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BEFORE THE ARIZONA CORPORATIC...

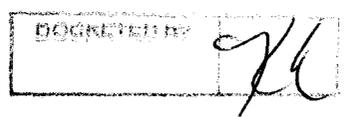
COMMISSIONERS

- SUSAN BITTER SMITH - Chairman
- BOB STUMP
- BOB BURNS
- DOUG LITTLE
- TOM FORESE

Arizona Corporation Commission

DOCKETED

DEC 17 2015



IN THE MATTER OF THE APPLICATION OF UTILITY SOURCE, LLC, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICES BASED THEREON.

DOCKET NO. WS-04235A-13-0331

DECISION NO. 75353

OPINION AND ORDER

DATES OF HEARING:

November 12, 2013 (Procedural Conference); July 15, 2014 (Procedural Conference); August 19, 2014 (Public Comment); November 13, 2014 (Pre-Hearing Conference); November 18, 2014 (Procedural Conference); February 17, 18, and 19, 2015 (Evidentiary Hearing); September 8, 2015 (Open Meeting); September 15, 2015 (Procedural Conference); October 14, 2015 (Procedural Conference); and November 10, 2015 (Evidentiary Hearing).

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Scott M. Hesla¹

APPEARANCES:

Mr. Steve Wene, MOYES SELLERS & HENDRICKS LTD, on behalf of Utility Source, LLC;

Mr. Daniel W. Pozefsky, on behalf of the Residential Utility Consumer Office;

Mr. Terry Fallon, in propria persona;

Mr. Erik A. Nielsen, in propria persona; and

Mr. Wesley Van Cleve and Mr. Matthew Laudone, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

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¹ Administrative Law Judge Sarah N. Harpring was initially assigned to this case and she held the procedural conferences occurring on November 12, 2013 and July 15, 2014, and the public comment session occurring on August 19, 2014.

1 **BY THE COMMISSION:**

2 **I. Procedural History**

3 On September 27, 2013, Utility Source, LLC (“Utility Source” or “Company”) filed with the
4 Arizona Corporation Commission (“Commission”) an application for a determination of the current
5 fair value of its utility plants and property and for increases in its rates and charges for water and
6 wastewater utility services provided to customers in the Company’s service area in Coconino County,
7 Arizona. Utility Source’s application uses a test year ending December 31, 2012.

8 On October 24, 2013, the Commission’s Utilities Division (“Staff”) filed a Letter of
9 Sufficiency indicating that Utility Source’s application had met the sufficiency requirements outlined
10 in A.A.C. R14-2-103 and classifying Utility Source as a Class C utility.

11 On October 29, 2013, a Procedural Order was issued scheduling a Procedural Conference to
12 discuss discrepancies within the application that made it impossible to provide accurate notice of the
13 impacts of Utility Source’s proposed rates and charges for some customers. The Procedural Order
14 also suspended the timeframe in this matter.

15 A Procedural Conference was held on November 12, 2013, and Utility Source agreed to file
16 an amended application.

17 On January 9, 2014, Utility Source filed an amended application to address the issues raised
18 regarding the original application.

19 On March 6, 2014, Staff filed a Letter of Sufficiency indicating that Utility Source’s
20 application, as amended, had been deemed sufficient by operation of law and that Utility Source had
21 been classified as a Class C utility.

22 On March 14, 2014, by Procedural Order, this matter was set for hearing to commence on
23 August 19, 2014, and other procedural requirements and deadlines were established.

24 On April 24, 2014, Utility Source filed a Notice of Customer Mailing, stating that notice had
25 been mailed to its customers on April 18, 2014, several days after the April 14, 2014, notice deadline
26 established by Procedural Order.

27 On April 30, 2014, Utility Source filed a Notice of Filing Certificate of Publication, providing
28 that the prescribed notice had been published in the *Arizona Daily Sun* on April 18, 2014.

1 On July 1, 2014, Mr. Erik A. Nielsen filed a Motion to Intervene dated June 28, 2014, several
2 weeks after the June 6, 2014, deadline established by Procedural Order. Mr. Nielsen identified
3 himself as a Utility Source customer.

4 On July 7, 2014, Mr. Terry Fallon filed a Motion to Intervene dated July 2, 2014. Mr. Fallon
5 identified himself as a Utility Source customer.

6 Also on July 7, 2014, the Residential Utility Consumer Office ("RUCO") filed an Application
7 to Intervene and Motion to Modify the Procedural Schedule.

8 On July 9, 2014, Utility Source filed a Response to RUCO's Application to Intervene, stating
9 that the request was untimely and prejudicial and should be denied.

10 On July 10, 2014, Staff filed a Request to Modify Procedural Schedule, requesting that the
11 deadline for Staff's direct testimony be extended by three weeks and that all other procedural dates
12 and deadlines be adjusted accordingly.

13 Later on July 10, 2014, Staff filed a Request for a Procedural Conference or a Stay, stating
14 that several new issues had come to light in this matter and that Staff needed time for additional
15 discovery and to prepare direct testimony.

16 On July 11, 2014, a Procedural Order was issued scheduling a procedural conference to be
17 held on July 15, 2014, and suspending the timeclock and procedural schedule for this matter pending
18 a ruling on the motions.

19 On July 15, 2014, a procedural conference was held as scheduled, with Utility Source, Staff,
20 and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing *pro se*.² Staff's
21 Requests and the three intervention requests were discussed at length. Staff stated that the newly
22 identified issues concerned a large standpipe for bulk water sales currently under construction in
23 Utility Source's service area, for which no discussion had been included and no *pro forma*
24 adjustments had been made in the amended application, as well as the appropriate treatment of Well
25 No. 4 for purposes of establishing rate base, as the need for Well No. 4 may be greater as a result of
26 new standpipe sales. Staff requested that the deadline for its direct testimony be extended to
27

28 ² Mr. Nielsen, Mr. Fallon, and counsel for Utility Source attended telephonically.

1 September 4, 2014, to allow for additional discovery and analysis concerning these issues, and that
2 the rest of the procedural schedule be adjusted accordingly. Mr. Nielsen, Mr. Fallon, and RUCO
3 explained their interests in this matter and why their intervention requests had not been made earlier,
4 and all three were amenable to Staff's requested extension of the procedural schedule in this matter.
5 Only Utility Source opposed the three requests for intervention and the requested extension of the
6 procedural schedule in this matter, asserting that the delay would be prejudicial. Utility Source did
7 not, however, characterize the newly raised issues as irrelevant or outside the scope of this
8 ratemaking matter. During the procedural conference, intervention was granted to Mr. Nielsen, Mr.
9 Fallon, and RUCO. Additionally, it was determined that the deadline for Staff and Intervenors to file
10 direct testimony would be extended to September 4, 2014, and that the remainder of the procedural
11 schedule would be adjusted accordingly, although the August 19, 2014, hearing date would be
12 retained to hold a public comment proceeding. In light of the newly raised issues, Utility Source
13 requested that it be provided 30 days to prepare its rebuttal testimony and three weeks to prepare its
14 rejoinder testimony. It was determined that a Procedural Order would be issued to establish the
15 modified schedule for this matter.

16 On July 16, 2014, a Procedural Order was issued establishing new filing and hearing dates.

17 On August 1, 2014, Mr. Fallon filed a Petition in opposition to the Company's proposed rate
18 increases signed by residents of Bellemont, Arizona.

19 On September 3, 2014, Mr. Nielsen filed his direct testimony.

20 Also on September 3, 2014, Mr. Fallon filed Exhibits A through D to his direct testimony.

21 On September 4, 2014, Staff filed the direct testimonies of John A. Cassidy, Michael
22 Thompson, and Jorn L. Keller.

23 Also on September 4, 2014, RUCO filed the direct testimonies of Robert B. Mease and
24 Jeffrey M. Michlik.

25 On October 3, 2014, Utility Source filed the rebuttal testimonies of Thomas J. Bourassa and
26 Lonnie McCleve.

27 On October 15, 2014, Mr. Fallon filed Exhibits E through G to his surrebuttal testimony.

28 On October 20, 2014, RUCO filed the surrebuttal testimonies of Mr. Mease and Mr. Michlik.

1 Also on October 20, 2014, Staff filed the surrebuttal testimony of Mr. Cassidy.
2 Contemporaneously with that filing, Staff filed a Request for Extension of Time requesting that the
3 deadline for filing the surrebuttal testimonies of Mr. Thompson and Mr. Keller be extended to
4 October 21, 2014.

5 Mr. Nielsen also filed a Request for Time Extension on October 20, 2014, requesting that the
6 deadline for filing his surrebuttal testimony be extended to October 21, 2014.

7 On October 21, 2014, Staff filed the surrebuttal testimonies of Mr. Thompson and Mr. Keller.

8 Also on October 22, 2014, Mr. Nielsen filed his surrebuttal testimony.

9 By Procedural Order dated October 23, 2014, the extensions of time requested by Staff and
10 Mr. Nielsen were granted.

11 On October 31, 2014, the Company filed a Motion to Reschedule Procedural Conference
12 requesting that the prehearing conference be rescheduled for 1:00 p.m., or later, on November 13,
13 2014, due to a scheduling conflict.

14 On November 4, 2014, a Procedural Order was issued rescheduling the prehearing conference
15 for November 13, 2014, at 2:30 p.m.

16 On November 7, 2014, the Company filed the rejoinder testimonies of Mr. Bourassa and Mr.
17 McCleve.

18 On November 13, 2014, the prehearing conference was held as scheduled, with the Company,
19 Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing *pro se*.³ At
20 that time, RUCO requested that the hearing be continued due to a scheduling conflict with RUCO's
21 counsel. The Company, Staff, Mr. Nielsen, and Mr. Fallon agreed to accommodate RUCO's request.

22 On November 14, 2014, a Procedural Order was issued vacating the hearing dates scheduled
23 for November 18, 19, 20, and 21, 2014, and scheduling a procedural conference on November 18,
24 2014, for the purposes of discussing new hearing dates and other procedural matters.

25 On November 18, 2014, the procedural conference was held as scheduled, with the Company,
26 Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing *pro se*.⁴ Due

27
28 ³ Mr. Nielsen and Mr. Fallon attended telephonically.

⁴ The Company, Mr. Nielsen, and Mr. Fallon attended telephonically.

1 to scheduling conflicts, Staff and RUCO proposed that the hearing be rescheduled no sooner than
2 January of 2015. The parties agreed to meet and confer regarding potential hearing dates in January
3 and the Company proposed to file a list of mutually agreeable hearing dates for consideration. In
4 addition, an alternative option for regulatory treatment of the Company's standpipe operation was
5 discussed and the parties were directed to address that alternative at the hearing.

6 Later on November 18, 2014, a Procedural Order was issued directing, among other things,
7 the Company to file a list of mutually agreeable hearing dates no later than November 26, 2014.

8 On November 26, 2014, the Company filed a Notice of Dates of Availability indicating that
9 all parties were available for hearing on February 17, 18, and 19, 2015.

10 On December 3, 2014, a Procedural Order was issued scheduling a hearing to commence on
11 February 17, 2015 and continue, if necessary, on February 18 and 19, 2015.

12 On January 9, 2015, RUCO filed a Motion to Compel the Company to respond to RUCO's
13 Data Request Number 2.01.

14 On January 15, 2015, RUCO filed a Notice of Withdrawal of its Motion to Compel indicating
15 that the Company provided a response to RUCO's Data Request Number 2.01.

16 On January 16, 2015, Mr. Nielsen filed a Motion to Compel the Company to respond to his
17 Third and Fourth Sets of Data Requests.

18 On February 4, 2015, the Company filed a Response to Mr. Nielsen's Motion to Compel
19 stating that the motion is moot because the Company e-mailed responses to Mr. Nielsen on February
20 2, 2015.

21 On February 9, 2015, Mr. Nielsen filed a Response to the Company's February 4, 2015
22 Response stating that the Company failed to fully respond to three specific data requests and
23 requesting a procedural conference to discuss the Motion to Compel.

24 On February 10, 2015, a Procedural Order was issued scheduling a telephonic procedural
25 conference to address Mr. Nielsen's Motion to Compel.

26 On February 11, 2015, Staff filed a Memorandum to update its recommended regulatory
27 treatment of the Company's standpipe operation.

28 On February 12, 2015, a telephonic procedural conference was held as scheduled, with the

1 Company, Staff, and RUCO appearing through counsel, and Mr. Nielsen appearing *pro se*. At that
2 time, the Company agreed to provide any documents responsive to Mr. Nielsen's data requests no
3 later than February 13, 2015.⁵ In addition, the parties affirmed that Staff's updated recommendation
4 for the Company's standpipe operation would not impair the ability of any party to prepare for the
5 hearing.

6 On February 17, 18, and 19, 2015, a full public hearing was convened as scheduled, with the
7 Company, Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing
8 *pro se*. At the conclusion of the hearing, the parties were directed to submit a joint schedule for filing
9 closing briefs, reply briefs, and any final schedules.

10 On February 25, 2015, Staff filed a Briefing Schedule stating that the parties agreed to file
11 any final schedules by March 6, 2015, closing briefs by March 24, 2015, and reply briefs by April 14,
12 2015.

13 On February 26, 2015, a Procedural Order was issued adopting the briefing schedule proposed
14 by the parties.

15 On March 5, 2015, RUCO filed its final schedules.

16 On March 6, 2015, the Company and Staff filed their respective final schedules.

17 On March 11, 2015, Mr. Nielsen filed proposed expense and rate base adjustments in lieu of
18 submitting final schedules. Contemporaneously with his filing, Mr. Nielsen filed a request for an
19 extension of time to file final schedules representing that the other parties were notified of that
20 request and there was no objection.

21 On March 24, 2015, the Company, Staff, RUCO, Mr. Nielsen, and Mr. Fallon filed their
22 respective closing briefs.

23 On April 10, 2015, the Company filed a motion requesting that the time for filing reply briefs
24 be extended from April 14, 2015 to April 17, 2015. Counsel for the Company represented that the
25 other parties were notified of that request and there was no objection.

26 By Procedural Order dated April 13, 2015, the extension requests of Mr. Nielsen and the
27

28 ⁵ The Company stated that it did not have any documents responsive to two of Mr. Nielsen's outstanding data requests.

1 Company were granted.

2 On April 15, 2015, Mr. Fallon filed his reply brief.

3 On April 17, 2015, RUCO, Mr. Nielsen, and Staff filed their respective reply briefs.

4 Also on April 17, 2015, the Company filed a Motion for an Extension of Time requesting a
5 further extension to file reply briefs from April 17, 2015 to April 20, 2015 due to a computing error.

6 On April 20, 2015, the Company filed its reply brief.

7 By Procedural Order dated April 27, 2015, the Company's request for an extension of time
8 was granted.

9 On May 20, 2015, the Company filed a Notice of Refund of Overpayment, indicating that the
10 Company had returned an unauthorized hook-up fee to a customer on May 6, 2015.⁶

11 On August 24, 2015, the Commission's Hearing Division issued a Recommended Opinion
12 and Order ("ROO") recommending approval of an increase to the Company's water and wastewater
13 rates and charges, subject to certain terms and conditions.

14 On September 1, 2015, Mr. Fallon filed his exceptions to ROO.

15 On September 2, 2015, the Company, RUCO, and Mr. Nielsen filed their respective
16 exceptions to the ROO.

17 On September 8, 2015, at the scheduled Open Meeting, the Commission voted in favor of
18 holding this matter over for further consideration. In addition, the Commission directed the Hearing
19 Division to convene a procedural conference for the purposes of scheduling an additional evidentiary
20 hearing and discussing other procedural matters.

21 On September 8, 2015, a Procedural Order was issued scheduling a procedural conference to
22 commence on September 15, 2015.

23 On September 15, 2015, the procedural conference was held as scheduled, with the Company,
24 Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing *pro se*.⁷ At
25 that time, discussions were had among the parties regarding the scope of the additional hearing and

26 _____
27 ⁶ During the first evidentiary hearing, RUCO and Mr. Nielsen presented evidence that the Company invoiced an
28 unauthorized hook-up fee from a customer on April 22, 2014. (Hearing Transcript (February 17-19, 2015) ("Hrg. Tr.") at
251-53; Exh. RUCO-2).

⁷ Mr. Nielsen and Mr. Fallon attended telephonically.

1 the parties were encouraged to engage in good faith settlement negotiations.

2 Later on September 15, 2015, a Procedural Order was issued establishing various filing
3 deadlines and scheduling hearings on October 14, 2015 (in the event of settlement) and November
4 10, 2015 (in the event of no settlement).

5 On September 28, 2015, Staff filed a Request for Modification to the Procedural Schedule to
6 allow additional time for settlement discussions. In its filing, Staff requested extensions of the
7 deadlines for filing any settlement agreement and associated testimony.

8 By Procedural Order dated October 1, 2015, the filing extensions requested by Staff were
9 granted.

10 On October 2, 2015, the Company filed a Request for Additional Time to Conclude
11 Settlement Discussions stating that the parties required additional time to conclude settlement
12 negotiations. The Company requested that the filing deadlines associated with any settlement
13 agreement be vacated and the October 14, 2015, hearing date be preserved for the purpose of
14 convening a procedural conference.

15 By Procedural Order dated October 5, 2015, the Company's requests were granted.

16 On October 14, 2015, a procedural conference was convened as scheduled, with the
17 Company, Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing
18 *pro se*.⁸ At that time, the parties informed the Commission that a settlement agreement had been
19 reached, and the parties agreed to file the agreement and associated testimony no later than
20 November 3, 2015. Additionally, it was determined that the hearing date scheduled on November 10,
21 2015, would be convened for the purpose of taking evidence on the settlement agreement.⁹

22 On November 3, 2015, Mr. Fallon filed testimony in support of the settlement agreement.

23 Also on November 3, 2015, the Company filed a Motion for Extension of Time to File the
24 Settlement and Testimony in Support of the Settlement requesting an extension of time to file the
25 settlement agreement and supporting testimony from November 3, 2015, to November 5, 2015.¹⁰

26 ⁸ Mr. Nielsen and Mr. Fallon attended telephonically.

27 ⁹ The Company, RUCO, and Staff indicated that they had no objection to Mr. Nielsen and Mr. Fallon appearing
telephonically at the hearing on November 10, 2015.

28 ¹⁰ The extension request of the parties was granted at the second evidentiary hearing (Settlement Hearing Transcript
(November 10, 2015) ("Set. Tr.") at 7).

1 On November 5, 2015, a proposed Settlement Agreement (“Settlement Agreement”) (attached
2 hereto as Exhibit A) was filed in this matter, signed by Utility Source, RUCO, Mr. Nielsen, Mr.
3 Fallon, and Staff.¹¹

4 Also on November 5, 2015, testimony in support of the Settlement Agreement was filed by:
5 the Company (Mr. Bourassa); Mr. Nielsen (self); RUCO (Mr. Mease); and Staff (Mr. James
6 Armstrong).

7 On November 10, 2015, a full public hearing regarding the Settlement Agreement was held as
8 scheduled, with the Company, Staff, and RUCO appearing through counsel, and Mr. Nielsen and Mr.
9 Fallon appearing *pro se*.¹² At the conclusion of the hearing, the Settlement Agreement was taken
10 under advisement pending submission of a Recommended Opinion and Order for the Commission’s
11 final disposition.

12 **II. Background**

13 Utility Source is an Arizona limited liability company that is owned by Mr. McCleve (80
14 percent) and Mr. Gary Bulechek (20 percent).¹³ Pursuant to authority granted in Decision No. 67446
15 (January 4, 2005), the Company was issued a Certificate of Convenience and Necessity (“CC&N”) to
16 provide water and wastewater utility services to an area near the community of Bellemont, in
17 Coconino County, Arizona.

18 During the test year, Utility Source provided water and wastewater utility services to
19 approximately 325 customers. The Company’s customers include a residential community (Flagstaff
20 Meadows I and II, and Flagstaff Meadows Townhomes I), a hotel, a fire department station, a mobile
21 home park, and a truck stop. The Company’s current rates and charges for water and wastewater
22 services were authorized in Decision No. 70140 (January 23, 2008).¹⁴

23 According to Staff, three customer complaints related to billing were filed with the
24 Commission between 2011 and 2014, all of which have been resolved and closed.¹⁵ Staff further
25 reports that the Company is currently in good standing with the Commission’s Corporations Division

26 ¹¹ Exh. S-9.

27 ¹² Per stipulation of the parties, Mr. Nielsen and Mr. Fallon attended the hearing telephonically.

28 ¹³ Hrg. Tr. at 115.

¹⁴ Exh. S-1 at Exhibit MT-1.

¹⁵ Exh. S-7 at 3.

1 and the Company has no delinquent compliance issues.¹⁶

2 **A. Water Division**

3 The Company's water system ("Water Division") consists of five active wells (Deep Well
4 Nos. 1 through 4 and Shallow Well No. 2); four inactive wells (Shallow Well Nos. 1, 3, 4, and 5);
5 two storage tanks; two 15 horsepower ("hp") booster pumps with variable frequency drives
6 ("VFDs"); one 75 hp emergency fire booster pump; one 200 gallon pressure tank; one 120 kilowatt
7 ("kW") emergency backup generator; a booster pump house; 34 standard fire hydrants; and a
8 distribution system.¹⁷ According to Staff, Deep Well No. 4 is currently operational, but is not
9 technically needed to serve the test year customers.¹⁸ Based on Staff's engineering analysis, the
10 Water Division has adequate production and storage capacity to serve the present customer base and
11 reasonable growth.¹⁹

12 During Staff's evaluation of the amended application, Staff discovered that the Company
13 constructed a post-test year standpipe water facility that began selling bulk water to commercial and
14 individual hauling customers in September of 2014.²⁰ According to Staff, the production capacity of
15 Deep Well No. 4 will be required to operate the standpipe.²¹

16 In Decision No. 70140, the Commission approved the Company's request to include Deep
17 Well No. 4 in rate base with the expectation that the development of Flagstaff Meadows III would
18 bring approximately 350 new customers onto the system. Due to ongoing litigation, the development
19 of Flagstaff Meadows III has not yet commenced and the prospective customers contemplated in that
20 Decision never materialized.²²

21 The Company proposed in its amended application to remove costs associated with Deep
22 Well No. 4 from rate base because it believes that well represents capacity for future customers.
23 According to the Company, Well No. 4 is used as emergency backup to supplement water demand
24

25 ¹⁶ Hrg. Tr. at 750-51; Exh. S-7 at 3.

26 ¹⁷ Exh. S-1 at Exhibit MT-1.

26 ¹⁸ *Id.*

27 ¹⁹ Exh. S-1 at 4.

27 ²⁰ Staff Closing Brief ("Cl. Br.") at 6; Hrg. Tr. at 31-32; 100-101.

28 ²¹ Hrg. Tr. at 535.

28 ²² *Id.* at 46-47; 139.

1 during extreme conditions experienced during summer months.²³

2 **B. Wastewater Division**

3 The Company's wastewater system ("Wastewater Division") consists of one extended
4 aeration wastewater treatment plant ("WWTP") capable of treating approximately 100,000 gallons of
5 wastewater per day; one inactive single batch extended aeration treatment plant; one facility building;
6 one 120 kW emergency backup generator; two wastewater effluent lakes; one decorative pond; two
7 lift stations; and a collection system. The Company stores the sludge generated from the WWTP
8 process in two sludge holding tanks with a total storage capacity of approximately 25,500 gallons,
9 and the Inactive Treatment Plant with a storage capacity of approximately 37,500 gallons. Based on
10 Staff's engineering analysis, the Wastewater Division has adequate capacity to serve the current
11 customer base and reasonable growth.²⁴

12 **III. Amended Application**

13 **A. Summary of Pre-Settlement Positions of the Parties**

14 Prior to settlement, the parties and the Administrative Law Judge recommended the following
15 revenue requirements and proposed revenue increases for the Water and Wastewater Divisions:

16 Water Division

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
17 Utility Source	\$413,519	\$207,335	100.56
18 RUCO	\$267,769	\$61,585	29.87
19 Staff	\$365,926	\$159,742	77.48
20 ROO	\$383,788	\$177,604	86.14
21 ...			
22 ...			
23 ...			
24 ...			
25 ...			
26 ...			

27 _____
28 ²³ Exh. S-1 at 22.

²⁴ *Id.* at Exhibit MT-1.

<u>Wastewater Division</u>			
	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
Utility Source	\$318,237	\$198,773	166.39
RUCO	\$217,692	\$98,228	82.22
Staff	\$305,275	\$185,811	155.54
ROO	\$309,507	\$190,043	159.08

The parties and the Administrative Law Judge further recommended the following fair value rate base ("FVRB") and fair value rate of return ("ROR") for the Water and Wastewater Divisions:

<u>Water Division</u>		
	<u>FVRB</u>	<u>ROR</u>
Utility Source	\$1,499,779	11.00%
RUCO	\$1,189,760	9.25%
Staff	\$1,473,541	9.80%
ROO	\$1,499,799	9.80%

<u>Wastewater Division</u>		
	<u>FVRB</u>	<u>ROR</u>
Utility Source	\$825,880	11.00%
RUCO	\$354,850	9.25%
Staff	\$825,880	9.80%
ROO	\$825,880	9.80%

Mr. Nielsen and Mr. Fallon did not file final schedules for the Water and Wastewater Divisions.²⁵

B. Settlement Agreement

All parties to this proceeding entered into a Settlement Agreement, a copy of which is attached hereto as "Attachment A." Staff filed a Notice of Settlement Discussions on September 15, 2015. All parties to this docket were notified that settlement discussions would commence on September 21, 2015. According to the Settlement Agreement, the discussions were "open,

²⁵ In lieu of filing final schedules, Mr. Nielsen and Mr. Fallon recommended various rate base and income statement adjustments for the Water and Wastewater Divisions. (Nielsen Cl. Br.; Fallon Reply Brief).

1 transparent, and inclusive of all parties” to this docket.²⁶

2 **1. Terms and Conditions of the Settlement Agreement**

3 For the Water Division, the parties agree to: a FVRB of \$1,979,887; impute \$127,763 of
4 estimated revenue from the standpipe operation, for an adjusted test year revenues of \$333,949; a
5 ROR of 9.95%; forgo recovery of income taxes (for this case only);²⁷ a revenue requirement of
6 \$428,723, or a 28.38% increase over adjusted test year revenues; and phase-in rates over a three year
7 period, with the Company agreeing to forgo the recovery of revenues lost during the phase-in.
8 During the phase-in period, the monthly bill for a 3/4-inch meter residential water customer with
9 median usage of 3,500 gallons would increase from \$35.30 to \$45.60 in year one; \$51.37 in year two;
10 and \$57.27 in year three.²⁸

11 For the Wastewater Division, the parties agree to: a FVRB of \$825,880; adjusted test year
12 revenues of \$119,464; a ROR of 9.95%; forgo recovery of income taxes (for this case only);²⁹ a
13 revenue requirement of \$296,719, or a 148.38% increase over adjusted test year revenues; and phase-
14 in rates over a three year period, with the Company agreeing to forgo the recovery of revenues lost
15 during the phase-in. During the phase-in period, the monthly bill for a 3/4-inch meter residential
16 wastewater customer with median usage of 3,500 gallons would increase from \$20.44 to \$50.55 in
17 year one; \$57.33 in year two; and \$64.17 in year three.³⁰

18 Under the Settlement Agreement, the Company further agrees to: utilize the depreciation and
19 amortization rates proposed by Staff; file within 90 days documentation that an engineering analysis
20 has been conducted on the water system, in a manner acceptable to Staff, with any corrective action
21 recommended from the analysis having occurred prior to filing that documentation; repair the mixed
22 media filter at its WWTP within 90 days; install a security fence around Deep Well No. 2 within 90
23 days; file an application for approval to extend its CC&N to cover the mobile home park adjacent to
24 its existing service territory within 120 days; file biannual standpipe sales volume reports; file its next

25 ²⁶ Exh. S-9.

26 ²⁷ According to the Settlement Agreement, removal of income tax recovery from the revenue requirement for the Water Division reduces the gross revenue conversion factor from 1.2681 to 1.0113.

27 ²⁸ Exh. S-9.

28 ²⁹ According to the Settlement Agreement, removal of income tax recovery from the revenue requirement for the Wastewater Division reduces the gross revenue conversion factor from 1.2681 to 1.0113.

³⁰ Exh. S-9.

1 rate application no later than September 30, 2019, using a test year no later than December 31, 2018;
2 obtain Commission approval prior to any sale or transfer of Deep Well No. 4; and keep its accounting
3 records in compliance with proper National Association of Regulatory Utility Commissioners
4 (“NARUC”) accounting standards and the Commission’s rules.³¹

5 2. **Benefits of the Settlement Agreement as Identified by the Parties**

6 To achieve consensus for settlement, the Settlement Agreement states that the signatories are
7 accepting positions that, in any other circumstances, they would be unwilling to accept. According to
8 the signatories, “[t]he terms of [the Settlement] Agreement are just, reasonable, fair, and in the public
9 interest, in that they, among other things, establish just and reasonable rates for Utility Source
10 customers; promote the convenience, comfort and safety, and the preservation of the health of the
11 employees and patrons of Utility Source; resolve the issues arising from this docket; and avoid the
12 unnecessary litigation expense and delay.”³²

13 Utility Source

14 According to the Company, the Settlement Agreement is in the public interest. Testifying on
15 behalf of Utility Source, Mr. Bourassa explained that the FVRB for the Water Division under the
16 Settlement Agreement increased from \$1,499,779 to \$1,979,887 due to the inclusion of plant
17 associated with the standpipe operation. In order to mitigate the corresponding impact to rates for
18 water customers, Mr. Bourassa testified that the Company agreed to impute \$127,763 of estimated
19 revenue from the standpipe operation into the revenue requirement for the Water Division.³³

20 To further mitigate the bill impact to water and wastewater customers, Mr. Bourassa testified
21 that the Company agreed to phase-in rates over three years and forgo the lost revenues resulting from
22 the phase-in. Mr. Bourassa explained that the rates proposed in the first year of the phase-in were
23 designed to allow the Company to meet an operational breakeven point for both systems. Mr.
24 Bourassa testified that the Company’s ability to provide safe and reliable utility services will not be
25 impaired as a result of the proposed phase-in of rates.³⁴

26 _____
27 ³¹ Exh. S-9.

³² *Id.*

³³ Set. Tr. at 28-32; Exh. A-8.

³⁴ *Id.*

1 Testifying further, Mr. Bourassa explained that the combined water and wastewater rates
 2 proposed in the Settlement Agreement are lower than the rates recommended in the ROO. According
 3 to Mr. Bourassa, the typical 3/4-inch meter residential customer with median water usage would pay
 4 \$8.58 less per month for water and wastewater services after the third year of the phase-in under the
 5 Settlement Agreement compared to the ROO. Mr. Bourassa stated that the Company agreed to lower
 6 rates because the Company cannot afford any further delay in implementing new rates.³⁵

7 RUCO

8 According to RUCO, the Commission should adopt the Settlement Agreement because the
 9 agreement reflects an outcome that is fair to both the ratepayer and Utility Source and is in the public
 10 interest. Testifying on behalf of RUCO, Mr. Mease explained that the Settlement Agreement
 11 contains significant benefits to residential customers, including:

- 12 • A phase-in of rates to mitigate the bill impact to water and wastewater customers;
- 13 • An agreement from the Company to waive the carrying costs associated with the phase-in;
- 14 • Lowering the overall requested percentage increase in revenues from 125% to 60% for the
 15 Water Division, resulting in lower rates for residential customers, by imputing estimated
 16 standpipe revenue in rate base and eliminating the income tax expense;
- 17 • Lowering the overall requested percentage increase in revenues from 11% for the
 18 Wastewater Division from what was recommended in the ROO, resulting in lower rates
 19 for residential customers;
- 20 • Requiring segregation of expenses between the owner and the Company through proper
 21 accounting principles;
- 22 • Requiring the Company to file biannual reports related to sales from the standpipe
 23 operation; and
- 24 • An agreement from the Company to perform an engineering analysis of the water system
 25 to identify and correct any water system issues.³⁶

27 _____
 28 ³⁵ Set. Tr. at 28-32; Exh. A-8.

³⁶ Set. Tr. at 18-20; Exh. RUCO-9.

Mr. Nielsen

Mr. Nielsen testified that the Settlement Agreement is in the public interest. According to Mr. Nielsen, the benefits of the Settlement Agreement include:

- Providing more revenue stability for the Company by adopting a rate structure with higher monthly minimum charges;
- Lowering the overall requested percentage increase in revenues for the Water Division by recognizing estimated revenue generated from the standpipe operation;
- Mitigating rate shock to residential customers by phasing-in rates for the Water and Wastewater Divisions over a three year period; and
- An overall lower rate increase compared to the rates recommended in the ROO.³⁷

Mr. Fallon

According to Mr. Fallon, the Settlement Agreement is in the public interest. Mr. Fallon explained that his main concern in this case was the impact new rates would have on the Bellemont community. Mr. Fallon testified that the Commission should adopt the Settlement Agreement because the proposed rates will help lessen the financial stress to the Bellemont community.³⁸

Staff

According to Staff, the provisions of the Settlement Agreement are in the public interest and should be adopted. Testifying on behalf of Staff, Mr. Armstrong stated that the most valuable provisions of the Settlement Agreement from the perspective of ratepayers include:

- The imputation of \$127,763 in standpipe revenues;
- Forgoing recovery of income tax expense;
- A total rate increase for the Water Division (excluding standpipe customers) limited to \$94,774;
- A total rate increase for the Wastewater Division limited to \$177,255; and
- A rate phase-in over three years, with no recovery of lost revenues attributable to the phase-in period.

³⁷ Set. Tr. at 25-26; Exh. Nielsen-18.

³⁸ Set. Tr. at 23-25; Exh. Fallon-7.

1 From the Company's perspective, Mr. Armstrong testified that the most valuable provisions of the
2 Settlement Agreement include:

- 3 • 9.95 percent ROR;
- 4 • The recovery of rate case expense over a three year period;
- 5 • Approval of an increase in the standpipe commodity charge from \$10.35 per 1,000 gallons
6 sold to \$18.86 per 1,000 gallons sold; and
- 7 • A first year rate increase for non-standpipe customers that should position the Company to
8 exceed its operational breakeven point the first year.³⁹

9 **3. Discussion and Resolution of the Settlement Agreement**

10 The parties to this proceeding brought different perspectives and interests to the settlement
11 negotiations. In addition to the Company and Staff, the parties to this matter include the
12 representative for residential customers as a whole (RUCO), as well as two individual residential
13 customers (Mr. Nielsen and Mr. Fallon) representing their own interests and advocating for the best
14 interests of the Bellemont community.

15 Given the original litigation positions taken by the signatory parties, the various terms
16 discussed above reflect compromises by those parties during the course of the negotiations, leading to
17 a Settlement Agreement that the signatories could support. It is clear from a comparison of the
18 parties' positions prior to the Settlement Agreement and the positions adopted in the Settlement
19 Agreement, that the signatory parties were able to negotiate a package deal that represented both the
20 requirements and compromises they each were able to accept as necessary for the public interest to be
21 served.

22 As described by the signatory parties through their testimony and exhibits, the Settlement
23 Agreement offers a number of benefits to the customers and the Company. We find that the terms of
24 the Settlement Agreement are in the public interest and will produce rates that are just and reasonable
25 in the context of this case.

26

27

28

³⁹ Set. Tr. at 11-16; Exh. S-10.

1 **IV. Revenue Requirement**

2 **A. Water Division**

3 Based on our findings herein, we determine the gross revenue for Utility Source's Water
4 Division should increase by \$94,774, or 28.38 percent.

5	Fair Value Rate Base	\$1,979,887
6	Adjusted Test Year Operating Income (Loss)	\$103,282
7	Required Fair Value Rate of Return	9.95%
8	Required Operating Income	\$196,999
9	Operating Income Deficiency	\$93,716
10	Gross Revenue Conversion Factor	1.0113
11	Gross Revenue Increase	\$94,774
12	Adjusted Test Year Revenue	\$333,949
13	Authorized Revenue Requirement	\$428,723
14	Revenue Increase	28.38%

15 **B. Wastewater Division**

16 Based on our findings herein, we determine that gross revenue for Utility Source's
17 Wastewater Division should increase by \$177,255, or 148.38 percent.

18	Fair Value Rate Base	\$825,880
19	Adjusted Test Year Operating Income (Loss)	\$(93,063)
20	Required Fair Value Rate of Return	9.95%
21	Required Operating Income	\$82,175
22	Operating Income Deficiency	\$175,238
23	Gross Revenue Conversion Factor	1.0115
24	Gross Revenue Increase	\$177,255
25	Adjusted Test Year Revenue	\$119,464
26	Authorized Revenue Requirement	\$296,719
27	Revenue Increase	148.38%

28

1 **V. Rate Design**

2 The rates proposed in the Settlement Agreement, as contained in the H Schedules attached to
3 the Settlement Agreement, will have the following impacts on the typical residential customer.

4 **A. Water Division**

5 The typical residential water customer with a 3/4-inch meter with median usage of 3,500
6 gallons per month currently receives a monthly bill of \$35.30. Under the rates approved herein, by
7 adoption of the Settlement Agreement, the same median usage customer would experience an
8 increase of \$10.30, to \$45.60, in 2016; an increase of \$16.07, to \$51.37, in 2017; and an increase of
9 \$21.97, to \$57.27, in 2018.

10 **B. Wastewater Division**

11 Currently, a residential wastewater customer with a 3/4-inch water meter with median usage
12 of 3,500 gallons per month receives a monthly bill of \$20.44. Under the rates approved herein, by
13 adoption of the Settlement Agreement, the same median usage customer would experience an
14 increase of \$30.11, to \$50.55, in 2016; an increase of \$36.89, to \$57.33, in 2017; and an increase of
15 \$43.73, to \$64.17, in 2018.

16 * * * * *

17 Having considered the entire record herein and being fully advised in the premises, the
18 Commission finds, concludes, and orders that:

19 **FINDINGS OF FACT**

20 1. The above discussion and findings are hereby incorporated into this Findings of Fact
21 by reference.

22 2. The settlement discussions in this docket were open, transparent, and inclusive of all
23 parties to this docket. All parties were notified of the settlement proceedings and had the opportunity
24 to be heard and have their issues fairly considered.

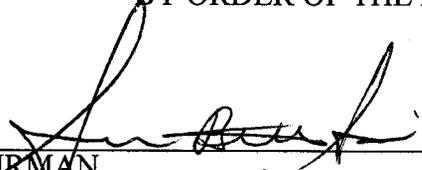
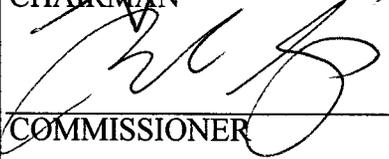
25 3. The Settlement Agreement represents a reasonable compromise of contested issues, is
26 in accord with Arizona law, and, as a whole, is consistent with the public interest.

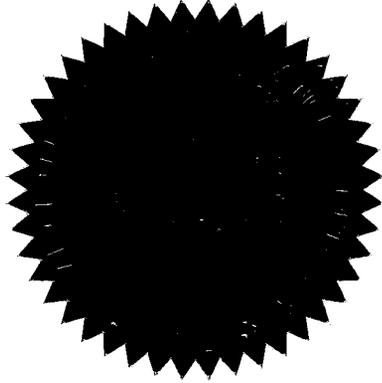
27 4. The Settlement Agreement and its provisions should be approved as discussed herein.
28

1 IT IS FURTHER ORDERED that Utility Source, LLC shall notify its customers of the
2 revised schedules of rates and charges authorized herein, in a form acceptable to the Commission's
3 Utilities Division Staff, by means of an insert in its next regularly scheduled billing or as a separate
4 mailing.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7		
8		
9	CHAIRMAN	COMMISSIONER
10		
11	COMMISSIONER	COMMISSIONER
		
		COMMISSIONER



12
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this 17th day of December 2015.

18 
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21 DISSENT _____

22 DISSENT _____
SMH:tv(ru)

1 SERVICE LIST FOR: UTILITY SOURCE, LLC

2 DOCKET NO.: WS-04235A-13-0331

3 Steve Wene
4 MOYES SELLERS & HENDRICKS LTD.
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9 Chief Counsel
10 Residential Utility Consumer Office
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12 Phoenix, AZ 85007

13 Erik Nielsen
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16 Bellemont, AZ 86015

17 Terry Fallon
18 4561 Bellemont Springs Drive
19 Bellemont, AZ 86015

20 Janice Alward, Chief Counsel
21 Legal Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, AZ 85007

25 Thomas Broderick, Director
26 Utilities Division
27 ARIZONA CORPORATION COMMISSION
28 1200 West Washington Street
Phoenix, AZ 85007

20
21
22
23
24
25
26
27
28

EXHIBIT A

UTILITY SOURCE, LLC

PROPOSED SETTLEMENT AGREEMENT

DOCKET NO: WS-04235A-13-0331

NOVEMBER 5, 2015

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**PROPOSED SETTLEMENT AGREEMENT OF DOCKET NO.
DOCKET NO: WS-04235A-13-0331 FOR AN INCREASE IN ITS WATER AND
WASTEWATER RATES**

The purpose of this Settlement Agreement (“Agreement”) is to resolve disputed issues related to Docket No. WS-04-04235A-13-0331 regarding Utility Source, L.L.C.’s (“Utility Source” or “Company”) application for an increase in its water and wastewater rates. This Agreement is entered into by the following parties: (1) Company; (2) Arizona Corporation Commission (“Commission”) Utilities Division (“Staff”); (3) Residential Utility Consumer Office (“RUCO”); (4) Erik Nielsen; and (5) Terry Fallon. These entities shall be referred to collectively as “Parties” or “Signatories;” a single entity shall be referred to individually as a “Party” or “Signatory.”

I. RECITALS.

- 1.1 Utility Source filed the underlying rate application on September 27, 2013 for a test year ending on December 31, 2012. Staff found the application sufficient on October 24, 2013.
- 1.2 In July 2014, RUCO, Mr. Nielsen, and Mr. Fallon were granted intervention in the rate case. On February 17, 18, and 19, 2015, a full public hearing was convened. After post-hearing briefing, on August 24, 2015, the Recommended Opinion and Order (“ROO”) was issued. On September 8, 2015, the Commission considered the ROO and comments by the public and the Parties and remanded the matter back to the administrative law judge for further consideration.
- 1.3 On September 15, 2015, Staff filed a Notice of Settlement Discussion. Settlement discussions were conducted among the parties thereafter. The settlement discussions were open, transparent, and inclusive of all parties to this Docket who desired to participate. All parties to this Docket were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate.
- 1.4 The terms of this Agreement are just, reasonable, fair, and in the public interest in that they, among other things, establish just and reasonable rates for Utility Source customers; promote the convenience, comfort and safety, and the preservation of health, of the employees and patrons of Utility Source; resolve the issues arising from this Docket; and avoid unnecessary litigation expense and delay.

- 1.5 The Signatories agree to ask the Commission to (1) 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) approve the Agreement such that it and the rates contained herein may become effective the first billing cycle after the effective date of the order approving the Agreement.

TERMS AND CONDITIONS

II. WATER DIVISION REVENUE REQUIREMENT AND RATE INCREASE.

- 2.1 **Rate Base.** The Parties agree that the Company has a fair value rate base of \$1,979,887. The rate base increased from \$1,499,779 due to the inclusion of plant associated with the standpipe water distribution facility as proposed by Staff.
- 2.2 **Adjusted Test Year Revenues.** To mitigate the impact to its customers, Utility Source agreed to impute \$127,763 of revenue from the standpipe operation into the revenue requirement. Consequently, adjusted test year revenues are \$333,949.
- 2.3 **Rate of Return.** The Parties agreed to a 9.95% rate of return. The slight increase over the 9.8% rate of return proposed in the ROO was necessary to provide the Company sufficient revenue following the adjustments made to test year revenues and expenses.
- 2.4 **Gross Revenue Conversion Factor.** The Parties agree that for purposes of this case only Utility Source will forgo the recovery of income taxes as part of the current revenue requirement. Accordingly, the gross revenue conversion factor of 1.2681 fell to 1.0113 in this Agreement.
- 2.5 **Revenue Requirement.** Utility Source water division has a revenue requirement of \$428,723. This is an increase over adjusted test-year revenues of 28.38%. *See Attachment A.*
- 2.6 **Phase-In and Rate Design.** To mitigate the impact on customers, the Company will phase-in rates in three stages. The Company also agreed to forgo lost revenues resulting from the phase-in. The proposed rate design provides more revenue stability for the Company while the phase-in provision will promote rate change gradualism to the benefit of ratepayers. The phase-in rates are set forth in Attachment A.

- 2.7 **Bill Impact.** During the three phases, the typical residential ¾-inch bill with a median usage for 3,500 gallons of water would increase from \$35.30 to \$45.60, then to \$51.37, and finally to \$57.27.

III. WASTEWATER DIVISION REVENUE REQUIREMENT AND RATE INCREASE.

- 3.1 **Rate Base.** The Parties agree that the Company has a fair value rate base of \$825,880, which is the same as proposed in the ROO.
- 3.2 **Adjusted Test Year Revenues.** The Parties agree that the Company's adjusted test year revenues are \$119,464.
- 3.3 **Rate of Return.** The Parties agreed to a 9.95% rate of return. The slight increase over the 9.8% rate of return proposed in the ROO was necessary to provide the Company sufficient revenue following the adjustments made to test year revenues and expenses.
- 3.4 **Gross Revenue Conversion Factor.** The Parties agree that for purposes of this case only Utility Source will forgo the recovery of income taxes as part of the current revenue requirement. Accordingly, the gross revenue conversion factor of 1.2009 fell to 1.0115 in this Agreement.
- 3.5 **Revenue Requirement.** Utility Source wastewater division has a revenue requirement of \$296,719. This is an increase over adjusted test-year revenues of 148.38%. See Attachment B. This is approximately 11% less than proposed in the ROO.
- 3.6 **Phase-In and Rate Design.** To mitigate the impact on customers, the Company will phase-in rates in three stages. The Company also agreed to forgo lost revenues resulting from the phase-in. The phase-in rates are set forth in Attachment B.
- 3.7 **Bill Impact.** During the three phases, the typical residential ¾-inch bill with a median usage for 3,500 gallons of water would increase from \$20.44 to \$50.55, then to \$57.33, and finally to \$64.17.

IV. POST-DECISION COMPANY DUTIES

- 4.1 Depreciation and Amortization.** The depreciation and amortization rates proposed by Staff shall be adopted until further order of the Commission. The approved depreciation rates are set forth in Attachments A & B.
- 4.2 System Analysis.** The Company will file, within 90 days of the effective date of the Commission decision, documentation demonstrating that an engineering analysis has been conducted on the water system, in a manner acceptable to Staff, with any corrective action recommended from the analysis having occurred prior to filing that documentation.
- 4.3 Filter Repair.** The Company will repair the mixed media filter at its wastewater treatment plant and file, within 90 days of the effective date of this Decision, documentation demonstrating that the mixed media filter has been repaired.
- 4.4 Fence Installation.** The Company will install a security fence around Deep Well No. 2 and file, within 90 days of the effective date of the Commission decision, documentation that the security fence has been installed.
- 4.5 CC&N Extension.** The Company shall file, within 120 days of the effective date of the Commission decision, an application with the Commission for approval to extend its Certificate of Convenience and Necessity over the mobile home park adjacent to its existing service territory, as recommended by Staff.
- 4.6 Standpipe Sales Reports.** The Company shall file with Docket Control, as a compliance item in this docket, biannual standpipe sales volume reports, no later than September 31 and March 31 of each year, with the first report due no later than March 31, 2016.
- 4.7 Subsequent Rate Case.** Utility Source agrees to file its next rate case by September 31, 2019, using a test year no later than December 31, 2018.
- 4.8 Well Transfer.** Utility Source, LLC shall obtain Commission approval prior to any sale or transfer of Deep Well No. 4.
- 4.9 Accounting.** The Company agrees to keep its accounting records in compliance with proper National Association of Regulatory Utility

Commissioners ("NARUC") accounting standards and the Commission's Rules.

V. COMMISSION EVALUATION OF PROPOSED SETTLEMENT.

- 5.1 All currently filed testimony and exhibits will be offered into the Commission's record as evidence.
- 5.2 The Signatories 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.
- 5.3 This Agreement will serve as a procedural device by which the Signatories will submit their proposed settlement of Utility Source's pending rate case, Docket No. WS-04235A-13-0331, to the Commission.
- 5.4 The Signatories recognize that the Commission will independently consider and evaluate the terms of this Agreement. If the Commission issues an order adopting all material terms of this Agreement, such action will constitute Commission approval of the Agreement. Thereafter, the Signatories will abide by the terms as approved by the Commission.
- 5.5 If the Commission fails to issue an order adopting all material terms of this Agreement, any or all 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 will be left to the discretion of the Signatory choosing to withdraw from the Agreement.

VI. MISCELLANEOUS PROVISIONS.

- 6.1 To achieve consensus for settlement, Signatories are accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because this Agreement, as a whole, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.
- 6.2 No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

- 6.3 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.
- 6.4 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.
- 6.5 Each of the terms of this Agreement is in consideration of all other terms of this Agreement. Accordingly, the terms are not severable.
- 6.6 The Signatories shall make reasonable and good faith efforts necessary to obtain a Commission order approving this Agreement. The Signatories shall support and defend this Agreement before the Commission. Subject to Paragraph 5.4 above, if the Commission adopts an order approving all material terms of the Agreement, the Signatories will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.
- 6.7 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 shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

DATED this 5th day of November, 2015.

ARIZONA CORPORATION COMMISSION

By *Mr. M. Brash*

Title *Director - Utilities*

Date *11/5/15*

UTILITY SOURCE WATER COMPANY

By 

Title managing member

Date 11-3-15

RESIDENTIAL UTILITY CONSUMER OFFICE

By _____

Title _____

Date _____

ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By _____
Terry Fallon

Date _____

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

RESIDENTIAL UTILITY CONSUMER
OFFICE

By David Tenney

Title David Tenney

Date 11/2/15

ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By _____
Terry Fallon

Date _____

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

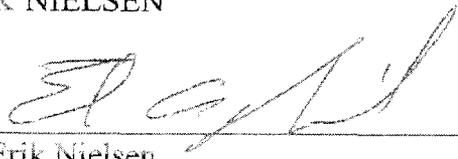
RESIDENTIAL UTILITY CONSUMER
OFFICE

By _____

Title _____

Date _____

ERIK NIELSEN

By  _____
Erik Nielsen

Date 11/5/2015

TERRY FALLON

By _____
Terry Fallon

Date _____

UTILITY SOURCE WATER COMPANY

By _____

Title _____

Date _____

RESIDENTIAL UTILITY CONSUMER
OFFICE

By _____

Title _____

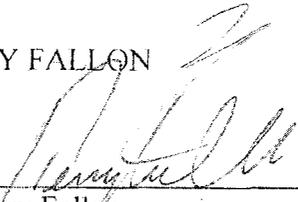
Date _____

ERIK NIELSEN

By _____
Erik Nielsen

Date _____

TERRY FALLON

By  _____
Terry Fallon

Date NOV. 5, 2015

ATTACHMENT A

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Settlement Schedule A-1
 Page 1
 Witness: Bourassa

Line No.			
1	Fair Value Rate Base	\$	1,979,887
2			
3	Adjusted Operating Income		103,282
4			
5	Current Rate of Return		5.22%
6			
7	Required Operating Income	\$	196,999
8			
9	Required Rate of Return		9.95%
10			
11	Operating Income Deficiency	\$	93,716
12			
13	Gross Revenue Conversion Factor		1.0113
14			
15	Increase in Gross Revenue		
16	Requirement	\$	94,774
17			
18	Adjusted Test Year Revenues	\$	333,949
19	Increase in Gross Revenue Revenue Requirement	\$	94,774
20	Proposed Revenue Requirement	\$	428,723
21	% Increase		28.38%

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Summary of Rate Base

Exhibit
 Settlement Schedule B-1
 Page 1
 Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 2,965,387	\$ 2,965,387
3	Less: Accumulated Depreciation	781,808	781,808
4			
5	Net Utility Plant in Service	\$ 2,183,579	\$ 2,183,579
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	294,745	294,745
11			
12	Accumulated Amortization of CIAC	(96,938)	(96,938)
13			
14	Customer Meter Deposits	5,885	5,885
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	\$ 1,979,887	\$ 1,979,887
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
45	B-3		
46	B-5		
47	E-1		
48			
49			
50			
51			
52			

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Settlement Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 2,496,640	468,747	\$ 2,965,387
3				
4	Less:			
5	Accumulated			
6	Depreciation	726,406	55,402	781,808
7				
8				
9	Net Utility Plant			
10	in Service	\$ 1,770,234		\$ 2,183,579
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	294,745	-	294,745
18				
19	Accumulated Amortization of CIAC	(96,938)	-	(96,938)
20				
21	Customer Meter Deposits	5,885	0	5,885
22	Accumulated Deferred Income Tax	-	-	-
23				
24				
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				
33				
34	Total	\$ 1,566,542		\$ 1,979,887

45 SUPPORTING SCHEDULES:
 46 B-2, pages 2
 47 E-1
 48
 49
 50

RECAP SCHEDULES:
 B-1

Exhibit
Settlement Schedule B-2
Page 2
Witness: Bourassa

Utility Source, LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Line No.	Description	Proforma Adjustments					Settlement Adjusted at end of Test Year
		1 Adjusted at end of Test Year	2 Plant-in-Service	3 Accumulated Depreciation	4 Customer Security Deposits	5 Intentionally Left Blank	
1	Gross Utility Plant in Service	\$ 2,496,640	468,747				\$ 2,965,387
2				55,402			
3	Less:						
4	Accumulated Depreciation	726,406					781,808
5							
6							
7							
8							
9	Net Utility Plant in Service	\$ 1,770,234	\$ 468,747	\$ (55,402)	\$ -	\$ -	\$ 2,183,579
10							
11							
12	Less:						
13	Advances in Aid of Construction						
14							
15							
16	Contributions in Aid of Construction (CIAC)	294,745					294,745
17							
18							
19	Accumulated Amort of CIAC	(96,938)					(96,938)
20							
21	Customer Meter Deposits	5,885					5,885
22	Accumulated Deferred Income Taxes						
23							
24							
25	Plus:						
26	Unamortized Finance Charges						
27							
28	Prepayments						
29	Materials and Supplies						
30	Allowance for Cash Working Capital						
31							
32	Total	\$ 1,566,542	\$ 468,747	\$ (55,402)	\$ -	\$ -	\$ 1,979,887
33							
34							
35							
36							
37							
38							
39							
40							

SUPPORTING SCHEDULES:
B-2, pages 3-5
E-1

RECAP SCHEDULES:
B-1

Utility Source, LLC - Water Division
 Exhibit
 Settlement Schedule B-2
 Page 3
 Witness: Bourassa

Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Line No.	Description	Plant-in-Service					Settlement Adjusted Original Cost
		A	B	C	D	E	
		Adjusted Original Cost	Remove Cost of Shallow Wells	Standpipe Allocation Per Settlement	Standpipe Allocation Per Settlement	Intentionally Left Blank	Intentionally Left Blank
1							
2							
3							
4							
5							
6	Organization Cost						
7	Franchise Cost						
8	Land and Land Rights	210,000					210,000
9	Structures and Improvements	72,997					72,997
10	Collecting and Impounding Res.						
11	Lake River and Other Intakes						
12	Wells and Springs	1,353,539	(92,000)	446,670			1,708,209
13	Infiltration Galleries and Tunnels						
14	Supply Mains						
15	Power Generation Equipment	89,125					89,125
16	Electric Pumping Equipment	158,711					158,711
17	Water Treatment Equipment	5,487					5,487
18	Water Treatment Plant						
19	Chemical Solution Feeders						
20	Dist. Reservoirs & Standpipe	321,452		114,077			435,529
21	Storage tanks						
22	Pressure Tanks						
23	Trans. and Dist. Mains	161,632		40,408	(40,408)		161,632
24	Services	86,250					86,250
25	Meters						
26	Hydrants	34,500					34,500
27	Backflow Prevention Devices						
28	Other Plant and Misc. Equip.						
29	Office Furniture and Fixtures						
30	Computers and Software	2,947					2,947
31	Transportation Equipment						
32	Stores Equipment						
33	Tools and Work Equipment						
34	Laboratory Equipment						
35	Power Operated Equipment						
36	Communications Equipment						
37	Miscellaneous Equipment						
38	Other Tangible Plant						
39	Plant Held for Future Use						
40	TOTALS	\$ 2,496,640	\$ (92,000)	\$ 601,155	\$ (40,408)	\$	\$ 2,965,387
41							
42	Plant-in-Service per Books						\$ 2,496,640
43							
44	Increase (decrease) in Plant-in-Service						\$ 468,747
45							
46	Adjustment to Plant-in-Service						\$ 468,747
47							
48	<u>SUPPORTING SCHEDULES</u>						
49	B-2, pages 3.1						
50							

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Settlement Schedule C-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues				
2	\$ 202,743	\$ 127,765	\$ 330,508	\$ 94,774	\$ 425,282
3	-	-	-	-	-
4	5,261	(1,820)	3,441	-	3,441
5	<u>\$ 208,004</u>	<u>\$ 125,945</u>	<u>\$ 333,949</u>	<u>\$ 94,774</u>	<u>\$ 428,723</u>
6	Operating Expenses				
7	\$ -	-	\$ -	-	\$ -
8	-	-	-	-	-
9	66,787	(526)	66,261	-	66,261
10	-	-	-	-	-
11	1,460	-	1,460	-	1,460
12	12,257	-	12,257	-	12,257
13	2,399	-	2,399	-	2,399
14	20,253	-	20,253	-	20,253
15	9,651	-	9,651	-	9,651
16	-	-	-	-	-
17	-	-	-	-	-
18	8,107	(7,733)	374	-	374
19	-	3,007	3,007	-	3,007
20	-	1,500	1,500	-	1,500
21	2,186	-	2,186	-	2,186
22	-	-	-	-	-
23	-	-	-	-	-
24	10,000	6,667	16,667	-	16,667
25	19,976	(7,969)	12,007	-	12,007
26	-	-	-	-	-
27	57,728	13,735	71,463	-	71,463
28	-	-	-	-	-
29	7,530	3,653	11,183	1,058	12,241
30	(2,064)	2,064	-	-	-
31	<u>\$ 216,269</u>	<u>\$ 14,398</u>	<u>\$ 230,667</u>	<u>\$ 1,058</u>	<u>\$ 231,725</u>
32	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>
33	Other Income (Expense)				
34	-	-	-	-	-
35	-	-	-	-	-
36	-	-	-	-	-
37	-	-	-	-	-
38	-	-	-	-	-
39	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
40	<u>\$ (8,265)</u>	<u>\$ 111,547</u>	<u>\$ 103,282</u>	<u>\$ 93,716</u>	<u>\$ 196,999</u>

41
 42 SUPPORTING SCHEDULES:
 43 C-1, page 2
 44 E-2
 45

RECAP SCHEDULES:
 A-1

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Settlement Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	Revenues	1	2	3	4	5	6	7
	Test Year Adjusted Results	Depreciation	Property Taxes	Rate Case Expense	Revenue Adjustment	Water Testing	Auto Expense	Telephone Expense
1	Metered Water Revenues	\$ 202,743			\$ 127,765			
2	Unmetered Water Revenues	-			(1,820)			
3	Other Water Revenues	5,261			125,945			
4		\$ 208,004	\$ -	\$ -	\$ 125,945	\$ -	\$ -	\$ -
5	Operating Expenses							
6	Salaries and Wages							
7	Purchased Water							
8	Purchased Power	66,787						
9	Fuel For Power Production							
10	Chemicals	1,460						
11	Materials and Supplies	12,257						
12	Office Supplies and Expense	2,399						
13	Contractual Services - Accounting	20,253						
14	Contractual Services - Professional	9,651						
15	Contractual Services - Maintenance							
16	Contractual Services - Other							
17	Water Testing	8,107				(7,733)		
18	Rents							
19	Transportation Expenses						1,500	
20	Insurance - General Liability	2,186						
21	Insurance - Health and Life							
22	Reg. Comm. Exp. - Other							
23	Reg. Comm. Exp. - Rate Case	10,000		6,667				
24	Miscellaneous Expense	19,976						
25	Bad Debt Expense							
26	Deprec. and Amort. Exp.	57,728	13,735					
27	Taxes Other Than Income							
28	Property Taxes	7,530	3,653					
29	Income Tax	(2,064)						
30		\$ 216,269	\$ 13,735	\$ 3,653	\$ 6,667	\$ (7,733)	\$ (1,750)	\$ (2,366)
31	Total Operating Expenses	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ (6,667)	\$ 7,733	\$ 1,750	\$ 2,366
32	Operating Income				125,945			
33	Other Income (Expense)							
34	Interest Income							
35	Other Income							
36	Interest Expense							
37	Other Expense							
38								
39	Total Other Income (Expense)							
40	Net Profit (Loss)	\$ (8,265)	\$ (13,735)	\$ (3,653)	\$ 125,945	\$ 7,733	\$ 1,750	\$ 2,366

SUPPORTING SCHEDULES:
 C-2
 E-2

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Settlement Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line
No.

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	301	Organization Cost	-		-	0.00%	-
6	302	Franchise Cost	-		-	0.00%	-
7	303	Land and Land Rights	210,000	(210,000)	-	0.00%	-
8	304	Structures and Improvements	72,997		72,997	3.33%	2,431
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	1,708,209		1,708,209	3.33%	56,883
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	-		-	2.00%	-
14	310	Power Generation Equipment	89,125		89,125	5.00%	4,456
15	311	Electric Pumping Equipment	158,711	(158,711)	-	12.50%	-
16	320	Water Treatment Equipment	5,487		5,487	3.33%	183
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	435,529		435,529	2.22%	9,669
20	330.1	Storage tanks	-		-	2.22%	-
21	330.2	Pressure Tanks	-		-	5.00%	-
22	331	Trans. and Dist. Mains	161,632		161,632	2.00%	3,233
23	333	Services	86,250		86,250	3.33%	2,872
24	334	Meters	-		-	8.33%	-
25	335	Hydrants	34,500		34,500	2.00%	690
26	336	Backflow Prevention Devices	-		-	6.67%	-
27	339	Other Plant and Misc. Equip.	-		-	6.67%	-
28	340	Office Furniture and Fixtures	2,947		2,947	6.67%	197
29	340.1	Computers and Software	-		-	20.00%	-
30	341	Transportation Equipment	-		-	20.00%	-
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	-		-	5.00%	-
33	344	Laboratory Equipment	-		-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	-		-	10.00%	-
36	347	Miscellaneous Equipment	-		-	10.00%	-
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	\$ 2,965,387	\$ (368,711)	\$ 2,596,676		\$ 80,613
39							
40							
41		Less: Amortization of Contributions				Gross CIAC	
42		Total Depreciation Expense				Amort. Rate	
43						\$ 294,745	\$ (9,150)
44		Adjusted Test Year Depreciation Expense				3.1045%	\$ 71,463
45							
46		Increase (decrease) in Depreciation Expense					57,728
47							
48		Adjustment to Revenues and/or Expenses					13,735
49							
50		SUPPORTING SCHEDULE					
51		B-2, page 3					

*Fully Depreciated

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Settlement Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 333,949	\$ 333,949
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	667,898	667,898
4	Company Recommended Revenue	333,949	428,723
5	Subtotal (Line 4 + Line 5)	1,001,847	1,096,622
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	333,949	365,541
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	667,898	731,081
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	667,898	731,081
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	123,561	135,250
15	Composite Property Tax Rate - Obtained from ADOR	9.0503%	9.0503%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 11,183	\$ 12,241
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 11,183</u>	
19	Test Year Property Taxes	<u>\$ 7,530</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u><u>\$ 3,653</u></u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 12,241</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 11,183</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u><u>\$ 1,058</u></u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 1,058
27	Increase in Revenue Requirement		\$ 94,774
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.11620%
29			
30			
31			
32			
33			
34			
35			

Utility Source, LLC - Water Division - Phase 1
 Revenue Breakdown Summary
 Proposed Rates

Exhibit
 Settlement Schedule H-2
 Page 1
 Witness: Bourassa

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch Residential	\$	131,835	\$ 37,026	\$ 18,262	\$ 7,777	\$ 194,900	\$ 194,900
3/4 Inch Commercial	\$	411	\$ 102	\$ 10	\$ -	\$ 523	\$ 523
2 Inch Commercial	\$	9,857	\$ 11,080	\$ 14,417	\$ -	\$ 35,353	\$ 35,353
2 Inch Irrigation	\$	3,286	\$ -	\$ -	\$ -	\$ 3,286	\$ 3,286
Construction/Bulk Standpipe	\$	411	\$ 5,941	\$ -	\$ -	\$ 6,352	\$ 6,352
	\$	-	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS	\$	145,799	\$ 181,911	\$ 32,689	\$ 7,777	\$ 368,176	\$ 368,176
Percent of Total		39.60%	49.41%	8.88%	2.11%	100.00%	
Cummulative %		39.60%	89.01%	97.89%	100.00%		

	Amount	% of Revenues
<u>Monthly Minimum Revenues</u>	\$ 145,799	39.60%
<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 37,127	10.08%
2nd Lowest Commodity Rate	\$ 29,352	7.97%
2nd Highest Commodity Rate	\$ 22,194	6.03%
Highest Commodity rate	\$ 133,704	36.32%
Subtotal Commodity Revenues	\$ 222,377	60.40%
Total Revenues	\$ 368,176	100.00%

Utility Source, LLC - Water Division - Phase 2
 Revenue Breakdown Summary
 Proposed Rates

Exhibit
 Settlement Schedule H-2
 Page 2
 Witness: Bourassa

		Monthly <u>Mins</u>	Commodity <u>First Tier</u>	Commodity <u>Second Tier</u>	Commodity <u>Third Tier</u>	Total	From H-1
3/4 Inch Residential	\$	143,949	\$ 45,570	\$ 20,753	\$ 8,641	\$ 218,913	\$ 218,913
3/4 Inch Commercial	\$	448	\$ 116	\$ 11	\$ -	\$ 575	\$ 575
2 Inch Commercial	\$	10,763	\$ 12,591	\$ 16,019	\$ -	\$ 39,372	\$ 39,372
2 Inch Irrigation	\$	3,588	\$ -	\$ -	\$ -	\$ 3,588	\$ 3,588
Construction/Bulk	\$	448	\$ 5,941	\$ -	\$ -	\$ 6,389	\$ 6,389
Standpipe	\$	-	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS	\$	159,196	\$ 191,980	\$ 36,782	\$ 8,641	\$ 396,600	\$ 396,600
Percent of Total		40.14%	48.41%	9.27%	2.18%	100.00%	
Cummulative %		40.14%	88.55%	97.82%	100.00%		

	<u>Amount</u>	<u>% of Revenues</u>
<u>Monthly Minimum Revenues</u>	\$ 159,196	40.14%

<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 45,686	11.52%
2nd Lowest Commodity Rate	\$ 33,355	8.41%
2nd Highest Commodity Rate	\$ 24,659	6.22%
Highest Commodity rate	\$ 133,704	33.71%
Subtotal Commodity Revenues	\$ 237,404	59.86%
Total Revenues	\$ 396,600	100.00%

Utility Source, LLC - Water Division - Phase 3
 Revenue Breakdown Summary
 Proposed Rates

Exhibit
 Schedule H-2
 Page 3
 Witness: Bourassa

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch Residential	\$	159,271	\$ 51,836	\$ 22,579	\$ 9,275	\$ 242,960	\$ 242,960
3/4 Inch Commercial	\$	496	\$ 126	\$ 12	\$ -	\$ 634	\$ 634
2 Inch Commercial	\$	11,908	\$ 13,699	\$ 17,193	\$ -	\$ 42,800	\$ 42,800
2 Inch Irrigation	\$	3,969	\$ -	\$ -	\$ -	\$ 3,969	\$ 3,969
Construction/Bulk Standpipe	\$	496	\$ 5,941	\$ -	\$ -	\$ 6,437	\$ 6,437
	\$	-	\$ 127,763	\$ -	\$ -	\$ 127,763	\$ 127,763
TOTALS	\$	176,140	\$ 199,364	\$ 39,784	\$ 9,275	\$ 424,563	\$ 424,563
Percent of Total		41.49%	46.96%	9.37%	2.18%	100.00%	
Cummulative %		41.49%	88.44%	97.82%	100.00%		

	Amount	% of Revenues
<u>Monthly Minimum Revenues</u>	\$ 176,140	41.49%
<u>Commodity Revenues</u>		
Lowest Commodity Rate	\$ 51,962	12.24%
2nd Lowest Commodity Rate	\$ 36,290	8.55%
2nd Highest Commodity Rate	\$ 26,468	6.23%
Highest Commodity rate	\$ 133,704	31.49%
Subtotal Commodity Revenues	\$ 248,423	58.51%
Total Revenues	\$ 424,563	100.00%

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Present and Proposed Rates

Exhibit
 Settlement Schedule H-3
 Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates	
1	<u>Meter Size (All Classes)</u>					
2	5/8x3/4 inch	\$ 18.50	\$ 34.23	\$ 37.37	\$ 41.35	
2	3/4 inch	18.50	34.23	37.37	41.35	
3	1 inch	46.50	85.56	93.43	103.37	
4	1 1/2 inch	92.50	171.13	186.85	206.74	
5	2 inch	148.00	273.80	298.96	330.78	
6	3 inch	296.00	547.60	597.92	661.56	
7	4 inch	462.50	855.63	934.25	1,033.69	
8	6 inch	925.00	1,711.25	1,868.50	2,067.38	
9						
10						
11						
12	<u>Gallons in Minimum (All Classes)</u>					
13						
14			(Per 1,000 gallons)			
15			Present Rate	Phase 1 Proposed Rate	Phase 2 Proposed Rate	Phase 3 Proposed Rate
16	<u>Commodity Rates</u>	<u>Blank</u>				
17						
18	5/8x3/4 inch (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
19		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
20		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
21						
22	3/4 inch Meter (Residential, Commercial)	1 gallons to 4,000 gallons	\$ 4.80	\$ 3.25	\$ 4.00	\$ 4.55
23		4,001 gallons to 9,000 gallons	\$ 7.16	\$ 5.50	\$ 6.25	\$ 6.80
24		over 9,000 gallons	\$ 8.60	\$ 6.75	\$ 7.50	\$ 8.05
25						
26	1 inch Meter (Residential, Commercial)	1 gallons to 27,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
27		over 27,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
28						
29	1.5 inch Meter (Residential, Commercial)	Over Minimum up to 57,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
30		Over 57,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
31						
32	2 inch Meter (Residential, Commercial)	1 gallons to 94,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
33		over 94,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
34						
35	3 inch Meter (Residential, Commercial)	1 gallons to 195,000 gallons	\$ 4.80	\$ 5.50	\$ 6.25	\$ 6.80
36		over 195,000 gallons	\$ 7.16	\$ 6.75	\$ 7.50	\$ 8.05
37						
38						
39						
40	NT = No Tariff					
41						

Utility Source, LLC - Water Division - Phase 3
 Test Year Ended December 31, 2012
 Present and Proposed Rates

Exhibit
 Settlement Schedule H-3
 Page 2

Line
No.
 1
 2
 3
 4
 5
 6
 7
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 9
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		(Per 1,000 gallons)				
		Present	Phase 1	Phase 2	Phase 3	
		Rate	Proposed	Proposed	Proposed	
			Rate	Rate	Rate	
	<u>Block</u>					
4	4 Inch Meter (Residential, Commercial)	\$	4.80	\$ 5.50	\$ 6.25	\$ 6.80
	1 gallons to 309,000 gallons					
	over 309,000 gallons	\$	7.16	\$ 6.75	\$ 7.50	\$ 8.05
7	6 Inch Meter (Residential, Commercial)	\$	4.80	\$ 5.50	\$ 6.25	\$ 6.80
	1 gallons to 615,000 gallons					
	over 615,000 gallons	\$	7.16	\$ 6.75	\$ 7.50	\$ 8.05
10	Irrigation Meters	\$	9.26	\$ 5.50	\$ 6.25	\$ 6.80
11						
12	Standpipe or Bulk	\$	10.35	\$ 18.86	\$ 18.86	\$ 18.86
13						
14	Construction	\$	10.35	\$ 18.86	\$ 18.86	\$ 18.86

ATTACHMENT B

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Settlement Schedule A-1
 Page 1
 Witness: Bourassa

Line No.			
1	Fair Value Rate Base	\$	825,880
2			
3	Adjusted Operating Income		(93,063)
4			
5	Current Rate of Return		-11.27%
6			
7	Required Operating Income	\$	82,175
8			
9	Required Rate of Return		9.95%
10			
11	Operating Income Deficiency	\$	175,238
12			
13	Gross Revenue Conversion Factor		1.0115
14			
15	Increase in Gross Revenue		
16	Requirement	\$	177,255
17			
18	Adjusted Test Year Revenues	\$	119,464
19	Increase in Gross Revenue Revenue Requirement	\$	177,255
20	Proposed Revenue Requirement	\$	296,719
21	% Increase		148.38%

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Final Schedule B-1
Page 1
Witness: Bourassa

Line No.	<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1		
2	\$ 1,397,271	\$ 1,397,271
3	Less: Accumulated Depreciation	455,064
4		
5	Net Utility Plant in Service	\$ 942,207
6		
7	<u>Less:</u>	
8	Advances in Aid of Construction	-
9		
10	Contributions in Aid of Construction	197,973
11		
12	Accumulated Amortization of CIAC	(86,711)
13		
14	Customer Meter Deposits	5,065
15	Deferred Income Taxes & Credits	-
16		
17		
18		
19	<u>Plus:</u>	
20	Unamortized Finance	
21	Charges	-
22	Prepayments	-
23	Materials and Supplies	-
24	Allowance for Working Capital	-
25		
26		
27		
28	Total Rate Base	\$ 825,880
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	<u>SUPPORTING SCHEDULES:</u>	
44	B-2	
45	B-3	
46	B-5	
47	E-1	
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Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Settlement Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustment	Settlement Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 1,397,271	-	\$ 1,397,271
3				
4	Less:			
5	Accumulated			
6	Depreciation	455,064	0	455,064
7				
8				
9	Net Utility Plant			
10	in Service	\$ 942,207		\$ 942,207
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	197,973	-	197,973
18				
19	Accumulated Amortization of CIAC	(86,711)	-	(86,711)
20				
21	Customer Meter Deposits	-	5,065	5,065
22	Accumulated Deferred Income Tax	-	-	-
23				
24				
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				
33				
34	Total	\$ 830,945		\$ 825,880

45 SUPPORTING SCHEDULES:
 46 B-2, pages 2
 47 E-1
 48
 49
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RECAP SCHEDULES:
 B-1

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Settlement Schedule C-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Adjusted Results	Adjustment	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues				
2	\$ -	\$ -	\$ -	\$ -	\$ -
3	116,023	-	116,023	177,255	293,278
4	5,261	(1,820)	3,441		3,441
5	<u>\$ 121,284</u>	<u>\$ (1,820)</u>	<u>\$ 119,464</u>	<u>\$ 177,255</u>	<u>\$ 296,719</u>
6	Operating Expenses				
7	\$ -	-	\$ -	\$ -	\$ -
8	-	-	-	-	-
9	26,213	(207)	26,006		26,006
10	12,659	-	12,659		12,659
11	5,400	-	5,400		5,400
12	7,187	-	7,187		7,187
13	2,446	-	2,446		2,446
14	20,135	-	20,135		20,135
15	1,920	-	1,920		1,920
16	-	-	-		-
17	46,650	-	46,650		46,650
18	5,669	8,858	14,527		14,527
19	-	1,742	1,742		1,742
20	3,250	(1,750)	1,500		1,500
21	2,186	-	2,186		2,186
22	-	-	-		-
23	-	-	-		-
24	10,000	6,667	16,667		16,667
25	13,152	(9,511)	3,641		3,641
26	-	-	-		-
27	45,744	48	45,791		45,791
28	-	-	-		-
29	4,476	(405)	4,071	2,017	6,088
30	(13,545)	13,545	-	-	-
31	-	-	-		-
32	<u>\$ 193,541</u>	<u>\$ 18,986</u>	<u>\$ 212,527</u>	<u>\$ 2,017</u>	<u>\$ 214,544</u>
33	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ (93,063)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>
34	Other Income (Expense)				
35	-	-	-		-
36	-	-	-		-
37	-	-	-		-
38	-	-	-		-
39	-	-	-		-
40	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
41	<u>\$ (72,257)</u>	<u>\$ (20,806)</u>	<u>\$ (93,063)</u>	<u>\$ 175,238</u>	<u>\$ 82,175</u>

SUPPORTING SCHEDULES:
 C-1, page 2

RECAP SCHEDULES:
 A-1

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Settlement Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	1	2	3	4	5	6	7
	Depreciation	Property Taxes	Rate Case Expense	Revenue Adjustment	Water Testing	Misc (Auto) Expense	Telephone Expense
1	Revenues						
2	Fiat Rate Revenues						
3	Measured Revenues						
4	Other Water Revenues						
5				(1,820)			
6	Operating Expenses						
7	Salaries and Wages						
8	Purchased Water						
9	Purchased Power						
10	Sludge Removal						
11	Chemicals						
12	Materials and Supplies						
13	Office Supplies and Expense						
14	Contractual Services - Accounting						
15	Contractual Services - Professional						
16	Contractual Services - Maintenance						
17	Contractual Services - Other						
18	Water Testing				8,858		
19	Rents						
20	Transportation Expenses						
21	Insurance - General Liability					(1,750)	
22	Insurance - Health and Life						
23	Reg. Comm. Exp. - Other						
24	Reg. Comm. Exp. - Rate Case						
25	Miscellaneous Expense						
26	Bad Debt Expense						
27	Deprec. and Amort. Exp.						(2,366)
28	Taxes Other Than Income						
29	Property Taxes						
30	Income Tax						
31							
32	Total Operating Expenses						
33	Operating Income						
34	Other Income (Expense)						
35	Interest Income						
36	Other Income						
37	Interest Expense						
38	Other Expense						
39							
40	Total Other Income (Expense)						
41	Net Profit (Loss)						
42							
43							
44							
45							

SUPPORTING SCHEDULES:
 C-2
 E-2

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Settlement Schedule C-1
 Page 2.2
 Witness: Bourassa

Line No.	Revenues	8	9	10	11	Settlement Test Year Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues					\$		\$
2	Fiat Rate Revenues					116,023	177,255	293,278
3	Measured Revenues					3,441		3,441
4	Other Water Revenues							
5		\$	\$	\$	\$	119,464	177,255	296,719
6	Operating Expenses					\$		\$
7	Salaries and Wages							
8	Purchased Water	(207)				26,006		26,006
9	Purchased Power					12,659		12,659
10	Sludge Removal					5,400		5,400
11	Chemicals					7,187		7,187
12	Materials and Supplies					2,446		2,446
13	Office Supplies and Expense					20,135		20,135
14	Contractual Services - Accounting					1,920		1,920
15	Contractual Services - Professional							
16	Contractual Services - Maintenance					46,650		46,650
17	Contractual Services - Other					14,527		14,527
18	Water Testing		1,742			1,742		1,742
19	Rents					1,500		1,500
20	Transportation Expenses					2,186		2,186
21	Insurance - General Liability							
22	Insurance - Health and Life							
23	Insurance - Other					16,667		16,667
24	Reg. Comm. Exp. - Rate Case					3,641		3,641
25	Miscellaneous Expense			(7,145)				
26	Bad Debt Expense					45,791		45,791
27	Deprec. and Amort. Exp.							
28	Taxes Other Than Income					4,071	2,017	6,088
29	Property Taxes				13,545			
30	Income Tax							
31								
32	Total Operating Expenses	\$ (207)	\$ (1,742)	\$ (7,145)	\$ 13,545	\$ 212,527	\$ 2,017	\$ 214,544
33	Operating Income	\$ 207	\$ (1,742)	\$ 7,145	\$ (13,545)	\$ (93,063)	\$ 175,238	\$ 82,175
34	Other Income (Expense)							
35	Interest Income							
36	Other Income							
37	Interest Expense							
38	Other Expense							
39								
40	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	Net Profit (Loss)	\$ 207	\$ (1,742)	\$ 7,145	\$ (13,545)	\$ (93,063)	\$ 175,238	\$ 82,175

RECAP SCHEDULES:
 C-1, page 1

SUPPORTING SCHEDULES:
 C-2
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Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Settlement Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line No.	Acct.	Description	Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	351	Organization Cost	-	-	-	0.00%	-
6	352	Franchise Cost	-	-	-	0.00%	-
7	353	Land and Land Rights	105,000	(105,000)	-	0.00%	-
8	354	Structures & Improvements	56,350	-	56,350	3.33%	1,876
9	355	Power Generation Equipment	2,879	-	2,879	5.00%	144
10	360	Collection Sewers - Force	-	-	-	2.00%	-
11	361	Collection Sewers - Gravity	260,553	-	260,553	2.00%	5,211
12	362	Special Collecting Structures	-	-	-	2.00%	-
13	363	Servcies to Customers	60,375	-	60,375	2.00%	1,208
14	364	Flow Measuring Devices	-	-	-	10.00%	-
15	365	Flow Measuring Installations	-	-	-	10.00%	-
16	366	Reuse Services	3,450	-	3,450	2.00%	69
17	367	Reuse Meters and Meter Installations	-	-	-	8.33%	-
18	370	Receiving Wells	-	-	-	3.57%	-
19	371	Pumping Equipment	-	-	-	10.00%	-
20	374	Reuse Distribution Reservoirs	-	-	-	2.50%	-
21	375	Reuse Transmission and Distribution	-	-	-	2.00%	-
22	380	Treatment & Disposal Equipment	903,992	-	903,992	5.00%	45,200
23	381	Plant Sewers	-	-	-	5.00%	-
24	382	Outfall Sewer Lines	-	-	-	3.33%	-
25	389	Other Plant & Misc Equipment	-	-	-	6.67%	-
26	390	Office Furniture & Equipment	4,251	-	4,251	6.67%	284
27	390.1	Computers & Software	421	-	421	20.00%	84
28	391	Transportation Equipment	-	-	-	20.00%	-
29	392	Stores Equipment	-	-	-	4.00%	-
30	393	Tools, Shop & Garage Equipment	-	-	-	10.00%	-
31	394	Laboratory Equipment	-	-	-	10.00%	-
32	395	Power Operated Equipment	-	-	-	10.00%	-
33	396	Communication Equipment	-	-	-	5.00%	-
34	397	Miscellaneous Equipment	-	-	-	10.00%	-
35	398	Other Tangible Plant	-	-	-	10.00%	-
36							
37							
38							
39		TOTALS	\$ 1,397,271	\$ (105,000)	\$ 1,292,271	10.00%	\$ 54,075
40							
41							
42		Less: Amortization of Contributions			Gross CIAC \$ 197,973	Amort. Rate 4.1845%	\$ (8,284)
43		Total Depreciation Expense					\$ 45,791
44							
45		Adjusted Test Year Depreciation Expense					45,744
46							
47		Increase (decrease) in Depreciation Expense					48
48							
49		Adjustment to Revenues and/or Expenses					\$ 48
50							

51 SUPPORTING SCHEDULE
 52 B-2, page 3

*Fully Depreciated

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Settlement Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 119,464	\$ 119,464
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	238,928	238,928
4	Company Recommended Revenue	119,464	296,719
5	Subtotal (Line 4 + Line 5)	358,391	535,646
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	119,464	178,549
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	238,928	357,098
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	421	421
12	Full Cash Value (Line 9 + Line 10 - Line 11)	238,507	356,677
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	44,124	65,985
15	Composite Property Tax Rate - Obtained from ADOR	9.2262%	9.2262%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,071	\$ 6,088
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 4,071	
19	Adjusted Test Year Property Taxes	\$ 4,476	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (405)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 6,088
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 4,071
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 2,017
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 2,017
27	Increase in Revenue Requirement		\$ 177,255
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.13789%
29			
30			
31			
32			
33			
34			
35			

Utility Source, LLC - Wastewater Division - Phase 2
 Revenue Breakdown Summary
 Proposed Rates

Settlement Schedule
 Page 1
 Witness: Bourassa

		Present				Total	From H-1
		Monthly	Commodity	Commodity	Commodity		
		Mins	First Tier	Second Tier	Third Tier		
3/4 Inch	Residential	\$ 142,524	\$ 61,428	\$ -	\$ -	\$ 203,952	\$ 203,952
3/4 Inch	Commercial	\$ 444	\$ 76	\$ -	\$ -	\$ 520	\$ 520
2 Inch	Commercial	\$ 10,656	\$ 15,712	\$ -	\$ -	\$ 26,368	\$ 26,368
2 Inch	Irrigation						
TOTALS		<u>\$ 153,624</u>	<u>\$ 77,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,840</u>	<u>\$ 230,840</u>
Percent of Total		66.55%	33.45%	0.00%	0.00%	100.00%	
Cummulative %		66.55%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division - Phase 2
 Revenue Breakdown Summary
 Proposed Rates

Settlement Schedule
 Page 2
 Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch Residential	\$	161,784	\$ 69,489	\$ -	\$ -	\$ 231,273	\$ 231,273
3/4 Inch Commercial	\$	504	\$ 86	\$ -	\$ -	\$ 590	\$ 590
2 Inch Commercial	\$	12,096	\$ 17,774	\$ -	\$ -	\$ 29,870	\$ 29,870
2 Inch Irrigation							
TOTALS	\$	174,384	\$ 87,348	\$ -	\$ -	\$ 261,732	\$ 261,732
Percent of Total		66.63%	33.37%	0.00%	0.00%	100.00%	
Cummulative %		66.63%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division - Phase 3
 Revenue Breakdown Summary
 Proposed Rates

Settlement Schedule
 Page 3
 Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total	From H-1
3/4 Inch Residential	\$	181,044	\$ 77,828	\$ -	\$ -	\$ 258,872	\$ 258,872
3/4 Inch Commercial	\$	564	\$ 96	\$ -	\$ -	\$ 660	\$ 660
2 Inch Commercial	\$	13,536	\$ 19,907	\$ -	\$ -	\$ 33,443	\$ 33,443
2 Inch Irrigation							
TOTALS	\$	195,144	\$ 97,830	\$ -	\$ -	\$ 292,974	\$ 292,974
Percent of Total		66.61%	33.39%	0.00%	0.00%	100.00%	
Cummulative %		66.61%	100.00%	100.00%	100.00%		

Utility Source, LLC - Wastewater Division
 Present and Proposed Rates
 Test Year Ended December 31, 2012

Exhibit
 Settlement Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and Meter Size (Residential, Commercial)	Present Rates	Phase 1 Proposed Rates	Phase 2 Proposed Rates	Phase 3 Proposed Rates
1	Monthly Usage Charge for:				
2	5/8 x 3/4 Inch	\$ -	\$ 37.00	\$ 42.00	\$ 47.00
3	3/4 Inch	-	37.00	42.00	47.00
4	1 Inch	-	92.50	105.00	117.50
5	1 1/2 Inch	-	185.00	210.00	235.00
6	2 Inch	-	296.00	336.00	376.00
7	3 Inch	-	592.00	672.00	752.00
8	4 Inch	-	925.00	1,050.00	1,175.00
9	6 Inch	-	1,850.00	2,100.00	2,350.00
10					
11	<u>Gallons In Minimum</u>				
12	All Meter Sizes	-	-	-	-
13					
14	<u>Rate per 1,000 Gallons of Water Usage</u>				
15	Residential	\$ 5.84	\$ 3.87	\$ 4.38	\$ 4.91
16	Commercial and Industrial				
17	Car washes, laundromats, Commercial, Manufacturing	5.71	3.79	4.28	4.80
18	Hotels, Motels	7.66	5.08	5.75	6.43
19	Restaurants	9.46	6.27	7.10	7.95
20	Industrial Laundries	8.39	5.56	6.29	7.05
21	Waste haulers	171.20	113.51	128.40	143.81
22	Restaurant Grease	149.80	99.32	112.35	125.83
23	Treatment Plant Sludge	171.20	113.51	128.40	143.81
24	Mud Sump Waste	535.00	354.71	401.25	449.40
25					
26					
27					
28					
29					
30					

