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2015 DEC 21 P 3:19
Transcript Exhibit(s)

AZ CORP COMMISSION
DOCKET CONTROL

Docket #(s): W-20935A-15-0338

Arizona Corporation Commission

DOCKETED

DEC 21 2015

DOCKETED BY *JE*

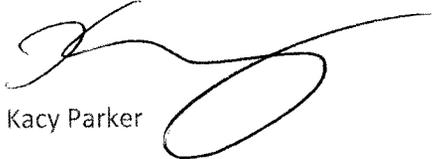
Exhibit #: S-1, S-2, S-3

November 5, 2015

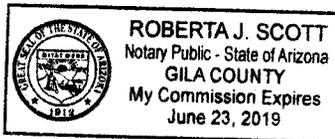
To whom it may concern:

It is my intention that the sale of the Jake's Corner Water System consists of all pumps, tanks, easements and distribution systems (including the well #55-620 999).

Sincerely,



Kacy Parker



11-~~0~~-15

11-2-15

State of Arizona
County of Gila

This instrument was acknowledged before me this 2nd day of November 2015 by Kacy Parker.



NEW APPLICATION

W-20935A-15-0338

RECEIVED

2015 SEP 28 P 3: 20

AZ CORP COMMISSION
DOCKET CONTROL

EMERGENCY RATE CASE

JAKES CORNER WATER SYSTEM

Mr. Michael Armstead
C/O Management Systems, LLC
211 W. Saddle Lane
Payson, Arizona 85541
Sept. 25, 2015

Arizona Corporation Commission
DOCKETED

SEP 28 2015

DOCKETED BY *WJ*



COMMISSIONERS
SUSAN BITTER SMITH – Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE



JODI JERICH
Executive Director

ARIZONA CORPORATION COMMISSION

**INFORMATION REGARDING
THE FILING OF AN
EMERGENCY RATE CASE**

General conditions necessary for application of interim, emergency rates:

1. Situation of sudden change which brings hardship to a Company.
2. Situation where Company is insolvent.
3. Situation where ability of Company to maintain service (pending a formal rate determination) is in serious doubt.

In support of the above, the inability of the Commission to grant permanent rate relief within a reasonable time would be grounds for granting interim relief. This would require that the Company demonstrate that the period needed to grant permanent relief would not be reasonable, given the emergency condition present.

Further, there is certain information that, at a minimum, would be required to be submitted in an application for emergency rate relief:

- ✓a. A narrative cover sheet(s) devoted to the explanation of the emergency condition present in the company.
- ✓b. A requested amount of dollars to be recovered in the emergency rate.
- ✓c. An emergency rate charge to apply to customers.
- ✓d. A method or mechanism to recover the requested amount of dollars.
- ✓e. A detailed breakdown of the system repairs, if any, necessary to alleviate the emergency condition. To include information such as size, quantity, capacity and condition of all repair areas, and a listing for the cost of labor per repair item.
- ✓f. A copy of an estimate of the cost of repairs.
- g. Original and 15 copies of all of the information.
- h. Delivery of the original and 15 copies to:

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

Jakes Corner Water System
Mr. Michael Armstead
C/O Management Systems, Inc.
211 W. Saddle Lane
Payson, AZ 85541

A) Emergency Rate Case

Jakes Corner Water System is "insolvent" and needs many upgrades to be brought up to compliance, from department of DEQ.

Health and safety is eminent. Arsenic levels exceed maximum content levels, immediate filtration to be compliant per DEQ.

Storage pressure tank failure, temporary patching is not in compliance. The revenue is insufficient to maintain health, safety, and operations of company.

20 years since a rate increase, this has left the company insolvent!

The entire operations and administration system needs reformed to become compliant and efficient. The company is out of compliance from maximum content levels of arsenic and under "consent order" to make these repairs to bring the company out of insolvency and operating effectively. Yet at this time Jakes Corner Water System is unable to achieve this due to the inability to operate from the current failing financial state at the existing rate base, the company does not have time for determination of a regular rate increase. At a 1 year rate base, 1 year for formal rate determination.

Jakes Corner Water System is now in an emergency condition!

With the insufficient revenue Jakes Corner Water cannot operate at a compliance level.

The water distribution system needs multiple repairs from years without proper maintenance and operations.

The current revenue stream is unable to support taxes much less current repairs, and it's seriously doubted that the system can maintain operations without sustaining any break downs and/or failures.

Jakes Corner Water System is failing with the current revenue stream and does not cover minimum operating expenses, placing the company in an "insolvent" state because it cannot afford to bring its current health and safety issues compliant to DEQ standards, much less daily maintenance or repairs that are desperately needed to operate, and first being at a compliant level.

Please consider this emergency rate as Jakes Corner Water System is currently in an extreme situation.

Thank you,


Michael Armstead

Date: SEPT - 25 - 2015

Jakes Corner Water System
 Management Systems, LLC
 Mr. Michael Armstead

B) A requested amount of dollars to be recovered in the emergency rate.

Jakes Corner Water System is insolvent and is requesting an emergency amount of \$37,000.

Jakes Corner Water System has immediate emergencies, due to leaks, multiple repairs needed, tanks, leaks, inadequate water storage, and insufficient pressure. Also, desperate need to implement at least 48 hours of water storage (5,000 gallons) to accommodate properly with emergency situations.

"Conservation rate schedule" with a \$26.00 minimum, see schedule below:

MONTHLY USAGE CHARGE

<u>METER SIZE (All Classes)</u>	<u>CHARGE</u>
5/8 x 3/4" Meter	\$ 26.00
3/4" Meter	30.00
1" Meter	34.50
1 1/2" Meter	51.50
2" Meter	90.50
3" Meter	129.50
4" Meter	207.50
6" Meter	00.00

COMMODITY CHARGE (per 1,000 gallons of water)

<u>METER SIZE</u>	<u>CHARGE</u>	<u>METER SIZE</u>	<u>CHARGE</u>
<u>5/8 x 3/4" & 3/4" Meter – Residential</u>	\$3.56	<u>2" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 3,000 gallons	\$4.28	From 1 to 43,000 gallons	\$6.15
From 3,001 to 9,000 gallons	\$5.31	Over 43,000 gallons	
Over 9,000 gallons		<u>3" Residential, Commercial & Industrial</u>	\$5.31
<u>5/8 x 3/4" & 3/4" Meter – Commercial & Industrial</u>	\$4.28	From 1 to 66,000 gallons	\$6.15
From 1 to 9,000 gallons	\$5.31	Over 66,000 gallons	
Over 9,000 gallons		<u>4" Residential, Commercial & Industrial</u>	\$5.31
<u>1" Residential, Commercial & Industrial</u>	\$5.31	From 1 to 113,000 gallons	\$6.15
From 1 to 11,000 gallons	\$6.15	Over 113,000 gallons	
Over 11,000 gallons		<u>6" Residential, Commercial & Industrial</u>	\$5.31
<u>1 1/2" Residential, Commercial & Industrial</u>	\$5.31	From 1 to 500,000 gallons	\$6.15
From 1 to 20,000 gallons	\$6.15	Over 500,000 gallons	
Over 20,000 gallons			

Jakes Corner Water Systems
Management Systems, Inc.
Mr. Michael Armstead

C) An emergency rate charge to apply to customers.

Jakes Corner Water System is requesting an emergency rate increase that would produce a just and reasonable rate of return, if the rates are approved as stated below.

MONTHLY USAGE CHARGE

<u>METER SIZE (All Classes)</u>	<u>CHARGE</u>
5/8 x 3/4" Meter	\$ 26.00
3/4" Meter	30.00
1" Meter	34.50
1 1/2" Meter	51.50
2" Meter	90.50
3" Meter	129.50
4" Meter	207.50
6" Meter	00.00

COMMODITY CHARGE (per 1,000 gallons of water)

<u>METER SIZE</u>	<u>CHARGE</u>	<u>METER SIZE</u>	<u>CHARGE</u>
<u>5/8 x 3/4" & 3/4" Meter - Residential</u>	\$3.56	<u>2" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 3,000 gallons	\$4.28	From 1 to 43,000 gallons	\$6.15
From 3,001 to 9,000 gallons	\$5.31	Over 43,000 gallons	
Over 9,000 gallons		<u>3" Residential, Commercial & Industrial</u>	\$5.31
<u>5/8 x 1/2" & 1/2" Meter - Commercial & Industrial</u>	\$4.28	From 1 to 66,000 gallons	\$6.15
From 1 to 9,000 gallons	\$5.31	Over 66,000 gallons	
Over 9,000 gallons		<u>4" Residential, Commercial & Industrial</u>	\$5.31
<u>1" Residential, Commercial & Industrial</u>		From 1 to 113,000 gallons	\$6.15
From 1 to 11,000 gallons	\$5.31	Over 113,000 gallons	
Over 11,000 gallons	\$6.15	<u>6" Residential, Commercial & Industrial</u>	\$5.31
<u>1 1/2" Residential, Commercial & Industrial</u>	\$5.31	From 1 to 500,000 gallons	\$6.15
From 1 to 20,000 gallons	\$6.15	Over 500,000 gallons	
Over 20,000 gallons			

Jakes Corner Water Systems
Management Systems, Inc.
Mr. Michael Armstead

SERVICE CHARGES

<u>SERVICE</u>	<u>CHARGE</u>
Establishment	\$25.00
Reconnection (Delinquent)	20.00
After Hours Service Charge (a)	35.00
Meter Test (if correct)	25.00
Meter Re-Read (if correct)	25.00
Deposit	*
Deposit Interest (per year)	*
Re-establishment (within 12 months)	**
NSF Check	\$17.50
Deferred Payment (per month)	1.50%
Late Payment Penalty (per month)	1.50%
Moving Customer Meter (customer request)	***
<p>(a) After Hours Service: After regular working hours, on Saturdays, Sundays or holidays if at the customer's request. *Per Commission Rule R14-2-403(B)(7). **Number of months off the system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).</p>	
<p>In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission Rule A.A.C. R14-2-409(D)(5).</p>	

SERVICE AND METER INSTALLATION CHARGES

<u>METER SIZE</u>	<u>CHARGE</u>		
	<u>Line</u>	<u>Meter</u>	<u>Total</u>
5/8 x 3/4" Meter	\$ 415.00	\$ 105.00	\$ 520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	465.00	265.00	730.00
1 1/2" Meter	520.00	475.00	995.00
2" Meter	800.00	995.00	1,795.00
3" Meter	1,015.00	1,620.00	2,635.00
4" Meter	1,430.00	2,570.00	4,000.00
6" Meter	2,150.00	4,925.00	7,075.00

Questions should be directed to Arroyo Water Company, Inc.
 Mr. Michael Armstead, Management Systems, Inc.
 211 W. Saddle Lane, Payson Az. 85541

Jakes Corner Water Systems
 Management Systems, Inc.
 Mr. Michael Armstead

- A requested amount of dollars to be recovered in the emergency rate.
- A method or mechanism to recover the requested amount of dollars.

Arroyo Water Company, Inc. is insolvent and is requesting an emergency amount of \$ 37,000.

Arroyo Water Company has immediate emergencies, due to leaks, multiple repairs needed, tanks, leaks, inadequate water storage, and insufficient pressure. Also, desperate need to implement at least 48 hours of water storage (5,000 gallons) to accommodate properly with emergency situations.

"Conservation rate schedule" with a \$26.00 minimum, see schedule below:

MONTHLY USAGE CHARGE

<u>METER SIZE (All Classes)</u>	<u>CHARGE</u>
5/8 x 3/4" Meter	\$ 26.00
3/4" Meter	30.00
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2" Meter	90.50
3" Meter	129.50
4" Meter	207.50
6" Meter	00.00

COMMODITY CHARGE (per 1,000 gallons of water)

<u>METER SIZE</u>	<u>CHARGE</u>	<u>METER SIZE</u>	<u>CHARGE</u>
<u>5/8 x 3/4" & 3/4" Meter - Residential</u>	\$3.56	<u>2" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 3,000 gallons	\$4.28	From 1 to 43,000 gallons	\$6.15
From 3,001 to 9,000 gallons	\$5.31	Over 43,000 gallons	
Over 9,000 gallons			
<u>5/8 x 3/4" & 3/4" Meter - Commercial & Industrial</u>	\$4.28	<u>3" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 9,000 gallons	\$5.31	From 1 to 66,000 gallons	\$6.15
Over 9,000 gallons		Over 66,000 gallons	
<u>1" Residential, Commercial & Industrial</u>	\$5.31	<u>4" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 11,000 gallons	\$6.15	From 1 to 113,000 gallons	\$6.15
Over 11,000 gallons		Over 113,000 gallons	
<u>1 1/2" Residential, Commercial & Industrial</u>	\$5.31	<u>6" Residential, Commercial & Industrial</u>	\$5.31
From 1 to 20,000 gallons	\$6.15	From 1 to 500,000 gallons	\$6.15
Over 20,000 gallons		Over 500,000 gallons	

Jakes Corner Water System
Management Systems, Inc.
Mr. Michael Armstead

E) Detailed breakdown of system repairs, if any, necessary to alleviate the emergency condition.

- Jakes Corner Water System needs to replace existing water storage.
- Needs arsenic filtration system
- 5,000 storage tank
- 5 horse power booster motor and pump
- 2,000 gal pressure tank
- Electrical panels and control wiring
- Fencing and site preparation and storage facility
- Distribution piping undermined at this time.
- Low pressure and inadequate pipe sizes leading to main-line adequate pressure, electric control replacement, labor amount is unknown, and the system is in such disarray the amount of actual expenses and labor is not known or available at this time.

F) A copy of an estimate of the cost of repairs.

No estimate is available at this time.

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-04249A

KACY J PARKER

JARIS CORNER WATER
PAYSON AZ 85547

ANNUAL REPORT

Water

FOR YEAR ENDING

| 12 | 31 | 2014 |

FOR COMMISSION USE

| ANN 04 | 2014 |

COMPANY INFORMATION

Company Name (Business Name) <u>Jakes Corner Water System</u>				
Mailing Address <u>P.O. Box 3077</u>				
<u>Payson</u> <small>(City)</small>	<u>Arizona</u> <small>(State)</small>	<u>85541</u> <small>(Zip)</small>		
<u>928-363-0032</u>				
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>		
Email Address _____				
Local Office Mailing Address _____				
<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>		
<small>Local Office Telephone No. (Include Area Code)</small>			<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>
Email Address _____				

MANAGEMENT INFORMATION

D Regulatory Contact:			
D Management Contact: <u>Michael Armstead / Kacy Parker</u> <u>CEO</u>			
<u>211 W. Saddle Lane</u> <small>(Street)</small>	<u>Payson</u> <small>(City)</small>	<u>Arizona</u> <small>(State)</small>	<u>85541</u> <small>(Title)</small> <small>(Zip)</small>
<u>928-363-0032</u>			
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
Email Address _____			
On Site Manager: <u>Michael Armstead</u>			
<u>211 W. Saddle Lane</u> <small>(Street)</small>	<u>Payson</u> <small>(City)</small>	<u>Arizona</u> <small>(State)</small>	<u>85541</u> <small>(Zip)</small>
<u>928-363-0032</u>			
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
Email Address _____			

Statutory Agent:		Michael Armstead	
		(Name)	
211 W. Saddle Lane	Payson	Arizona	85541
(Street)	(City)	(State)	(Zip)
928-363-3200			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Attorney: N/A			
(Name)			
(Street)	(City)	(State)	(Zip)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address			

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="radio"/> Sole Proprietor (S)	<input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op)
<input type="radio"/> Partnership (P)	<input type="radio"/> Subchapter S Corporation (Z)
<input type="radio"/> Bankruptcy (B)	<input type="radio"/> Association/Co-op (A)
<input type="radio"/> Receivership (R)	<input type="radio"/> Limited Liability Company
<input type="radio"/> Other (Describe)	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="radio"/> APACHE	<input type="radio"/> COCHISE	<input type="radio"/> COCONINO
<input checked="" type="checkbox"/> GILA	<input type="radio"/> GRAHAM	<input type="radio"/> GREENLEE
<input type="radio"/> LA PAZ	<input type="radio"/> MARICOPA	<input type="radio"/> MOHAVE
<input type="radio"/> NAVAJO	<input type="radio"/> PIMA	<input type="radio"/> PINAL
<input type="radio"/> SANTA CRUZ	<input type="radio"/> YAVAPAI	<input type="radio"/> YUMA
<input type="radio"/> STATEWIDE		

COMPANY NAME

JAKES CORNER WATER SYSTEM**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (C less AD)
301	Organization	3,600.00	0	3,600.00
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	15,000.00	0	15,000.00
311	Pumping Equipment	5,000.00	0	5,000.00
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	\$23,600.00		23,600

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME JAKES CORNER WATER SYSTEM

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation EXPENSE (1x2)
301	Organization	2,600.00		
302	Franchises			0
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	15,000.00		
311	Pumping Equipment	5,000.00		0
320	Water Treatment Equipment			0
321	Water Treatment Plants			
322	Solution Chemical Feeders			
330	Distribution Reservoirs and Standpipes			
331	Storage Tanks			
332	Pressure Tanks			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	23,600.00		23,600.00

This amount goes on the Comparative Statement of Income and Expense Acct. N

COMPANY NAME **JAKES CORNER WATER SYSTEM**

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$175.00	\$ 55.00
134	Working Funds		
135	Temporary Cash Investments	685.00	120.00
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 860.00	\$ 175.00
	FIXED ASSETS		
101	Utility Plant in Service	\$ 23,600.00	\$ 23,000.00
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant		
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 23,600.00	\$ 23,600.00
	TOTAL ASSETS	\$ 24,460.00	\$ 23775.00

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME JAKES CORNER WATER SYSTEM

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITIES			
231	Accounts Payable	\$0	\$0
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	50.00	50.00
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 50.00	\$50.00
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$0	\$0
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$0	\$0
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$0	\$0
	TOTAL LIABILITIES	\$50.00	\$50.00
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$0	\$0
211	Paid in Capital in Excess of Par Value	24,410.00	23,725.00
215	Retained Earnings		
218	Proprietary Capital (Sole Props. and Partnerships)		
	TOTAL CAPITAL	\$24,460.00	\$23,775.00
	TOTAL LIABILITIES AND CAPITAL	\$24,460.00	\$23,775.00

COMPANY NAME **JAKES CORNER WATER SYSTEM**

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$1186.00	\$2955.79
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$1186.00	\$2955.79
	OPERATING EXPENSES		
601	Salaries and Wages	\$0	\$1200
610	Purchased Water	\$501.83	\$429.29
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance	\$	\$500.00
621	Office Supplies and Expense		\$10.00
630	Outside Services		
635	Water Testing		\$1425.00
641	Rents		\$2000.00
650	Transportation Expenses		
657	Insurance - General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense		
403	Depreciation Expense		
408	Taxes Other Than Income	\$83.02	\$111.77
408.11	Property Taxes		\$140.77
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$584.85	\$5490.06
	OPERATING INCOME/(LOSS)	\$601.15	< \$2014.23 >
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 0	\$ 0
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ 0	\$ 0
	NET INCOME/(LOSS)	\$601.15	< \$2534.27 >

COMPANY NAME: JAKES CORNER WATER SYSTEM

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan	N/A			
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

COMPANY NAME	JAKES CORNER WATER SYSTEM
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
AZ 0404083	2	30	60'			

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (!!DID)	Gallons Purchased or (obtained (in thousands)
N/A		
N/A		

BOOSTER PUMPS		FIREHYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity) Other
N/A			
N/A			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
		5,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	JAKES CORNER WATER SYSTEM
Name of System:	ADEQ Public Water System Number:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2014

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	19	88636		
FEBRUARY	19	79004		
MARCH	19	88729		
APRIL	19	87746		
MAY	19	88786		
JUNE	19	99124		
JULY	19	98992		
AUGUST	19	98993		
SEPTEMBER	19	78992		
OCTOBER	19	77472		
NOVEMBER	19	77581		
DECEMBER	19			
TOTALS		1,043,050		

What is the level of arsenic for each well on your system? 0 mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? N/A GPM for hrs

If system has chlorination treatment, does this treatment system chlorinate continuous?
 Yes No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement
 Yes No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME:	JAKES CORNER WATER SYSTEM
Name of System:	ADEQ Public Water System Number:

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	OTHER
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			
TOTALS -----+			

OTHER (description):

COMPANY NAME JAKES CORNER WATER SYSTEM YEAR ENDING 12/31/2013

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2013 was: \$ 0.0 +.---

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why: ----- |-----

VERIFICATION
AND
SWORN STATEMENT
Taxes

VERIFICATION

STATE OF _____

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	GILA
NAME (OWNER OR OFFICIAL) TITLE	KAGY J PINEZ
COMPANY NAME	JAKE'S CORNER WATER

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2014

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ DAY OF

COUNTY NAME
MONTH

(SEAL)

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	<u>GILA</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>KACI J PARKER</u> <u>OWNER</u>
COMPANY NAME	<u>JAMES CORNER WATER</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING _____

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND I DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF

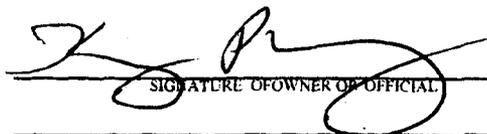
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2013 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>2,955.79</u>

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 111.77 IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

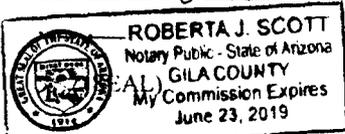

SIGNATURE OF OWNER OR OFFICIAL

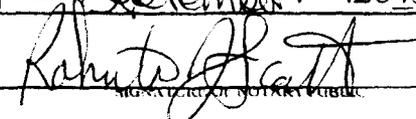
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF _____ DAY OF _____ THIS _____

COUNTY NAME	<u>Gila</u>
MONTH	<u>September</u> .20 <u>15</u>




SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____
June 23, 2019

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>GILHA</u>	
NAME (OWNER OR OFFICIAL) <u>KACY J PARKER</u>	TITLE <u>OWNER</u>
COMPANY NAME <u>JAMES CORNER WATER</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING MONTH DAY YEAR

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND I DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OF UTILITIES RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2013 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>2,955.79</u>

THE AMOUNT IN BOX AT LEFT INCLUDES \$ IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

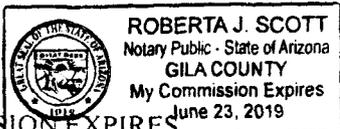
[Signature]
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 28th DAY OF

NOTARY PUBLIC NAME <u>Roberta J Scott</u>
COUNTY NAME <u>Gila</u>
MOON <u>September 1, 2015</u>

(SEAL)



MY COMMISSION EXPIRES

June 23, 2019

[Signature]
SIGNATURE OF NOTARY PUBLIC

ORIGINAL

MEMORANDUM

TO: Docket Control Center

FROM: *for* Thomas M. Broderick
Director
Utilities Division

Amigos

DATE: November 16, 2015

RE: STAFF REPORT FOR MANAGMENT SYSTEMS, LLC, DBA JAKES CORNER WATER SYSTEM'S EMERGENCY RATE APPLICATION (DOCKET NO. W-20935A-15-0338)

Attached is the Staff Report for Management Systems, LLC, dba Jakes Corner Water System's ("Jakes Corner" or "Company") Emergency Rate Application. Staff recommends approval of Staff's alternative emergency rate increase.

Any interested party wishing to file comments regarding the attached Staff Report may file those comments with the Arizona Corporation Commission's Docket Control no later than November 30, 2015.

TMB: MJR: nr/BH

Originator: Mary J. Rimback

Arizona Corporation Commission

DOCKETED

NOV 16 2015

DOCKETED BY *KE*

AZ CORP COMMISSION
DOCKET CONTROL

2015 NOV 16 A 11: 58

RECEIVED

EXHIBIT
5-3
ADMITTED

Service List for: Management Systems, LLC, dba Jakes Corner Water System
Docket No. W-20935A-15-0338

Mr. Michael Armstead
C/O Management Systems, LLC
211 West Saddle Lane
Payson, Arizona 85541

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**MANAGEMENT SYSTEMS, LLC, DBA JAKES CORNER WATER SYSTEM
DOCKET NO. W-20935A-15-0338**

**APPLICATION FOR AN
EMERGENCY RATE INCREASE**

NOVEMBER 16, 2015

STAFF ACKNOWLEDGMENT

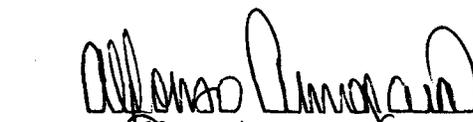
The Staff Report for Management Systems, LLC, dba Jakes Corner Water System ("Company"), Docket No. W-20935A-15-0338 was the responsibility of the Staff members listed below. Mary J. Rimback was responsible for the review and analysis of the Company's application, recommended revenue requirements, and rate design. Katrin Stukov was responsible for the engineering and technical analysis. Alfonso Amezcua was responsible for reviewing the Commission's records on the Company and reviewing customer complaints filed with the Commission.



Mary J. Rimback
Public Utilities Analyst



Katrin Stukov
Utilities Engineer



Alfonso Amezcua
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
MANAGEMENT SYSTEMS, LLC, DBA JAKES CORNER WATER SYSTEM
DOCKET NO. W-20935A-15-0338

Management Systems, LLC, dba Jakes Corner Water System ("Company") is located approximately 18 miles south of Payson and three miles southwest of Highway 188 in Gila County, Arizona. The Company provides water utility services to approximately 20 residential customers.

The Company is requesting an emergency rate increase in the amount of \$37,000¹, or a 1,252 percent increase over the Company represented 2014 revenue of \$2,956². Staff recommends an emergency rate increase in the amount of \$3,896, or an 82.1 percent increase over Staff adjusted 2014 revenues of \$4,746.³

Staff Recommendations:

Staff recommends approval of an emergency interim rate surcharge of \$16.23 per connection, per month.

Staff further recommends that the rates approved in this case will be interim until permanent rates are established in the next rate case filing.

Staff further recommends that no change to commodity charges, miscellaneous service charges, and service and meter installation charges be approved.

Staff recommends that proof of property taxes paid be submitted semi-annually until the obligation is paid in full. The Company is six years delinquent and Staff has included funding in emergency rates to pay these past due taxes.

Staff further recommends that the Company be ordered to obtain a bond or an Irrevocable Standby Letter of Credit in the amount of \$10.00.

Staff further recommends that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the interim emergency rates, using the most recent test year.

Staff further recommends that the Company maintain records as required for a permanent rate application. Including details of water usage, copies of all invoices and other cost documentation supporting the rates requested.

¹ Page 4 of Emergency Rate Application.

² Page 16 of Emergency rate Application.

³ Staff requested details of 2014 revenues and expenses as discussed in the "Staff Review" section of this report.

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Attachment

ENGINEERING MEMORANDUM.....	A
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INTRODUCTION

On September 28, 2015, Management Systems, LLC, dba Jakes Corner Water System ("Jakes Corner" or "Company") filed an application for an emergency rate increase with the Arizona Corporation Commission ("Commission"). On October 15, 2015, a Procedural Conference was held. At the conference a date of November 16, 2015, was set as the docket date for a Staff Report on the application and December 7, 2015, as the date for the hearing on the application. The Company representative has also applied for emergency rates for Arroyo Water Company. Both Jakes Corner and Arroyo Water Company emergency rate applications were included in the conference on October 15, 2015.

The Company stated in its application that the Company is insolvent and that the system has immediate emergencies. On page 8 of the application, the Company provided a list of system repairs necessary to alleviate the emergency condition and on the same page, the Company stated that no estimate of costs is available at this time.

On page 9 of the application, the Company included an annual report for the system for the year ending December 31, 2014. The Annual report represented that for the twelve months of 2014 it received revenues of \$2,956, paid expenses of \$5,490 for an operating loss of \$2,014⁴. The Company requested an emergency amount of \$37,000 on page 4 and page 7 of the application. The \$37,000 increase is a 1,252 percent increase over the Company represented 2014 revenue of \$2,956.

BACKGROUND

Jakes Corner is an Arizona Class E utility engaged in the business of providing potable water service to approximately 20 customers in an area located near the community known as Jakes Corner, approximately 18 miles outside of Payson, in Gila County, Arizona. The Company representative Michael Armstead stated in a procedural conference on October 15, that Management Systems, LLC, dba Jakes Corner Water System purchased Jake's Corner Water System on July 1, 2015. On July 10, 2015, an application to transfer the Certificate of Convenience and Necessity ("CC&N") from Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jakes Corner Water System was docketed with the Commission (Docket No. W-20935A-15-0260 and W-04249A-15-0260). No decision on the transfer of CC&N has been issued at the time of issuance of this Staff Report.

ENGINEERING ANALYSIS

The Staff Engineering Memorandum is attached to this report. In the Memorandum, Staff discusses the lack of reliable data for the system. Staff notes that the Company does not have an approved Backflow Prevention Tariff.

⁴ The Company Schedules were not mathematically correct.

CONSUMER SERVICES

The Corporations Division of the Commission indicates that Jakes Corner is currently in good standing.

A review of the Consumer Services section records for the period of January 1, 2012 through October 7, 2015, reflects no complaints or opinions.

COMPLIANCE

Jakes Corner has no outstanding compliance issues pending.

CONDITIONS NECESSARY FOR EMERGENCY RATE RELIEF

General conditions necessary for interim emergency rates⁵ include:

1. A sudden change that causes hardship to a company.
2. A company is insolvent.
3. A company's ability to maintain service (pending a formal rate determination) is in serious doubt.

STAFF REVIEW

The Company's application, on pages 4 and 7, is requesting emergency rates of an additional \$37,000. On page 8 of the application there is a listing of plant items needing repair or replacement. No specific costs are attached to the list of items. The items on the list are long lived plant items. Staff concludes that this level of increase is to provide for the cost of long-lived additions or replacements to plant, rather than on-going operational needs of the Company for the capital plant addition portion of this application. Due to the long-term nature of this investment, Staff believes this would more appropriately be financed over a longer period than one or two years.

Staff does not consider the requested emergency increase of \$37,000 in the emergency rates as:

- 1) An increase of the magnitude proposed by the Company would increase the monthly bill per customer per month by \$154.00 ($\$37,000/12 = \$3,083$; $\$3,084/20 = \154).
- 2) The cost of funding the long-lived assets that are included within the Company's request are appropriately spread over many years, through a financing application.

⁵ According to Attorney General Opinion No. 71-17, interim or emergency rates are proper when either all or any of the following conditions occur: when sudden change brings hardship to a Company; when the Company is insolvent; or when the condition of the Company is such that its ability to maintain service pending a formal rate determination is in serious doubt. Those criteria have been affirmed in *Scates v. Arizona Corporation Commission*, 118 Ariz. 531 (CT. App. 1978) and in *Residential Utility Consumer Office v. Arizona Corporation Commission*, 199 Ariz. 588 (2001).

Staff did consider that the Company may be operationally insolvent: the last rates were set in September of 1994, plus the Company enclosed copies of delinquent property taxes back to 2009 in the application for transfer of the CC&N. The Company application provided little information as to the revenues and expenses to be included in the emergency rates.

The Annual reports provided with the application are signed by Kacy J. Parker. Kacy J. Parker is the previous owner of the Company. No annual reports since 2007 have been filed by the Company. Staff requested information as to the presentation of the annual reports included with the application. On October 22, 2015, Staff was provided a print-out showing details of the 2014 transactions (the "Detailed Report") for Jakes Corner. The print out was titled "Profit & Loss Detail January through December 2014". Details included the dates and names of the transactions.

The Company's 2014 annual report shows revenues of \$2,955.79; the Detailed Report showed revenues of \$4,855.81⁶. The annual report shows expenses of \$5,490.06; the Detailed Report shows expenses of \$1,900.02. The annual report shows an operating loss of \$2,014.23; the detailed report shows a net income of \$2,955.79. The 2014 annual report calculations are not mathematically correct.

Staff concludes the Detailed Report is a more reliable indicator of the Company's operational needs. While there is considerable difference in the amounts shown in the application versus the amounts on the Detail Report of transactions, Staff notes that a number of usual expenses were not included in the expense details. Only four categories of expense were shown in the details:

Contract Labor	\$ 10.00
Deposits paid out	\$ 40.73
Utilities	\$ 429.29
Water Testing	<u>\$1,425.00</u>
Subtotal	\$1,900.02

Staff concludes that the Company does need emergency rate relief to provide for on-going operating expenses, but believes the Company's request includes capital plant items, better addressed in a financing application. This allows the cost of long-lived assets to be spread over the life of the assets.

Scant information was provided to Staff as to the historical operational expenses of the Company. Staff determined estimates for known on-going categories of expenses as follows:

Purchased Power	\$500
Repairs and Maintenance	\$1,000
Office Supplies and Expense	\$240
Outside Services	\$3,000

⁶ Staff notes sales taxes of \$112, is included in revenues, Staff removed sales taxes from both revenues and expenses.

Water Testing	\$1,000
Rents & Telephone	\$1,200
One-half of past due property taxes	\$538
Property Taxes	\$162
Subtotal	\$7,640
Additional cash flow	\$1,000
Total Expenses	\$8,640
Less Current Revenues	(\$4,744)
Additional Funding	\$3,896

An interim surcharge amount of \$16.23 per customer per month is recommended (\$3,896/240 bills). Staff recommends emergency interim rates that produce sufficient revenue to cover operating and maintenance expense and to manage contingencies. Staff does not recommend tiered rates as proposed by the Company. Tiered rates require water usage data by tiers. Instead, Staff calculated an interim increase in a fixed monthly amount. This allows the Company a predictable cash flow.

Normal emergency rate case procedures require that the Company provide a bond sufficient to cover a refund of the interim rates approved in this case. If it is later determined that the emergency rate increase was not necessary or only partially necessary, the bond will facilitate the refunding of the interim rates to ratepayers. Staff does not believe the entire amount of the emergency rate increase needs be covered by a bond. Staff recommends that a bond or an Irrevocable Standby Letter of Credit be required in the amount of \$10.00.

Normal emergency rate case procedures require that the Company be ordered to file a full rate case application within a reasonable period after interim rates are awarded in the case. Staff's recommendation is that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the emergency interim rates, using the most recent test year.

There are a number of unknowns with this Company, namely, the length of time for the CC&N Transfer decision, the effective date of the emergency interim rates, and the next mandated rate application.

If the Company determines that debt with a term over twelve months is required, the Company will be required to file a financing application. Any financing application for this Company will require a full rate application along with the financing application.

RATE DESIGN

Rate design is critical to the Company's ability to collect revenues to cover operational expenses. The design of rates normally would include a historical bill count, which calculates water usage at various tiers of water usage. Bill counts are not required in filing an interim emergency rate application. On pages 4 and 5 of the Company's Emergency rate application proposed an inverted

three tiered commodity rates, however without bill counts showing the tiered amounts of water usage, there is no predictability to the revenue generated by the Company's rate design.

Staff recommends that the emergency rates be generated from an emergency interim surcharge until the Company is able to file for permanent rates. Staff recommends that all other present tariffs remain as currently tariff approved.

STAFF RECOMMENDATIONS

Staff recommends approval of an emergency interim rate surcharge of \$16.23 per connection, per month.

Staff further recommends that the rates approved in this case will be interim until permanent rates are established in the next rate case filing.

Staff further recommends that no change to commodity charges, miscellaneous service charges, and service and meter installation charges be approved as shown on MJR-1.

Staff recommends that proof of property taxes paid be submitted semi-annually until the obligation is paid in full. The Company is six years delinquent and Staff has included funding in emergency rates to pay these past due taxes.

Staff further recommends that the Company be ordered to obtain a bond or an Irrevocable Standby Letter of Credit in the amount of \$10.00.

Staff further recommends that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the interim emergency rates, using the most recent test year.

Staff further recommends that the Company maintain records as required for a permanent rate application. Including details of water usage, copies of all invoices and other cost documentation supporting the rates requested.

MEMORANDUM

DATE: October 26, 2015

TO: Mary Rimback
Public Utilities Analyst

FROM: Katrin Stukov
Utilities Engineer 

RE: Jakes Corner Water Company emergency rate increase application
Docket No. W-20935A-15-0338

Introduction

On September 28, 2015, Jakes Corner Water Company ("Company" or "Jakes Corner") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of an emergency rate increase.

The Company is providing service to approximately 20 customers in an area located near the community known as Jakes Corner, south of Payson in Gila County.

Water System¹

Operation

The Company's water system includes one well with an estimated pump yield of 22-28 gallons per minute ("GPM"), one 30 gallon bladder tank, one 5,000 gallon pressure tank and a distribution system. There is no well production meter.

Capacity

Since there is no well production meter, the actual well production is unknown and the system's capacity cannot be determined. Staff recommends that the Company install a master meter so water loss can be calculated. Staff's estimated cost for the purchase and installation of a new two inch master meter is \$2,000. Based on the Company's 2014 water use data, the Company reported the peak use month as August with 163,917 gallons sold. Using the water use data, Staff estimates that with one well, operating at previous reported level, the well capacity of 22 GPM could adequately serve the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base. Based on the Company's 2014 water use data and the capacity analyses, a minimum of 5,000 gallons of storage is required on this system (with a single source) to meet seasonal peak demand.

¹ Per Company's responses to Staff's Insufficiency letter in Docket No. W-20935A-15-0260

Arizona Department of Environmental Quality (“ADEQ”) Compliance

According to an ADEQ compliance status report, dated July 22, 2015, the Company has unresolved ongoing arsenic exceedances, monitoring and reporting deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources (“ADWR”) Compliance

The Company’s water system is not located in an ADWR Active Management Area. According to an ADWR compliance status report dated July 23, 2015, ADWR has determined that the Company’s water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC Compliance

On August 26, 2015, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are currently no delinquent compliance items for the Company.

Curtailment Tariff

The Company has an approved Curtailment Tariff.

Backflow Prevention Tariff

The Company does not have an approved Backflow Prevention Tariff.

Recommendations

1. Staff recommends that the Company file with Docket Control within 90 days of the effective date of an order in this proceeding, as a compliance item in this docket, documentation demonstrating that a master meter has been installed at the wellhead.