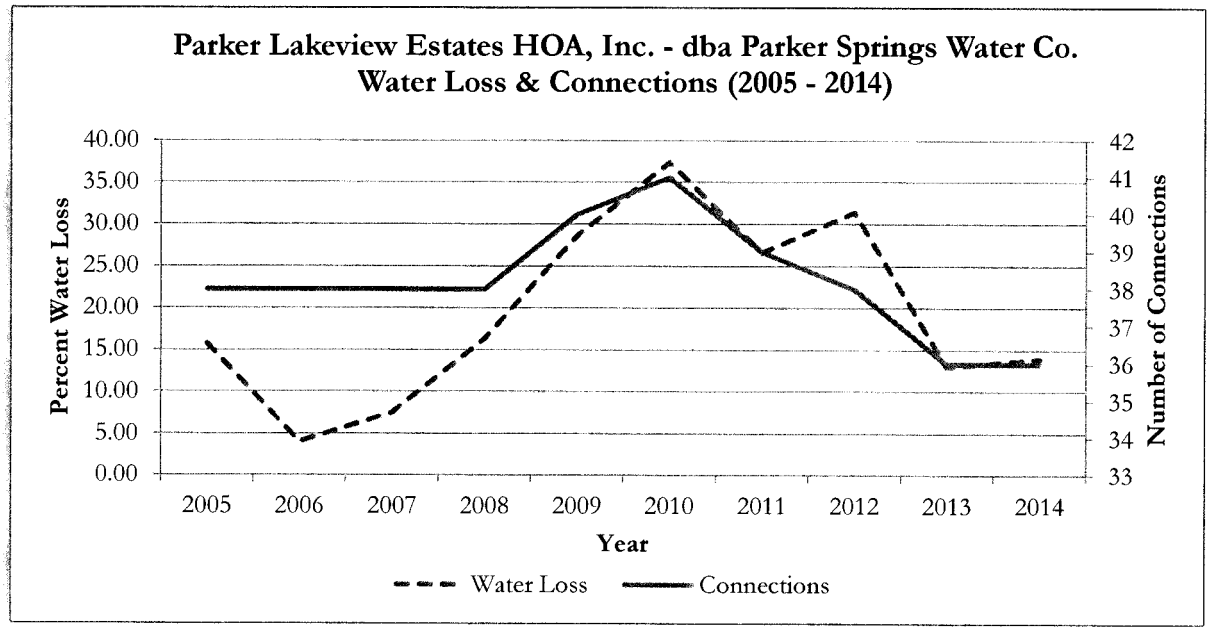

FIGURE 8 – PARKER LAKEVIEW WATER LOSS & CONNECTIONS