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2015 AUG -7 P 4: 29

AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

8
9 SUSAN BITTER-SMITH, CHAIRMAN
10 BOB STUMP
11 BOB BURNS
12 TOM FORESE
13 DOUG LITTLE

ORIGINAL

Arizona Corporation Commission

DOCKETED

AUG 07 2015

DOCKETED BY

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

DOCKET NO. W-02062A-15-0224

RESPONSE TO INSUFFICIENCY
LETTER

17
18 Southland Utilities Company, Inc. ("Company" or "Southland") hereby responds
19 to the Insufficiency Letter docketed on July 30, 2015.

20
21 **1.1.1 Plant additions to Accounts 304, 311, 320.1, 330.1, 331, 334, 335 and 347 of**
22 **over \$500 are not supported by invoices as required by page 1 of the Application.**

23 **Response -** This assessment is erroneous. All invoices over \$500 were provided.¹
24 See Application Exhibit 1. For Staff's convenience, the Company is refiling the
25 breakdown of plant additions both under and over \$500. See Attachment 1; see also
26

27
28 ¹ The only exception is the trailer replaced by the insurance company as explained below.

1 Application at Exhibit 1, electronic page 52-54. The table below is a line item response
 2 from Southland to the list contained within 1.1.1.
 3

Account	Amount	Comment
304 Structures	\$14,500	This is the only invoice for plant additions over \$500 that Southland did not supply. This was a replacement for a trailer that burned and was paid for by the insurance company, so Southland did not get an invoice. A copy of the title was provided as support with the original application on page 57 of the pdf in eDocket.
333 Services	\$472	Not only is the total amount under \$500, but the two invoices that make up this amount are both under \$500 (\$245 and \$227) and as a result invoices were not provided per page 1 of the application instructions. These invoices appear on the resubmitted Detail of Plant Additions Under \$500.
334 Meters	\$390	This amount is the net of \$409 and an \$18 credit and is under \$500, so invoices were not provided. These 2010 amounts appear on the attached Detail of Plant Additions Under \$500.
	\$340	This amount is under \$500, so an invoice was not provided. This 2011 amount appears on the attached Detail of Plant Additions Under \$500.
	\$549	This amount is the sum of two invoices under \$500 (\$360 and \$189), so invoices were not provided. These 2012 amounts appear on the attached Detail of Plant Additions Under \$500.
	\$1,002	This amount is the sum of three invoices under \$500 (\$360, \$312 and \$330), so invoices were not provided. These 2013 amounts appear on the attached Detail of Plant Additions Under \$500.
304 Structures	\$22,118	<i>See RUTHERFORD DIVERSIFIED Section</i>
311 Pumping	\$170	This amount is under \$500, so an invoice was not provided. This 2014 amount appears on the attached Detail of Plant Additions Under \$500.
	(\$1,550)	This is a credit amount that refunded a portion of the \$11,144 paid to Sulpher Springs VEC thus reducing the amount to be capitalized. The original amount paid and the credit amount appears on the attached Detail of

		Plant Additions Over \$500.
	\$455	This invoice from Greg Carlson Engineering LLC was provided with the original application and appears on page 81 of the pdf in eDocket.
	\$3,363	This invoice from Greg Carlson Engineering LLC was provided with the original application and appears on page 82 of the pdf in eDocket.
	\$955	This invoice from Greg Carlson Engineering LLC was provided with the original application and appears on page 83 of the pdf in eDocket.
	\$909	This invoice from Greg Carlson Engineering LLC was provided with the original application and appears on page 84 of the pdf in eDocket.
	\$780	This invoice from Greg Carlson Engineering LLC was provided with the original application and appears on page 85 of the pdf in eDocket.
	\$130,162	See RUTHERFORD DIVERSIFIED Section
	\$15,575	This invoice from W.W.Williams was provided with the original application and appears on page 86 of the pdf in eDocket.
320.1 Water Treatment Plants	\$6,560	See RUTHERFORD DIVERSIFIED Section
330.1 Storage Tanks	\$257,704	See PRIOR RATE CASE Section
	\$20,044	See RUTHERFORD DIVERSIFIED Section
	\$27,194	Error – this amount does not appear in 330.1
331 Transmission	\$27,194	See RUTHERFORD DIVERSIFIED Section
334 Meters	\$1,792	This amount is the sum of five invoices under \$500 (\$486, \$486, \$162, \$208 and \$450), so invoices were not provided. These 2014 amounts appear on the attached Detail of Plant Additions Under \$500.
335 Hydrants	\$153,743	See RUTHERFORD DIVERSIFIED Section
347 Misc Equip	\$7,833	See RUTHERFORD DIVERSIFIED Section

1 **Rutherford Diversified.** Rutherford Diversified did work for Southland on the
 2 WIFA project that totaled \$367,653.12. The following information was provided with
 3 the original application, on electronic page 107.
 4

Acct #	Description	Amount
304	Structures & Improvements	\$ 22,118.26
311	Pumping Equipment	130,162.24
320.1	Water Treatment Plants	6,559.50
330.1	Storage Tanks	20,044.00
331	Transmission & Distrib. Mains	27,194.00
335	Hydrants	153,742.62
347	Miscellaneous Equipment	7,832.50
	Total Plant Placed in Service in 2014	\$ 367,653.12
Payments:		
	Invoice 1	\$ 44,254.72
	Invoice 2	131,634.40
	Invoice 3	38,021.38
	Invoice 4	74,202.60
	Invoice 5	79,540.02
	Total paid to Rutherford	\$ 367,653.12

18 The five invoices sent to Southland by Rutherford appear on electronic pages 108-112.

19
 20 **Prior Rate Case.** In the prior rate and financing cases (W-02062A-09-0466 and
 21 W-02062A-09-0515), Southland had made improvements to sites 2 and 3 that were
 22 included as part of plant in service relating to storage. A total of \$605,851 had been
 23 spent and allocated between sites 2 and 3 by the Company. Staff reallocated the storage
 24 costs between each site in its Engineering Report. See Attachment 2. The Company
 25 agreed with Staff. Invoices for the storage work done on both sites was provided to Staff
 26 in the last rate case, which is why more of the total spent on storage was allocated to site
 27
 28

1 3 than by the Company. Since there was not yet electricity to the site, Staff determined
2 that \$257,704 of the total cost should be allocated to site 3 and would be considered plant
3 held for future use. Southland has merely moved this Staff determined amount from
4 Plant Held for Future Use to plant in service at the end of the WIFA project.
5

6 **1.2 Monthly WIFA Surcharge current rates listed on page 9a of the Application**
7 **are incorrect.**
8

9 **Response** – Amended page 9a is set forth in Attachment 3.
10

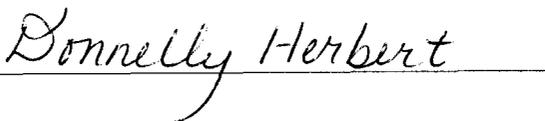
11 DATED this 7th day of August, 2015.
12

13 **MOYES SELLERS & HENDRICKS LTD.**
14

15 
16 _____
17 Steve Wene

18 **Original and 13 copies** filed this
19 7th day of August, 2015, with:

20 Docket Control
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007
24

25 
26 _____
27
28

ATTACHMENT 1

Southland Utilities Company, Inc.
Detail of Plant Additions - Page 1, Item 4 (Under \$500)

Date	Num	Name	Amount
304 - Structures & Improv.			
03/31/2009	7709	Eazy Homes	\$ 250.00
311 - Elec. Pumping Equip			
08/31/2010	7552	Jim's Electric, Inc.	\$ 462.01
11/26/2014	13-049.8	Greg Carlson Engr	170.09
		Total	\$ 632.10
331 - Trans & Dist. Mains			
10/06/2014	8132670-00	Dana Kepner	\$ 75.67
333 - Services			
10/26/2010	32687	Buena Vista Plumbing LLC	\$ 245.00
10/26/2010	32677	Buena Vista Plumbing LLC	227.18
		Total	\$ 472.18
334 - Meters Purchased			
04/07/2010	8108329-00	Dana Kepner	\$ 408.62
12/31/2010	10		(18.46)
06/30/2011	4439	Dana Kepner	340.39
04/09/2012	8118947-00	Dana Kepner	360.03
07/12/2012	8120308-00	Dana Kepner	188.91
04/29/2013	8124697-00	Dana Kepner	360.03
07/16/2013	8125927-00	Dana Kepner	312.00
11/11/2013	8127577-00	Dana Kepner	330.00
01/15/2014	8128198-00	Dana Kepner	486.45
02/14/2014	8128866-00	Dana Kepner	486.45
04/17/2014	8129458-00	Dana Kepner	162.15
05/01/2014	8129458-01	Dana Kepner	207.88
06/03/2014	8130464-00	Dana Kepner	450.00
		Total	\$ 4,074.45
Total Plant Additions Under \$500			\$ 5,504.40

Southland Utilities Company, Inc.
Detail of Plant Additions - Page 1, Item 4 (Over \$500)

Date	Num	Name	Amount
304 - Structures & Improv.			
06/17/2009		Garcia and Son's Concrete LLC	\$ 5,800.00
09/22/2009	1043	New storage building/trailer	14,500.00
11/26/2014	130060	Rutherford Diversified	22,118.26
		Total	\$ 42,418.26
311 - Elec. Pumping Equip			
03/16/2009	3042	D&M Well Service	\$ 3,746.25
04/15/2009	7-16-08	Weber Drilling, Inc.	6,237.90
07/17/2009	7128	Jim's Electric, Inc.	3,399.31
07/20/2009	3146	D&M Well Service	3,825.15
12/08/2009	152	Pumps Inc	856.15
07/23/2010	3412	D&M Well Service	1,722.01
02/24/2011	3622	D&M Well Service	1,477.98
03/07/2011	7765	Jim's Electric, Inc.	1,978.29
09/04/2012	4000	D&M Well Service	23,130.45
09/10/2012	8566	Jim's Electric, Inc.	1,051.46
07/03/2013	4176	D&M Well Service	12,648.16
04/17/2014	04/02/2014	Weber Drilling, Inc.	11,460.10
08/27/2014	9270	Jim's Electric, Inc.	1,396.02
09/17/2014	WIFA - 9252	Jim's Electric, Inc.	1,400.00
11/26/2014	13-049.1	Greg Carlson Engr	16,602.00
11/26/2014	13-049.2	Greg Carlson Engr	5,700.00
11/26/2014	13-049.3	Greg Carlson Engr	800.00
11/26/2014	13-049.4	Greg Carlson Engr	1,852.63
11/26/2014	4871	ADEQ	2,650.00
11/26/2014	L2132739	Pioneer Equipment	59,924.15
11/26/2014	4077962	W.W. Williams	15,573.97
11/26/2014	4635	Sulphur Springs VEC	11,143.98
11/26/2014		Sulphur Springs VEC	(1,549.78)
11/26/2014	13-049.5	Greg Carlson Engr	454.63
11/26/2014	13-049.6	Greg Carlson Engr	3,362.63
11/26/2014	13-049.7	Greg Carlson Engr	954.61
11/26/2014	13-049.9	Greg Carlson Engr	909.25
11/26/2014	13-049.10	Greg Carlson Engr	780.07
11/26/2014	130060	Rutherford Diversified	130,162.24
11/26/2014	4078144	W.W. Williams	15,575.05
		Total	\$ 339,224.66
320.1 - Water Treatment Plant			
11/26/2014	130060	Rutherford Diversified	\$ 6,559.50

Southland Utilities Company, Inc.
Detail of Plant Additions - Page 1, Item 4 (Over \$500)

Date	Num	Name	Amount
330.1 - Storage Tanks			
11/26/2014	1364		\$ 257,703.52
11/26/2014	130060	Rutherford Diversified	20,044.00
		Total	\$ 277,747.52
331 - Trans & Dist. Mains			
09/30/2010	09/30/2010	Garcia and Son's Concrete LLC	\$ 1,590.00
10/06/2014	14-045.1	Greg Carlson Engineering, LLC	900.00
10/06/2014	8132623-00	Dana Kepner	3,460.31
10/21/2014	1074	Garcia and Son's Concrete LLC	6,375.00
11/04/2014	14-045.2	Greg Carlson Engineering, LLC	1,750.00
11/26/2014	130060	Rutherford Diversified	27,194.00
		Total	\$ 41,269.31
334 - Meters Purchased			
08/11/2009	8104205-00	Dana Kepner	\$ 596.71
09/23/2011	8116370-00	Dana Kepner	1,445.53
11/07/2011	8116911-00	Dana Kepner	1,241.13
01/25/2012	8117881-00	Dana Kepner	1,934.90
03/08/2012	1164	Garcia and Son's Concrete LLC	580.00
04/02/2012	1189	Garcia and Son's Concrete LLC	1,300.00
05/20/2013	8125093-00	Dana Kepner	1,658.92
01/15/2014	8128407-00	Dana Kepner	1,297.20
		Total	\$ 10,054.39
335 - Hydrants			
11/26/2014	130060	Rutherford Diversified	\$ 153,742.62
346 - Communications Equip.			
10/21/2011	2801	AV Specialists, LLC	\$ 838.60
12/05/2011	1044	AV Specialists, LLC	(136.30)
06/24/2014	3615	AV Specialists, LLC	4,995.08
		Total	\$ 5,697.38
347 - Misc. Equipment			
11/26/2014	130060	Rutherford Diversified	\$ 7,832.50
Total Plant Additions Over \$500			\$ 884,546.14
Total Plant Additions Under \$500			5,504.40
Total Plant Additions Since Last Rate Case			\$ 890,050.54

ATTACHMENT 2

Staff concludes the proposed upgrades and improvements and estimated costs totaling \$1,331,320 appear to be reasonable and appropriate. No "used and useful" determination of the proposed project items were made and no particular treatment should be inferred for rate making or rate base purposes in the future.

2. Completed Tank Improvements (refinancing request of \$494,622)

The completed tank improvements included replacement of a leaking 25,000 gallon storage tank with a new 165,000 gallon tank and booster pump station at Site 2 and, the installation of a new 165,000 gallon tank at Site 3. ADEQ AOC certificates for these improvements were issued on September 18, 2008.

According to the Company, the storage tank at Site 3, when completed, will provide additional storage for fire flow and will help to alleviate water shortages when wells become inoperable due to mechanical failure or in the event well production declines during times of peak demand.

Through data requests, Staff obtained from the Company a cost breakdown to support the financing request of \$494,622. The Company reported a total project cost for the tank improvements of \$605,851.43. Staff has reviewed the cost breakdown¹¹ and has adjusted the Company's engineering and construction cost allocations. The Company's cost breakdown, as adjusted by Staff, is summarized in Table E below.

TABLE E

Description	Site 2 Improvements (Company)	Site 2 Improvements (Staff)	Site 3 Improvements (Company)	Site 3 Improvements (Staff)	Totals Improvements Sites 2 & 3
Tank materials	\$114,384.60	\$114,384.60	\$114,384.60	\$114,384.60	\$228,769.20
Engineering	\$47,042.30 (80%)	\$28,155.20 (50%)	\$9,268.09 (20%)	\$28,155.20 (50%)	\$56,310.39
Construction contractor	\$266,300.67	\$189,731.15	\$31,407.63	\$107,977.15	\$297,708.30
Structural contractor (Retaining Wall)	-	-	\$8,186.57	\$8,186.57	\$8,186.57
Electric line extension	\$9,764.97	\$9,764.97	-	-	\$9,764.97
On-site security service	\$5,112.00	\$5,112.00	-	-	\$5,112.00
Totals	\$442,604.54	\$348,147.92	\$163,246.89	\$257,703.51	\$605,851.43

¹¹ Submitted by the Company on May 26, 2010

ATTACHMENT 3

Company Name: Southland Utilities Company, Inc.	Test Year Ended: 31-Dec-14
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CURRENT AND PROPOSED RATES AND CHARGES

CUSTOMER CLASS: Residential Commercial Industrial
 Irrigation All Other, specify _____

MINIMUM OR SERVICE CHARGES	CURRENT RATES ¹		PROPOSED RATES	
	\$	GALLONS	\$	GALLONS
5/8" x 3/4" Meter	\$ 16.00	for -	\$ 30.00	for -
3/4" Meter	22.50	for -	45.00	for -
1" Meter	37.50	for -	75.00	for -
1-1/2" Meter	75.00	for -	150.00	for -
2" Meter	120.00	for -	240.00	for -
3" Meter	240.00	for -	480.00	for -
4" Meter	375.00	for -	750.00	for -
6" Meter	750.00	for -	1,500.00	for -
MONTHLY WIFA SURCHARGE				
5/8" x 3/4" Meter	\$ 13.39		0	
3/4" Meter	20.09		0	
1" Meter	33.48		0	
1-1/2" Meter	66.95		0	
2" Meter	107.13		0	
3" Meter	214.25		0	
4" Meter	334.77		0	
6" Meter	669.54		0	

¹ Monthly minimum rates per Decision 72429 as amended *NUNC PRO TUNC* on June 30,2011.

Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g., residential, commercial) unless "All" is checked.