

ORIGINAL



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MEMORANDUM

RECEIVED

TO: Docket Control
FROM: *for* Thomas Broderick
Director
Utilities Division

2016 MAY 16 A 11:40

AZ CORP COMMISSION
DOCKET CONTROL

DATE: May 16, 2016

RE: STAFF REPORT FOR GREEN ACRES WATER COMPANY'S APPLICATION
FOR A PERMANENT RATE INCREASE (DOCKET NO. W-02271A-16-0037)

Attached is the Staff Report for Green Acres Water Company's, application for a permanent rate increase. Staff recommends approval of the rate application using Staff's recommended rates and charges.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before May 26, 2016.

TB:MJR:red/CHH

Originator: Mary J. Rimback

Arizona Corporation Commission

DOCKETED

MAY 16 2016

DOCKETED BY

Service List for: Green Acres Water Company
Docket No. W-02271A-16-0037

Ms. Nancy Miller, Interim Manager
For Green Acres Water Company
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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

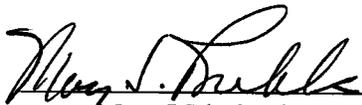
**GREEN ACRES WATER COMPANY
DOCKET NO. W-02271A-16-0037**

**APPLICATION FOR A
PERMANENT RATE INCREASE**

MAY 16, 2016

STAFF ACKNOWLEDGMENT

The Staff Report for Green Acres Water Company ("Green Acres" or "Company") Docket No. W-02271A-16-0037 is 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 requirement, rate base, and rate design. Katrin Stukov was responsible for the engineering and technical analysis. Thomas Davis was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.


Mary J Rimback
Public Utility Analyst


Katrin Stukov
Utilities Engineer


Thomas Davis
Public Utilities Consumer Analyst

**EXECUTIVE SUMMARY
GREEN ACRES WATER COMPANY
DOCKET NO. W-02271A-16-0037**

Green Acres Water Company (“Green Acres” or “Company”) is a Class E public service corporation serving water to approximately 56 customers in a small community in Yuma County, Arizona.

The Company currently has emergency interim rates which were approved in Decision No. 74824, on November 13, 2014, and amended by Decision No. 75490 issued March 25, 2016. On February 1, 2016, the Company filed an application for a permanent rate increase. On March 15, 2016, Staff filed a letter declaring the application sufficient. The Company filed four amendments to the application on April 4, 2016.

The Company proposed operating revenue of \$23,312¹, which results in an increase of \$5,229 over test year revenue of \$18,083, to provide a \$8,704 operating income. The Company proposes a \$9,715² fair value rate base (“FVRB”) which is its original cost rate base (“OCRB”). The Company’s proposed rates result in a cash flow of \$8,704 and a 37.34 percent operating margin. The Company proposed rates would not increase the typical monthly bill of \$50.41 for a residential 5/8 x 3/4-inch meter customer, with a median usage of 9,360 gallons. The Company is seeking to make its current emergency rates permanent.

The Company did not include the emergency rates approved in Decision No. 74824 in the test year as these were not effective until January of 2015. Staff adjusted the test year revenues to include emergency rates that were effective in January of 2015.

Staff recommends permanent rates that produce total operating revenue of \$35,313 for no increase in Staff adjusted test year revenue. Staff adjusted test year revenue of \$35,313, provides \$10,745 operating income. Staff recommends a \$12,137 Staff adjusted FVRB. Staff’s recommended rates result in a cash flow of \$10,745 and an operating margin of 30.43 percent. Staff’s recommended rates would not increase the typical monthly bill of \$50.41 for a 5/8 x 3/4-inch meter customer, with a median usage of 9,360 gallons.

Staff recommends:

- Approval of Staff’s rates and charges as shown in Schedule MJR-4.
- That the Company files with Docket Control, as a compliance item in this docket, a Certificate of Compliance Letter of Good Standing issued by the Arizona Department of Revenue.

¹ There is an inconsistency on page 6 of the amended application docketed April 4, 2016. The Company proposed combining the monthly minimum of \$17.50 and the repair surcharge of \$17.19 into a monthly minimum charge of \$34.69. A monthly minimum of \$34.69 generates revenues of \$35,313. The Company also proposes on page 6, annual operating revenues after the rate adjustment of \$23,312 a difference of \$12,001 for proposed future revenues.

² The Company proposes that all plant is fully depreciated plant.

- In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code (“A.A.C.”) Rule 14-2-409(D) (5).
- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.
- Authorizing the depreciation rates shown in Table B of the Engineering Report.
- Directing Green Acres Water Company as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regular scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.
- Staff recommends that the Company file with Docket Control, as a compliance item in this docket by May 31, 2017, documentation from Arizona Department of Environmental Quality (“ADEQ”) indicating that there are no compliance deficiencies and the Company’s water system is delivering water that meets the water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
- Staff recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

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FACT SHEET

Company Statistics:

Current Rates: Decision No. 74824 effective November 13, 2014 and amended in Decision No. 75490 issued March 25, 2016

Type of Ownership: See Follow Up to Decision No. 74824

Location: The Company's service area is located in Yuma County, Arizona.

Rates:

Rate Application Docketed: February 1, 2016 and amended April 4, 2016
Current Test Year Ended: December 31, 2014
Application Found Sufficient: March 14, 2016

	<u>Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge (Based on a 5/8" X 3/4" meter)			
Residential	\$ 17.50	\$ 34.69	\$ 34.69
Repair Surcharge	\$17.19	N/T	N/T
Gallons in Minimum	0	0	0
Commodity Charge:			
1 to 3,000 Gallons	\$1.00	\$1.00	\$1.00
Over 3,000 Gallons	\$2.00	\$2.00	\$2.00
Bulk water, Standpipe, Construction Per 1,000 gallons	N/T	N/T	\$2.00
Typical residential bill based On median usage of 9,360 gallons	\$50.41	\$50.41	\$50.41

FACT SHEET (CONT'D)

Customers:

Number of customers in the prior test year (6/23/1975 Initial CC&N):	12
Number of customers in the current test year (12/31/2014):	56
Current year customers by meter size: 5/8 X 3/4 – inch:	56
Seasonal customers:	unknown
Customer notification mailed	February 1, 2016
No. of customers in opposition to rate increase	0
No. of customer complaints January 1, 2013 through March 31, 2016:	6
Percentage of complaints to customer base:	10.71%

SUMMARY OF RATE FILING

The test year results, as adjusted by Staff, for Green Acres Water Company (“Green Acres ” or “Company”) show total operating revenue of \$35,313 and operating expenses of \$24,568 resulting in a \$10,745 operating income, to provide a 30.43 percent operating margin. The Arizona Corporation Commission (“ACC” or “Commission”) Utilities Division Staff (“Staff”) recommends a \$12,137 Staff-adjusted original cost rate base (“OCRB”). Since the Company did not file reconstruction cost new information, Staff recommends recognizing a fair value rate base (“FVRB”) equal to the OCRB.

The Company proposed revenue of \$23,312, as shown on page 6 of the amended application. The Company proposed an increase of over test year revenue of \$5,229 to provide an \$8,704 operating income and a 37.34 percent operating margin. The Company's proposed rates would not change the typical monthly residential bill for a 5/8 x 3/4-inch meter customer, with a median usage of 9,360 of \$50.41 (Schedule MJR-5).

The Company did not include the emergency rates approved in Decision No. 74824 in the test year as these were not effective until January of 2015. Staff adjusted the test year revenues to include emergency rates that were effective in January of 2015.

Staff recommends permanent rates that produce total operating revenue of 35,313. Staff adjusted test year revenue of \$35,313 provides a \$10,745 operating income. Staff's recommended rates result in a 30.43 percent operating margin and a cash flow of \$10,745. Under Staff's recommended rate design for permanent rates, the typical monthly bill for a 5/8 x 3/4-inch meter residential customer with a median usage of 9,360 gallons is \$50.41, which reflects no change in existing rates.

During the test year ended December 31, 2014, Green Acres provided water to approximately 56 customers. All were served by 5/8 x 3/4-inch meters.

Green Acres business activities are currently managed by Nancy Miller of Southwest Environmental Services (“SES”). Nancy Miller was appointed Interim Manager of the Company on December 31, 2013.

COMPANY BACKGROUND

Green Acres is a Class E public service corporation serving water to approximately 56 customers in a small community in Yuma County, Arizona. The Company was authorized emergency rates in November of 2014. The emergency rates went into effect in January of 2015. The Company was also ordered to docket an application for permanent rates using a test year ending December 31, 2014. As such, the emergency rates are not currently in the test year, the Company did not provide pro-forma adjustments, Staff adjusted test year does allow for pro-forma adjustments to revenue and expenses. In March of 2016, certain restrictions on spending surcharge funds were removed by Decision No. 75490. Staff included the surcharge expenditures in the adjusted test year expenses.

The residents in the community of Green Acres are currently organizing a plan to connect to a municipal water system. This effort is promoted by residents who are dissatisfied with the system operated under the name of Green Acres Water Company.

Follow Up to Decision No. 74824

The Company was granted a Certificate of Convenience and Necessity ("CC&N") on June 3, 1975 in Decision No. 46192. The application for the CC&N was made in the names of Melvin J. Swenson and Eugene Swenson, a Co-partnership dba Green Acres Water Co. The CC&N was revoked for failure to file annual reports by Decision No. 72239 (April 7, 2011). At one point, a Mr. Todd Brandenberger of Yuma, Arizona was performing some of the functions of the Operator of the Company. Staff has been made aware that Mr. Melvin Swenson was the last surviving partner and that he recently passed away. Staff has attempted to contact the executor of Mr. Swenson's estate to no avail. Mr. Brandenberger had asserted ownership of the Company assets and was operating the Company prior to the appointment of Nancy Miller as the interim manager of the Company as discussed in detail by Decision Nos. 73931 (June 27, 2013) and 74234 (December 31, 2013).

Upon investigation, Staff has located the attached joint tenancy deed executed by Green Acres Water Company transferring the real property including the attached improvements of Green Acres Water Company to Mr. Brandenberger and others. Staff could not locate any documentation indicating that the approval of the Commission was sought or obtained for the transfer of the Company's assets.

However, as a practical matter, Staff believes that confirming ownership in either Mr. Swenson's estate or Mr. Brandenberger would not produce an improvement in the circumstances confronting the Company or the ratepayers who rely upon service from the Company. Staff would observe that the small community being served by the Green Acres water system are already working toward what is likely the best solution for this system. It is Staff's understanding that members of the community have been making efforts toward connecting the Green Acres water system to a municipal water system.

CONSUMER SERVICES

A review of the Consumer Service records showed that for the period January 1, 2013, through May 2, 2016, six complaints were filed against the Company. In 2013, there were two complaints for quality of service; in 2014, there were zero complaints; in 2015 there were four complaints: two quality of service, one service-defective equipment, and one service-not working; in 2016 there have been zero complaints through May 2. All complaints have been resolved and closed. One opinion has been filed opposing this rate case.

The Company submitted their bill format to Staff for review on February 26, 2016. The billing format complies with Rules R14-2-409.B.2a thru R14-2-409.B.2.j of the Arizona Administrative Code, Title 14, Chapter 2.

COMPLIANCE ISSUES

As of April 11, 2016, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are no delinquencies for Green Acres. Therefore, the Company is in compliance with the ACC Compliance Data Base.

LETTER OF GOOD STANDING

Staff recommends that the Company resolve any delinquent filings with the Arizona Department of Revenue ("ADOR") and obtain a Letter of Good Standing from the agency.

ENGINEERING ANALYSIS

An inspection of the system was performed by the Staff Engineer on March 16, 2016. The Staff Engineer was accompanied by Jacob Miller, the Company's Operator.

Green Acres has an approved Backflow Prevention tariff on file with the ACC.

Green Acres has an approved Curtailment tariff on file with the ACC.

As discussed by Staff Engineer, the Company has deficiencies with the Arizona Department of Environmental Quality ("ADEQ").

RATE BASE

The Company reports a rate base of \$9,715. The Company schedules include Plant in Service ("PIS") of \$63,733 less accumulated depreciation of \$53,793, less Customer Security Deposits of \$225. The Company reported that all plant was fully depreciated except for non-depreciable land.

The Company does not have a policy for capitalizing items, rather all items are expensed in the year purchased. Staff recommends that the Company develop a written procedure for capitalizing versus expensing items.

Working Capital – In adjustment A, Staff included a cash working capital allowance of \$2,422 based on the formula method, as shown in Schedule MJR-2, page 1. The formula method recognizes one-eighth of the operating expenses excluding depreciation, taxes, and purchased power and expenses plus one twenty-fourth of purchased power and water expenses.

OPERATING INCOME

Staff's nine operating income adjustments increase the Company's proposed total test year operating income by \$7,270, from \$3,475 to \$10,455, as shown in Schedule MJR-3, page 1. Staff adjustments to the Company test year income, consist of updating the test year income for known and measurable expenses going forward from December of 2014.

New rates went into effect in January of 2015 after the test year in this application. Further, the Company started operating the East Well in March of 2016. Details of Staff's adjustments are discussed below. Some of the adjustments below are merely re-classifications as the Company did not consistently classify expenses during the test year.

Metered Water Revenue – Adjustment A increases Metered Water Revenue by \$6,916. The adjustment reflects new rates for monthly minimum and consumption effective January, 2015.

Surcharge Revenue – Adjustment B increases surcharge revenue by \$10,314 to reflect the monthly surcharge of \$17.19 effective January 2015.

Purchased Power – Adjustment C increases purchased power by \$1,200 to reflect electric power for the East Well, which became operational in 2016. Staff was provided information on the West Well pump electrical costs of approximately \$1,600; the addition of the East Well is estimated at a cost of \$100 per month.

Repairs and Maintenance – Adjustment D reflects an increase of \$3,216, which re-classifies yard maintenance from Repairs and Maintenance to Outside services (a reduction of \$700) and adds the surcharge account repair expenses (an increase of \$3,916). The Company has been reporting quarterly for the surcharge repair account since January of 2015.

Outside Services – Adjustment E increases this account by \$2,509 to allow for outside services of a management contract, certified operator, a meter reader, yard maintenance and accounting. Staff removed water testing from this account classification and these are included under the category of Water Testing.

Water Testing – Adjustment F increases water testing expenses by \$305 to reflect Staff's recommended amount for water testing. See Engineering Report.

Property Taxes – Adjustment G increases property taxes by \$641, to reflect Staff's application of the modified version of the ADOR property tax methodology which the Commission has consistently adopted as shown in Schedule MJR-3, page 4.

Income Taxes – Adjustment H increases this expense by \$2,632 to allow for Staff calculated income taxes on the test year operating income as shown in MJR-3, page 5.

REVENUE REQUIREMENT

Staff recommends total operating revenue from permanent rates of \$35,313 for no increase in Staff adjusted revenue of \$35,313. Staff's recommended revenue provides an operating income of \$10,745 and a 30.43 percent operating margin and a cash flow of \$10,745 as shown in Schedule MJR-1. Staff did not derive the revenue requirement by applying a rate of return on rate base because the Company's extremely low rate base did not produce sufficient revenues for the Company's operating needs. Staff's recommended revenue is sufficient to cover operating and maintenance expense and to manage contingencies.

RATE DESIGN

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

The present rate structure includes a monthly minimum charge along with a separate monthly repair surcharge for all customers. The current rates have an inverted two-tier commodity rate for all meter sizes with a break-over point at 3,000 gallons for all meter sizes. The commodity rate per 1,000 gallons is \$1.00 per 1,000 gallons up to 3,000 gallons and \$2.00 per 1,000 gallons for all gallons over 3,000. No gallons are included in the monthly minimum charge for any meter size.

The Company proposed the current Repair surcharge be included in the monthly minimum surcharge with no changes to the current commodity rates. (Schedule MJR-5).

Staff recommends a rate structure that includes a monthly minimum charge for residential customers that increases by meter size and an inverted two-tier commodity rate for all 5/8 x 3/4-inch and 3/4-inch meters, with a break-over point at 3,000 gallons. Staff recommends a single tier commodity rate for larger meters. Staff recommends removal of the current \$17.19 repair surcharge and incorporating this into the permanent minimum monthly rate as proposed by the Company.

Under Staff's recommended rate design the typical monthly residential bill for a 5/8 x 3/4-inch meter customer with a median usage of 9,360 gallons would be \$50.41. (Schedule MJR-5)

The Company's amended application proposed no changes to the present service line and meter installation charges. Staff recommends increases to the service line and meter installation charges, as shown in Schedule MJR-4.

Other Service Charges

The Company's amended application proposed other services charges different from those in the present tariff.

Reconnection (Delinquent) Charge – The Company proposed an increase to the Reconnection (Delinquent) charge from \$5 to \$30. Staff recommends approval of a Reconnection (Delinquent) Charge in the amount of \$20.

After Hours Service Charge – Staff recommends the Company's proposed \$30 after hours service charge. Such a tariff compensates the utility for additional expenses incurred from providing after hour services.

NSF Check Charge – The Company proposes to increase the NSF Charge from \$5 to \$30. The Company's bank charges \$12 for NSF. Staff recommends an NSF charge of \$15.

Meter re-Read (if correct) – The Company proposes and Staff recommends an increase from \$2.50 to \$15.00.

STAFF RECOMMENDATIONS

Staff recommends:

- Approval of Staff's rates and charges as shown in Schedule MJR-4.
- That the Company files with Docket Control, as a compliance item in this docket, a Certificate of Compliance Letter of Good Standing issued by the Arizona Department of Revenue.
- In addition to collection of its regular rate and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).
- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.
- Authorizing the depreciation rates shown in Table B of the Engineering Report.
- Directing Green Acres Water Company as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regular scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.
- Staff recommends that the Company file with Docket Control, as a compliance item in this docket by May 31, 2017, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
- Staff recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted ¹	Company as Filed ²	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$17,703	\$24,619	\$22,932	\$34,933
Unmetered Water Revenue	380	380	380	380
Surcharge	-	10,314	-	-
Total Operating Revenue	\$18,083	\$35,313	\$23,312	\$35,313
Operating Expenses:				
Operation and Maintenance	\$14,608	\$21,295	\$14,608	\$21,295
Depreciation	-	-	-	-
Taxes Other than Property and Income	-	-	-	-
Property Taxes	-	641	-	641
Income Tax	-	2,632	-	2,632
Total Operating Expense	\$14,608	\$24,568	\$14,608	\$24,568
Operating Income/(Loss)	\$3,475	\$10,745	\$8,704	\$10,745
Rate Base	\$9,715	\$12,137	\$9,715	\$12,137
Cash Flow	3,475	10,745	8,704	10,745
Operating Margin	19.22%	30.43%	37.34%	30.43%

¹ The emergency rates were not in effect during the test year, Staff adjusted the test year to the revenues generated by emergency rates.

²

There is an inconsistency in the application on Page 6 of the amended application. The Company proposes to combine the monthly minimum with the repair surcharge which generates \$35,313 in total operating revenue. The Company also proposes total annual operating revenues if the Company is granted the rate adjustment of \$23,312.

NOTES:

Cash Flow is the amount of cash available for contingencies.

RATE BASE

	----- Original Cost -----		Staff
	Company	Adjustment	
1 Plant in Service	\$63,733	\$0	\$63,733
2			
3 Less:			
4 Accum. Depreciation	53,793	-	53,793
5			
6 Net Plant	\$9,940	\$0	\$9,940
7			
8 Less:			
9 Plant Advances	\$0	-	\$0
10 Customer Security Deposits	225	-	225
11			
12 Total Advances	\$225	-	225
13			
14 Contributions Gross	\$0	-	0
15 Less:			
16 Amortization of CIAC	0	-	0
17			
18 Net CIAC	\$0	-	\$0
19			
20 Total Deductions	\$225	\$0	\$225
21			
22 Plus:			
23 1/24 Power	\$0	120 A	\$120
24			
25 1/8 Operation & Maint.	0	2,302 A	2,302
26			
27 Inventory	-	-	-
28			
29 Prepayments	-	-	-
30			
31 Total Additions	\$0	\$2,422	\$2,422
32			
33 Rate Base	\$9,715	\$2,422	\$12,137

Explanation of Adjustment:

A Staff adjusted working capital based on Staff Operating income adjustments.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
1			
2	301 Organization	\$ -	\$ -
3	302 Franchises	-	-
4	303 Land & Land Rights	9,940	9,940
5	304 Structures & Improvements	280	280
6	307 Wells & Springs	29,847	29,847
7	310 Power Generated Equipment	-	-
8	311 Pumping Equipment	3,820	3,820
9	320.1 Water Treatment Equipment	-	-
10	320.2 Solution Chemical Feeders	-	-
11	330 Distribution Reservoirs and Standpipe	-	-
12	330.1 Storage Tanks	-	-
13	330.2 Pressure Tanks	-	-
14	331 Transmission & Distribution Mains	13,662	13,662
15	333 Services	-	-
16	334 Meters & Meter Installations	4,246	4,246
17	335 Hydrants	-	-
18	336 Backflow Prevention Devices	-	-
19	339 Other Plant and Misc. Equipment	1,938	1,938
20	340 Office Furniture & Equipment	-	-
21	340.1 Computers & Software	-	-
22	341 Transportation Equipment	-	-
23	343 Tools Shop & Garage Equipment	-	-
24	344 Laboratory Equipment	-	-
25	345 Power Operated Equipment	-	-
26	346 Communication Equipment	-	-
27	347 Miscellaneous Equipment	-	-
28	348 Other Tangible Plant	-	-
29			
30			
31	TOTALS	\$63,733	\$ 63,733
32			
33			
34			
35			
36			

ACCUMULATED DEPRECIATION ADJUSTMENT

	Accumulated Depreciation Balances	Depreciation Rates Decision No. 60408	Per Company	Per Staff	
301	Organization	n/a	-	-	
302	Franchises	n/a	-	-	-
303	Land & Land Rights	n/a	-	-	
304	Structures & Improvements	3.33%	280	280	-
307	Wells & Springs	3.33%	29,897	29,897	-
310	Power Generation Equipment	5.00%	-	-	-
311	Pumping Equipment	12.50%	3,820	3,820	-
320	Water Treatment Equipment	0.00%	-	-	-
320.1	Water Treatment Plant	3.33%	-	-	-
320.2	Solution Chemical Feeders	20.00%	-	-	-
330	Dist. Reservoirs & Standpipes	0.00%	-	-	-
330.1	Storage Tanks	2.22%	-	-	-
330.2	Pressure Tanks	5.00%	-	-	-
331	Transmission & Distribution Main	2.00%	13,662	13,662	-
333	Services	3.33%	-	-	-
334	Meters & Meter Installation	8.33%	4,246	4,246	-
335	Hydrants	2.00%	-	-	-
336	Backflow Prevention Devices	6.67%	-	-	-
339	Other Plant & Misc Equipment	0.00%	1	1,938	1,938
340	Office Furniture & Equipment	6.67%	-	-	-
340.1	Computers & Software	20.00%	-	-	-
341	Transportation Equipment	20.00%	-	-	-
342	Stores Equipment	4.00%	-	-	-
343	Tools, Shop, & Garage Equipmt	5.00%	-	-	-
344	Laboratory Equipment	10.00%	-	-	-
345	Power Operated Equipment	5.00%	-	-	-
346	Communication Equipment	10.00%	-	-	-
347	Miscellaneous Equipment	10.00%	-	-	-
348	Other Tangible Plant	2.50%	-	-	-
			<u>\$ 53,843</u>	<u>53,843</u>	<u>\$ -</u>

	<u>Amount</u>
Accumulated Depreciation - Per Company, Page 15	\$53,793
Accumulated Depreciation - Per Staff	<u>53,793</u>
No Adjustment	<u><u>\$0</u></u>

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$17,703	\$6,916 A	\$24,619
460 Unmetered Water Revenue	380	-	380
xxx Surcharge Revenues	-	10,314 B	10,314
Total Operating Revenue	\$18,083	\$17,230	\$35,313
Operating Expenses:			
601 Salaries and Wages	-	-	-
604 Employee Pension & Benefits	-	-	-
610 Purchased Water	-	-	-
615 Purchased Power	1,681	1,200 C	2,881
618 Chemicals	-	-	-
620 Repairs and Maintenance	1,254	3,216 D	4,470
621 Office Supplies & Expense	543	(543) E	-
630 Outside Services	9,374	2,509 F	11,883
635 Water Testing	776	305 G	1,081
427.2 Customer Security Deposit Interest	-	-	-
641 Rents	-	-	-
650 Transportation Expenses	-	-	-
657 Insurance - General Liability	-	-	-
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	-	-
675 Miscellaneous Expense	980	-	980
403 Depreciation Expense	-	-	-
408 Taxes Other Than Income	-	-	-
408.11 Property Taxes	-	641 H	641
409 Income Tax	-	2,632 I	2,632
Total Operating Expenses	14,608	9,960	24,568
OPERATING INCOME/(LOSS)	\$3,475	\$7,270	\$10,745

STAFF ADJUSTMENTS

A.	METERED REVENUE-Per Company			17,703	
	Per Staff			24,619	6,916
				<hr/>	
	Annualize Emergency Rates				
B -	SURCHARGE REVENUES-Per Company			-	
	Per Staff			10,314	10,314
				<hr/>	
	Annualize one year of surcharges \$17.19 x 600 bills				
C	PURCHASED POWER -Per Company			1,681	
	East Well	100 x 12	1200	1,200	
	Per Staff			2,881	1,200
				<hr/>	
	To recognize East Well electric power costs				
D	REPAIRS AND MAINTENANCE-Per Company			1,254	
	Remove Yard Maintenance			(700)	
	Add Surcharge fund Repairs and Maintenance			3,916	
	Per Staff			4,470	3,216
				<hr/>	
	To Reclassify Yard Maintenance to Outside Services				
E	OFFICE SUPPLIES-Per Company			543	
	Remove Office Supplies			(543)	
	Per Staff			-	(543)
				<hr/>	
	To Reclassify Office Supplies to Outside Services				
F	OUTSIDE SERVICES - Per Company			9,375	
	Management Contract	600 x 12	7,200		
	Office Supplies		543		
	Certified Operator	100 x 12	1,200		
	Meter Reads	100 x 12	1,200		
	Yard Maintenance :	75 x 12	900		
	Accounting	\$100 x 12	1,200		
	Remove Water Testing		(360)		
	Per Staff		11,883	11,883	2,509
				<hr/>	
G -	WATER TESTING - Per Company			776	
	Per Staff			1,081	305
				<hr/>	
	To recognize the average on-going water testing expenses.				
H -	PROPERTY TAXES-Per Company			-	
	Per Staff			641	641
				<hr/>	
	To reflect an allowance for property taxes				

OPERATING INCOME ADJUSTMENT D - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED	[D]	[E]	[F]
1	Depreciation Expense	\$ -	\$ -	\$ -			
					3,820		
Line No.	ACCT NO. DESCRIPTION	Company Proposed PLANT IN SERVICE BALANCE	STAFF PLANT BALANCE	Non-Depreciable Fully Depreciated Plant	STAFF DEPR. PLANT BALANCE	STAFF RECOMMENDED RATE	STAFF RECOMMENDED EXPENSE
1	Plant In Service						
2	301 Organization	\$ -	-	\$ -	\$ -	0.00%	\$ -
3	302 Franchises	-	-	-	-	0.00%	-
4	303 Land & Land Rights	9,940	9,940	9,940	-	0.00%	-
5	304 Structures & Improvements	280	280	280	-	3.33%	-
6	307 Wells & Springs	29,847	29,847	29,847	-	3.33%	-
7	310 Power Generating Equipment	-	-	-	-	5.00%	-
8	311 Pumping Equipment	3,820	3,820	3,820	-	12.50%	-
9	320.1 Water Treatment Plants	-	-	-	-	3.33%	-
10	320.2 Solution Chemical Feeders	-	-	-	-	20.00%	-
11	330 Dist. Reservoirs & Standpipes	-	-	-	-	2.22%	-
12	330.1 Storage Tanks	-	-	-	-	2.22%	-
13	330.2 Pressure Tanks	-	-	-	-	5.00%	-
14	331 Transmission & Distribution Mains	13,662	13,662	13,662	-	2.00%	-
15	333 Services	-	-	-	-	3.33%	-
16	334 Meters & Meter Installations	4,246	4,246	4,246	-	8.33%	-
17	335 Hydrants	-	-	-	-	2.00%	-
18	336 Backflow Prevention Devices	-	-	-	-	6.67%	-
19	339 Other Plant and Misc. Equipment	1,938	1,938	1,938	-	6.67%	-
20	340 Office Furniture & Equipment	-	-	-	-	6.67%	-
	340.1 Computers & Software	-	-	-	-	10.00%	-
21	341 Transportation Equipment	-	-	-	-	20.00%	-
22	343 Tools Shop & Garage Equipment	-	-	-	-	5.00%	-
23	344 Laboratory Equipment	-	-	-	-	10.00%	-
24	345 Power Operated Equipment	-	-	-	-	5.00%	-
25	346 Communication Equipment	-	-	-	-	10.00%	-
26	347 Miscellaneous Equipment	-	-	-	-	10.00%	-
27	348 Other Tangible Plant	-	-	-	-	2.50%	-
28		-	-	-	-		-
29		-	-	-	-		-
30	Subtotal General	\$ 63,733	\$ 63,733	\$ 63,733	\$ -		\$ -
31	Less: Non-depreciable Account(s)	63,733	63,733		-		
32	Depreciable Plant (L29-L30)	\$ -	\$ -		\$ -		
33							
34	Contributions-in-Aid-of-Construction (CIAC)					\$ -	
35	Weighted Average Depreciation/Amortization Rate					0.0000%	
36	Less: Amortization of CIAC (L32 x L33)						\$ -
37	Depreciation Expense - STAFF						\$ -
38							
39	Pro Forma Depreciation Expense Calculation						
40							
41	Plant in Service	\$ 63,733					
42	Less: Non-depreciable plant	9,940					
43	Fully depreciated plant	53,793					
44	Depreciable Plant	\$ -					
45	Times: Staff weighted average depreciation	0.0000%					
46	Depreciation expense before amortization	-					
47	Less: Amortization of CIAC	-					
48	Test Year Depreciation - Staff	-					
49	Depreciation expense - Company	-					
50	Staff recommended adjustment	\$ -					

OPERATING INCOME ADJUSTMENT - PROPERTY TAXES--C-CORP

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2014	\$ 35,313	\$ 35,313
2	Weight Factor	2	2
3	Subtotal (Line 2 * Line 3)	\$ 70,626	\$ 70,626
4	Staff Adjusted Test Year Revenues - 2014	35,313	
5	Staff Recommended Revenue, Per Schedule MJR-1		35,313
6	Subtotal (Line 3 + Line 4)	\$ 105,939	\$ 105,939
7	Number of Years	3	3
8	Three Year Average (Line 6 / Line 7)	\$ 35,313	\$ 35,313
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 8 * Line 9)	\$ 70,626	\$ 70,626
11	Plus: 10% of CWIP -		-
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 10 + Line 11 - Line 12)	\$ 70,626	\$ 70,626
14	Assessment Ratio	18.0%	18.0%
15	Assessment Value (Line 13 * Line 14)	12,713	\$ 12,713
16	Composite Property Tax Rate (Company Property Tax ÷ Assessment Value)	5.0410%	5.0410%
17			
18	Staff Proposed Property Tax Expense (Line 15 * Line 16)	\$ 641	
19	Company Proposed Property Tax	-	
20			
21	Staff Test Year Adjustment (Line 18-Line 19)	\$ 641	
22	Property Tax - Staff Recommended Revenue (Line 15 * Line 16)		\$ 641
23	Staff Test Year Adjusted Property Tax Expense (Line 18)		\$ 641
24	Increase/(Decrease) to Property Tax Expense		\$ (0)
25			
26	Increase/(Decrease) to Property Tax Expense		\$ (0)
27	Increase in Revenue Requirement		(0)
28	Increase/(Decrease) to Property Tax per Dollar Increase in Revenue (Line 26/Line 27)		0.604914%
29			
30			
31			
32			
33			
34			
35	Col [A]: Company		
36	Col [B]: Staff Report		
37			

C-Corp Tax Calculation

LINE NO.	DESCRIPTION	(A)	(B)	(C)
1	<i>Calculation of Gross Revenue Conversion Factor:</i>			
2	Revenue	100.0000%		
3	Uncollectible Factor (Line 14)	0.0000%		
4	Revenues (L1 - L2)	100.0000%		
5	Combined Federal and State Income Tax and Property Tax Rate (Line 30)	20.1609%		
6	Subtotal (L3 - L4)	79.8391%		
7	Revenue Conversion Factor (L1 / L5)	1.252519		
8				
9	<i>Calculation of Uncollectible Factor:</i>			
10	Unity	100.0000%		
11	Combined Federal and State Tax Rate (Line 22)	19.68%		
12	One Minus Combined Income Tax Rate (L11 - L12)	80.32%		
13	Uncollectible Rate	0.0000%		
14	Uncollectible Factor (L9 * L10)	0.0000%		
15				
16	<i>Calculation of Effective Tax Rate:</i>			
17	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
18	Arizona State Income Tax Rate	5.5000%		
19	Federal Taxable Income (L17 - L18)	94.5000%		
20	Applicable Federal Income Tax Rate (Line 72)	15.0000%		
21	Effective Federal Income Tax Rate (L19 x L20)	14.1750%		
22	Combined Federal and State Income Tax Rate (L18 +L21)	<u>19.67%</u>		
23				
24	Calculation of Effective Property Tax Factor			
25	Unity	100.00%		
26	Combined Federal and State Income Tax Rate (L22)	19.67%		
27	One Minus Combined Income Tax Rate (L25-L26)	80.33%		
28	Property Tax Factor (MJR-W17, L27)	0.60%		
29	Effective Property Tax Factor (L27*L28)	0.49%		
30	Combined Federal and State Income Tax and Property Tax Rate (L22+L29)	<u>20.16%</u>		
31				
32				
33	Required Operating Income (Schedule Summary Schedule MJR-1)	\$ 10,745		
34	Adjusted Test Year Operating Income (Loss) (Schedule MJR-1)	\$ 10,745		
35	Required Increase in Operating Income (L33 - L34)		\$ (0)	
36				
37	Income Taxes on Recommended Revenue (Col. C, L65)	\$ 2,632		
38	Income Taxes on Test Year Revenue (Col. A, L65)	\$ 2,632		
39	Required Increase in Revenue to Provide for Income Taxes (L37 - L38)		\$ (0)	
40				
41	Recommended Revenue Requirement (Schedule MJR-1)	\$ 35,313		
42	Uncollectible Rate (Line 13)	0.0000%		
43	Uncollectible Expense on Recommended Revenue (L41 * L42)	\$ -		
44	Adjusted Test Year Uncollectible Expense	\$ -		
45	Required Increase in Revenue to Provide for Uncollectible Exp. (L43 - L45)		\$ -	
46	Property Tax with Recommended Revenue (Schedule C-Prop Taxes L19)	\$ 641		
47	Property Tax on Test Year Revenue (Schedule C-Prop Taxes L20)	\$ 641		
48	Increase in Property Tax Due to Increase in Revenue (L46-47)		\$ (0)	
49				
50	Total Required Increase in Revenue (L35 + L39 + L45 + L48)		\$ (0)	Staff
51	<i>Calculation of Income Taxes:</i>			
		Test Year		Recommended
52	Revenue (Schedule MJR-1)	\$ 35,313	\$ (0)	\$ 35,313
53	Operating Expenses Excluding Income Taxes	\$ 21,936	\$ -	\$ 21,936
54	Synchronized Interest	\$ -	\$ -	\$ -
55	Arizona Taxable Income (L52 - L53 - L54)	\$ 13,377	\$ -	\$ 13,377
56	Arizona State Income Tax Rate	5.50%		5.50%
57	Arizona Income Tax (L36 x L37)	\$ 736	\$ -	\$ 736
58	Federal Taxable Income (L55 - L57)	\$ 12,641	\$ -	\$ 12,641
59	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 1,896	\$ -	\$ 1,896
60	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -	\$ -	\$ -
61	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ -	\$ -
62	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ -	\$ -
63	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ -
64	Total Federal Income Tax	\$ 1,896	\$ -	\$ 1,896
65	Combined Federal and State Income Tax (L57 + L64)	\$ 2,632	\$ -	\$ 2,632
66				

	Present	Company	Staff
Service Charges			
Establishment	\$20.00	\$30.00	\$20.00
Establishment (After Hours)	N/T	N/T	N/T
Reconnection (Delinquent)	5.00	30.00	20.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit	75.00	75.00	75.00
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	25.00	25.00	25.00
NSF Check	N/T	30.00	15.00
Deferred Payment	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	2.50	15.00	15.00
Late Fee	1.50%	1.50%	1.50%
After Hours Service Charge	N/T	30.00	30.00

NT = No Tariff

Monthly Service Charge for Fire Sprinkler		
4" or Smaller	***	***
6"	***	***
8"	***	***
10"	***	***
Larger than 10"	***	***

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

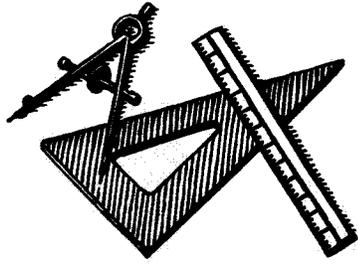
Typical Bill Analysis

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

	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	13,200	\$ 58.09	\$ 58.09	\$ -	0.00%
Median Usage	9,360	50.41	50.41	\$ -	0.00%
Staff Recommended					
Average Usage	13,200	\$ 58.09	\$ 58.09	\$ -	0.00%
Median Usage	9,360	50.41	50.41	\$ -	0.00%

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

Gallons	Present	Company Proposed		Staff Recommended	
		Rates	Increase %	Rates	Increase %
		5/8 x 3/4 -Inch Meter		5/8 x 3/4 -Inch Meter	
Consumption		Rates	Increase	Rates	Increase
-	\$ 34.69	\$ 34.69	0.00%	\$ 34.69	0.00%
1,000	35.69	35.69	0.00%	35.69	0.00%
2,000	36.69	36.69	0.00%	36.69	0.00%
3,000	37.69	37.69	0.00%	37.69	0.00%
3,500	38.69	38.69	0.00%	38.69	0.00%
4,000	39.69	39.69	0.00%	39.69	0.00%
5,000	41.69	41.69	0.00%	41.69	0.00%
5,100	41.89	41.89	0.00%	41.89	0.00%
6,400	44.49	44.49	0.00%	44.49	0.00%
7,400	46.49	46.49	0.00%	46.49	0.00%
8,400	48.49	48.49	0.00%	48.49	0.00%
9,360	50.41	50.41	0.00%	50.41	0.00%
10,360	52.41	52.41	0.00%	52.41	0.00%
11,360	54.41	54.41	0.00%	54.41	0.00%
12,360	56.41	56.41	0.00%	56.41	0.00%
13,200	58.09	58.09	0.00%	58.09	0.00%
14,200	60.09	60.09	0.00%	60.09	0.00%
15,200	62.09	62.09	0.00%	62.09	0.00%
16,200	64.09	64.09	0.00%	64.09	0.00%
17,200	66.09	66.09	0.00%	66.09	0.00%
18,200	68.09	68.09	0.00%	68.09	0.00%
19,200	70.09	70.09	0.00%	70.09	0.00%
20,200	72.09	72.09	0.00%	72.09	0.00%
25,200	82.09	82.09	0.00%	82.09	0.00%
30,200	92.09	92.09	0.00%	92.09	0.00%
35,200	102.09	102.09	0.00%	102.09	0.00%
40,200	112.09	112.09	0.00%	112.09	0.00%
45,200	122.09	122.09	0.00%	122.09	0.00%
50,200	132.09	132.09	0.00%	132.09	0.00%
75,200	182.09	182.09	0.00%	182.09	0.00%
100,200	232.09	232.09	0.00%	232.09	0.00%



**Engineering Report For
Green Acres Water Company
Docket No. W-02271A-16-0037 (Rates)
April 11, 2016**

SUMMARY

Conclusions

1. The Arizona Department of Environmental Quality (“ADEQ”) reported that the Green Acres Water Company’s (“Green Acres” or “Company”) water system has monitoring, reporting, operation and maintenance 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.
2. Based on the Company’s water use data for the test year, Staff concludes that the Company’s water system has adequate well production capacity to serve its present customer base and a reasonable level of growth, and a second well should alleviate the need for a new storage tank.
3. The Company’s water system is not located in an Arizona Department of Water Resources (“ADWR”) designated Active Management Area. ADWR has determined that Green Acres water system is compliant with departmental requirements governing water providers and/or community water systems.
4. The Company is in compliance with the Arizona Corporation Commission (“ACC” or “Commission”) Compliance Database at this time.
5. The Company has an approved curtailment plan tariff.
6. The Company has an approved backflow prevention tariff.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by May 31, 2017, documentation from ADEQ indicating that there are no compliance deficiencies and the Company’s water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

2. Commission's Utilities Division Staff ("Staff") recommends its annual water testing expense estimate of \$1,081 be used for this proceeding.
3. Staff recommends the depreciation rates listed in Table B.
4. Staff recommends the service line and meter installation charges listed under "Staff's Recommendations" in Table C be adopted.
5. Staff recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

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I. INTRODUCTION AND LOCATION OF COMPANY

On February 1, 2016, Green Acres Water Company, Inc. ("Company" or "Green Acres") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). The Commission's Utilities Division Staff ("Staff") engineering review and analysis of the application is presented in this report.

Green Acres provides water service to approximately 56 connections in a small community in Yuma County.

The Company's plant facilities were visited on March 16, 2016, by Staff in the accompaniment of Jacob Miller, the Company's operator.

Figure 1 shows the location of the Company within Yuma County and Figure 2 delineates the Company's certificated area which covers approximately 90 acres or 0.14 square mile.

Figure 1

YUMA COUNTY

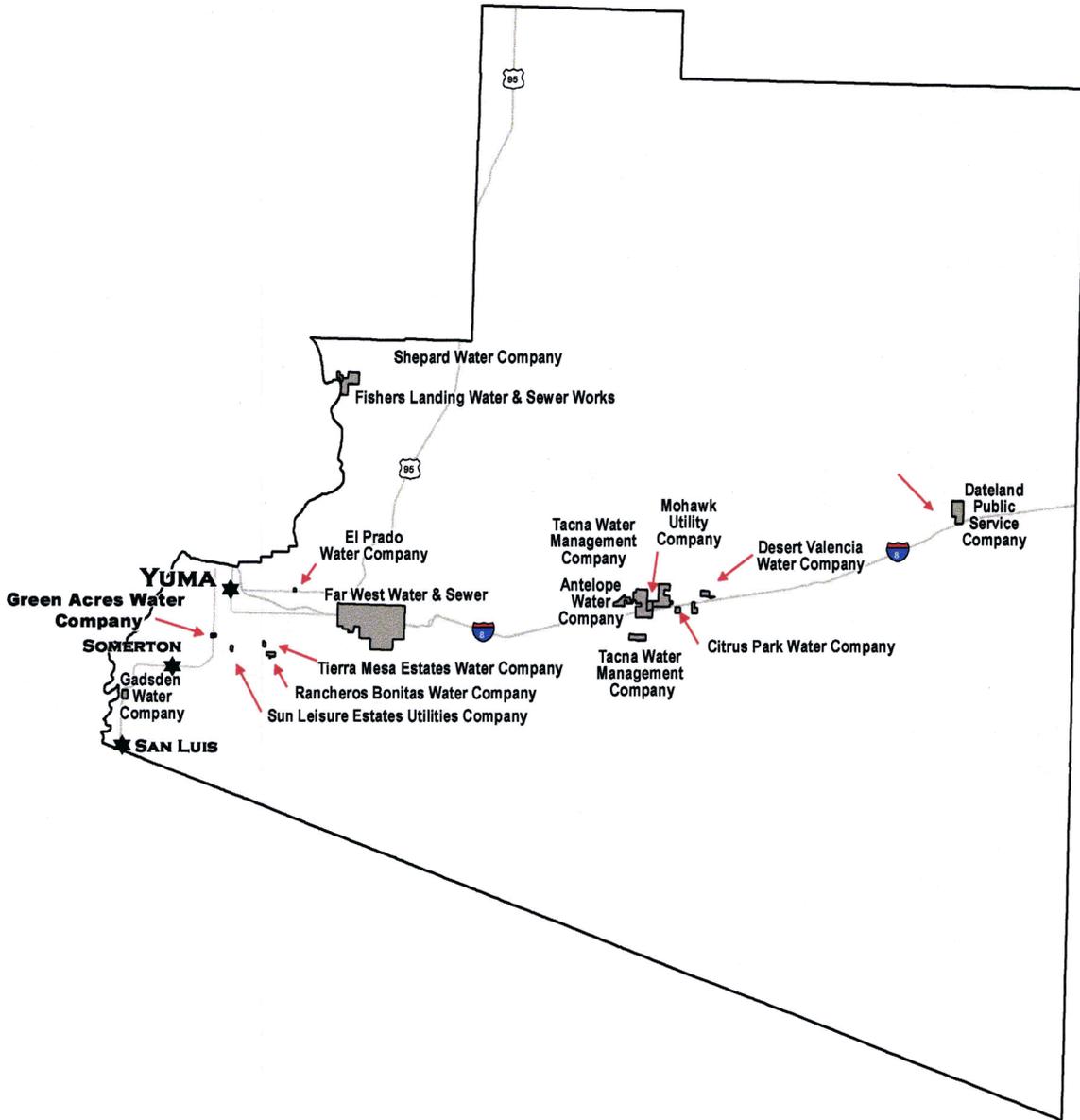
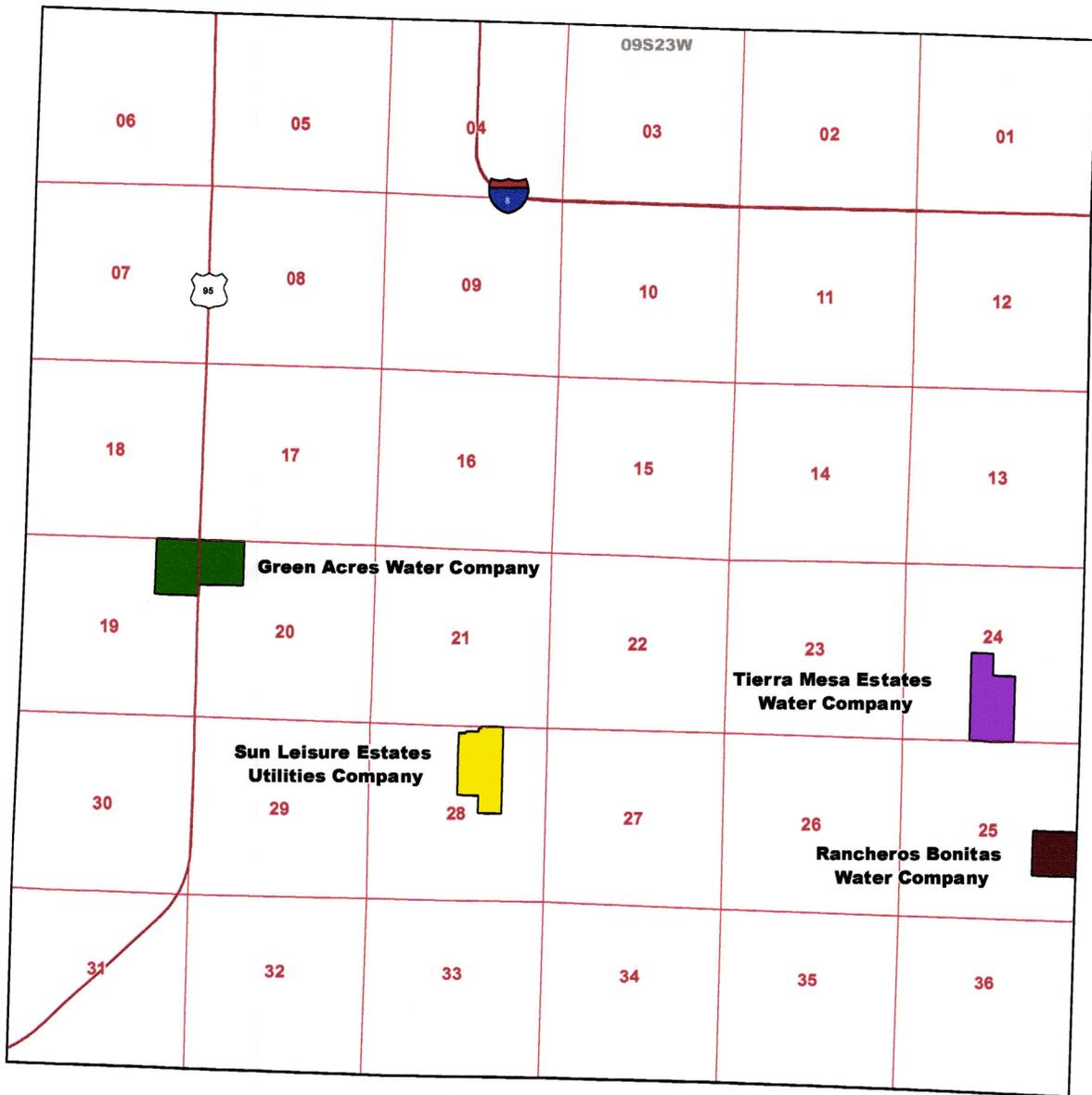


Figure 2

YUMA COUNTY



II. WATER SYSTEM

Description of the Water System

The water system's plant-in-service includes two wells, one pressure tank and a distribution system. A water system plant facilities summary¹ is tabulated below:

Well							
Location	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
West site	55-508614 (in service)	10	150	100	8	3	1984
East site	55-524336 (in service ²)	7.5	75	138	8		1989
East site	55-631266 (not in service)			103	8		1978

Storage Tank	
Capacity (gallons)	Quantity
5,000 (not in service)	1

Pressure Tank		
Location	Capacity (gallons)	Quantity
West site	5,000 (in service)	1
East site	1,000 (in service)	1
	3,000 (not in service)	1

Customer Meters	
Size (inches)	Quantity
5/8x3/4	56

Fire Hydrants	
Quantity Standard	Quantity Other
2	4

¹ Per Company's Application, site visit and ADEQ correspondence

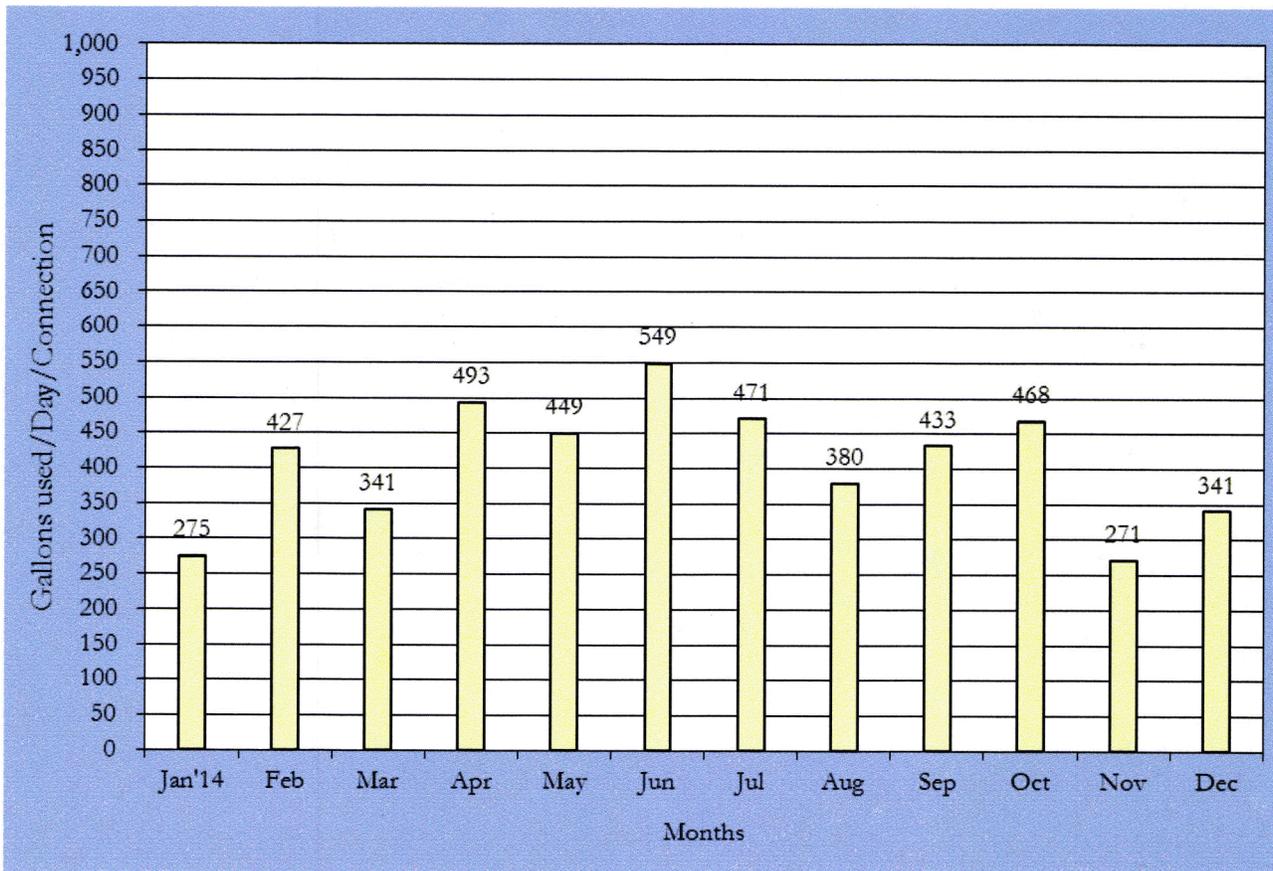
² See System Analysis section in this report

Water Use

Water Sold:

Figure 3 represents the Green Acres water consumption data provided by the Company in its water use data sheet for the test year ending December 31, 2014. Customer consumption included a high monthly water use of 549 gallons per day (“GPD”) per connection in June, and the low water use was 271 GPD per connection in November. The system average annual use was 408 GPD per connection.

Figure 3 Water Use



Non-account Water:

Non-account water should be 10 percent or less, and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing.

The Company reported 8,069,000 gallons sold to its customers for the test year. The water system had no wellhead meter during the test year and, therefore, the Company did not report the number of gallons pumped for 2014. The well meter was installed on August 20, 2015. Due to the

unknown gallons pumped during the test year, Staff used reported Water Use Data from August 2015 through February 2016. During those months the Company reported 2,451,000 gallons pumped and 2,072,588 gallons sold, resulting in a water loss of 15.4 percent. This percentage is above the recommended threshold amount of 10 percent.

Staff recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

System Analysis

Based on the water use data provided by the Company for the Test Year, Staff concludes that the Green Acres system's West Well production capacity of 150 GPM is adequate to serve the present customer base and reasonable growth. However, the system lacks adequate storage capacity to serve the existing customer base. As an alternative, the second well could alleviate the need for a new storage tank. Per Arizona Department of Environmental Quality ("ADEQ") authorization, the Company activated its East Well and connected it to the Green Acres distribution system on March 25, 2016.

Growth

Based on customer data obtained from the Company's Annual Reports currently on record it appears that the Green Acres system has not experienced measurable growth. According to the Company no customer growth or decline is expected. A listing of the number of connections at the end of 2007 and 2014 is tabulated below:

2007	2014
52	53

III ADEQ COMPLIANCE

Compliance

Per ADEQ Compliance Status Report dated April 11, 2016, ADEQ reported the following deficiencies: exceedance of the maximum containment level for arsenic, not reporting required water testing samplings for Lead and Copper, missing Consumer Confidence reports and operation & maintenance deficiencies.

Based upon the noted monitoring, reporting and operation & maintenance deficiencies, ADEQ cannot determine if the water system is currently delivering water that meets water quality standards required by 40 CFR141(National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket by May 31, 2017, documentation from ADEQ indicating that there are no compliance

deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4 or a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its water testing expense at \$776.21 for the test year. Based on water tests required by ADEQ for Green Acres, Staff's estimated average annual water testing expenses for the Company at \$1,081.

The table below shows the cost details of Staff's annual monitoring expense estimate totaling \$1,081 (which includes MAP expenses totaling \$386, rounded).

TABLE A
Water Testing Cost

Monitoring	Cost per Sample	No. of samples per year	Average Annual Cost
Total coliform	\$30	12	\$360
Lead & Copper	\$43	5	\$215
Arsenic	\$30	4	\$120
MAP – IOCs, SOCs, VOCs, Radiochemical, Nitrite, Asbestos	MAP	MAP	\$386
Total			\$1,081

Staff recommends its annual water testing expense estimate of \$1,081 be used for this proceeding.

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

The Company's water system is not located in an ADWR designated Active Management Area. According to ADWR compliance status reports, dated February 17, 2016, ADWR has determined that Green Acres water system is compliant with departmental requirements governing water providers and/or community water systems.

V. ACC COMPLIANCE

On February 23, 2016, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are no delinquencies for Green Acres. Therefore, the Company is in compliance with the ACC Compliance Database at this time.

VI. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life per National Association of Regulatory Utility Commissioners ("NARUC") plant category. These rates are presented in Table B and it is recommended that these depreciation rates be used.

TABLE B
DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
301	Organization	----	0.00
302	Franchises	----	0.00
303	Land and Land Rights	----	0.00
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
320.4	Arsenic Treatment Media	See Note 3	See Note 3
320.5	Arsenic Treatment Media Regeneration	See Note 4	See Note 4
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc. Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	See Note 2	See Note 2

NOTE: 1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.

2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

3. Acct. 320.4, Arsenic Media may vary from 6.67% to 67%. The depreciation rate would be set in accordance with the specific service life of the arsenic media.
4. Acct. 320.5, Arsenic Media Regeneration may vary from 40% to 67%. The depreciation rate would be set in accordance with the specific service life of the regenerated arsenic media.

VII. OTHER ISSUES

Service Line and Meter Installation Charges

Service line and meter installation charges are refundable advances. In its filing the Company did not request changes to its current service line and meter installation charges³. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Those charges are included in Table C listed under “Staff’s Recommendations”.

Staff recommends the charges listed under “Staff’s Recommendations” in Table C be adopted.

**TABLE C
SERVICE LINE AND METER INSTALLATION CHARGES**

Meter Size	Company Current Charges	Company Proposed Charges	Staff's Recommendation		
			Service Line Charges	Meter Charges	Total Charges
5/8 x 3/4-inch	\$100	\$100	\$80	\$20	\$100
3/4-inch	\$120	\$120	\$80	\$40	\$120
1-inch	\$160	\$160	\$100	\$60	\$160
1-1/2-inch	\$300	\$300	\$160	\$140	\$300
2-inch	\$400	\$400	\$180	\$220	\$400

Curtailment Plan Tariff

The Company has an approved curtailment plan tariff.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff.

³ Per Company’s response KS 1.2, the Company did not request an increase in installation charges due to the fact that expansion in Green Acres is not likely in the foreseeable future.

2012-13780 JOINT TENANCY DEED
05/30/2012 01:41:41 PM Pages: 3 Fees: \$12.00
Requested By: TODD BRANDENBERGER
Recorded By: dshepard
Robyn Stallworth Pouquette County Recorder, Yuma County AZ

When recorded mail to:
Todd & Aurora Brandenberger, Manuel & Olga Glaze
4820 West Sharon Lane
Somerton, Arizona 85350

Document prepared by:
John W. Dawson, AZCLDP # 81248

JOINT TENANCY DEED

GREEN ACRES WATER CO. ("grantors"), an Arizona Corporation, hereby transfers to TODD BRANDENBERGER, AURORA BRANDENBERGER, MANUEL GLAZE, and OLGA GLAZE ("grantees"), as Joint Tenants with Rights of Survivorship, the following described real property, together with all improvements located thereon, located in Yuma County, Arizona:

Section: 20 Township: 09S Range: 23W TRACT: NWNW GREEN ACRES AMENDED LT 8

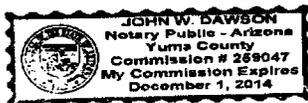
SUBJECT TO all easements, rights-of-way, protective covenants and mineral reservations of record, if any.

DATED this 30 day of May, 2012 by:

Melvin Swenson
Melvin Swenson for
Green Acres Water Co., Grantor

ARIZONA 940
State of California)
YUMA) ss.
County of San Diego)

The foregoing instrument was acknowledged before me this 30 day of May, 2012 by Melvin Swenson.

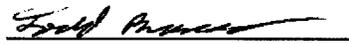


[Signature]
Notary Public

**ACCEPTANCE OF JOINT TENANCY WITH RIGHT OF
SURVIVORSHIP**

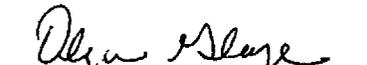
The grantees by signing their acceptance below evidence their intention to acquire said premises as joint tenants with the right of survivorship, and not as community property or as tenants in common.

DATED this 24 day of May, 2012 by:


Todd Brandenberger, Grantee

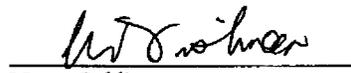

Aurora Brandenberger, Grantee

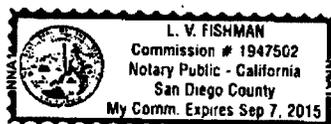

Manuel Glaze, Grantee


Olga Glaze, Grantee

CALIFORNIA
State of Arizona)
SAN DIEGO) ss.
County of Yuma)

The foregoing instrument was acknowledged before me this 24 day of May, 2012 by Todd Brandenberger, Aurora Brandenberger, Manuel Glaze and Olga Glaze.


Notary Public



ACKNOWLEDGMENT

State of California
County of San Diego)

On 05.24.2011 before me, L.V. Fishman, Notary Public
(insert name and title of the officer)

personally appeared MANUEL GLAZE & OLGA GLAZE
who proved to me on the basis of satisfactory evidence to be the person(s) ~~is/are~~
subscribed to the within instrument and acknowledged to me that ~~he/she/they~~
~~is/are~~ their authorized capacity(ies), and that by ~~his/her/their~~ signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *L.V. Fishman* (Seal)

