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MEMORANDUM

DOCKET CONTROL

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Arizona Corporation Commission

DOCKETED

MAR 20 2017

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TO: Docket Control
FROM: Elijah O. Abinah
Acting Director
Utilities Division
DATE: March 20, 2017

RE: TRUXTON CANYON WATER COMPANY, INC. - STAFF'S SUMMARY OF TESTIMONY (DOCKET NO. W-02168A-17-0042)

The Commission, by Procedural Order dated March 1, 2017, stated "It is further ordered that Staff shall file a short summary stating its position on the issues raised in the Company's application on or before March 20, 2017." Presented herewith is a summary of Staff's testimony concerning its recommendations for Truxton Canyon Water Company, Inc.'s ("Truxton" or "Company") emergency rate increase proceeding.

Staff witness Crystal Brown will address Staff's recommendations concerning the Minimum DSC Surcharge (i.e. Base Rates Surcharge), the Water Infrastructure Finance Authority's ("WIFA") loan surcharge and surcharge mechanism. Staff witness Dorothy Hains will address Staff's engineering analysis and recommendations on the allocations and plant in the attached engineering memorandum.

MINIMUM DSC SURCHARGE (I.E. BASE RATES SURCHARGE) RECOMMENDATIONS

1. Staff recommends approval of the Company proposed \$92,437 base rate increase.
2. Staff recommends allocating 30 percent of the \$92,437 increase to the five meters that serve water to the Valley Vista Property Owners Association ("VVPOA") golf course and 70 percent to the other customers.
3. Staff recommends approval of the application using Staff's recommended \$5.50 monthly surcharge for 3/4-inch metered customers (residential)¹ and \$1,249.15 monthly surcharge for six inch metered customers serving water to the golf course² as shown on Schedule CSB-1 (Step 6 and Step 9).

WIFA LOAN SURCHARGE AND SURCHARGE MECHANISM

1. Staff recommends that the Commission authorize the Company to obtain a 20-year amortizing loan from the Water Infrastructure Finance Authority ("WIFA"), for an amount not to exceed \$310,432 conditioned upon the Company receiving approval of

¹ See Schedule CSB-1 Step 6.
² See Schedule CSB-1 Step 9

emergency base rates in the instant case to finance capital improvements discussed in the Company's application and the Staff recommended surcharge mechanism.

2. Staff further recommends approval of the Staff recommended surcharge mechanism. Staff's illustrative surcharge calculation is shown on Schedule CSB-2.
3. Staff further recommends that within 10 days of closing on the loan, the Company file an application to implement the surcharge. Staff further recommends that the calculation of the surcharges included with the application be calculated based upon the actual terms of the WIFA loan and actual number of customers at the time of the loan closing. Staff further recommends that the total revenue needed to pay the debt service, reserve, and taxes be allocated using a 30 percent allocation to the five meters that serve water to the VVPOA golf course and 70 percent allocation to the other customers. Such surcharges may result in a \$1.79 surcharge for a 3/4-inch residential customer as shown on Schedule CSB-2 Step 10B and a \$407.06 surcharge for a 6-inch golf course meter as shown Schedule CSB-2 Step 11C.
4. Staff further recommends that the surcharge request be effective on the first of the month following the month in which the Company files its application to implement the surcharge, but no earlier than 30 days after the filing. Staff recommends the surcharge becomes effective without further action of the Commission unless Staff files an objection or request for additional time to analyze the proposed surcharges within thirty days of the filing.
5. Staff further recommends that approval of the loan and surcharge be rescinded if the Company has not drawn funds from the loan within one year of the date of the Decision resulting from this proceeding.

EOA:CSB:nr/BH

Originator: Crystal Brown

Truxton Canyon Water Company, Inc.

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On this 20th day of March, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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By:



Nanisha Ross
Administrative Support Specialist

Line

No. **MINIMUM DSC (I.E. BASE RATE INCREASE) SURCHARGE**

1	Step 1 - Revenue Increase
2	\$92,437.00 Total Increase in Base Rates (Includes Taxes)
3	
4	Step 2 - Annual Surcharge Rev. Requ. for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course
5	\$92,437.00 From Line 2
6	70% Multiplied by 70%
7	<u>\$64,705.90</u>
8	
9	Step 3 - Annual Surcharge Revenue Requirement for the 5 Meters Serving the Golf Course
10	\$92,437.00 From Line 2
11	30% Multiplied by 30%
12	<u>\$27,731.10</u>

14 **Step 4 - Equivalent Bills for All Truxton's Customers EXCEPT the 5 Meters Serving the Golf Course**

15	Col A	Col B		Col C		Col D		Col E
16	Meter Size	NARUC Multiplier		Number of Customers		Number of Months in Year		Equivalent Bills Col B x C X D
19	5/8"x 3/4" Meter	1	x	0	x	12	=	-
20	3/4" Meter	1.5	x	953	x	12	=	17,154
21	1" Meter	2.5	x	4	x	12	=	120
22	1½" Meter	5	x	0	x	12	=	-
23	2" Meter	8	x	4	x	12	=	384
24	3" Meter	15	x	0	x	12	=	-
25	4" Meter	25	x	0	x	12	=	-
26	6" Meter	50	x	0	x	12	=	-
27				<u>961</u>				<u>17,658</u>

29 **Step 5 - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Customers EXCEPT Golf Course**

30	
31	\$64,705.90 Total Annual Surcharge Revenue Requirement (from Step 2)
32	<u>17,658</u> Divided by: Total Number of Equivalent Bills (from Step 4)
33	<u>\$3.66</u> Monthly Surcharge for 5/8 x 3/4-Inch Customers
34	

35 **Step 6 - Monthly Surcharge for All Meter Size Customers EXCEPT those serving Golf Course**

36	Col A	Col B		Col C		Col D
37	Meter Size	NARUC Multiplier		5/8" x 3/4" Customers' Surcharge		Surcharge by Meter Size Col B x C
40	5/8"x 3/4" Meter	1	x	\$3.66	=	\$3.66
41	3/4" Meter	1.5	x	\$3.66	=	\$5.50
42	1" Meter	2.5	x	\$3.66	=	\$9.16
43	1½" Meter	5	x	\$3.66	=	\$18.32
44	2" Meter	8	x	\$3.66	=	\$29.32
45	3" Meter	15	x	\$3.66	=	\$54.97
46	4" Meter	25	x	\$3.66	=	\$91.61
47	6" Meter	50	x	\$3.66	=	\$183.22

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54 **Step 7 - Equivalent Bills for the 5 Meters Serving the Golf Course**

55	Col A	Col B		Col C		Col D		Col E
56						Number of		Equivalent
57		NARUC		Number of		Months in		Bills
58	Meter Size	Multiplier		Customers		Year		Col B x C X D
59	5/8"x 3/4" Meter	1	x	0	x	12	=	-
60	3/4" Meter	1.5	x	1	x	12	=	18
61	1" Meter	2.5	x	0	x	12	=	-
62	1½" Meter	5	x	0	x	12	=	-
63	2" Meter	8	x	2	x	12	=	192
64	3" Meter	15	x	0	x	12	=	-
65	4" Meter	25	x	1	x	12	=	300
66	6" Meter	50	x	1	x	12	=	600
67				<u>5</u>				<u>1,110</u>

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69 **Step 8 - Monthly Surcharge for the 5/8 x 3/4-Inch Golf Course Meter Size Customers**

70	\$27,731.10	Total Annual Surcharge Revenue Requirement (from Step 3)
71	<u>1,110</u>	Divided by: Total Number of Equivalent Bills (from Step 7)
72	\$24.98	Monthly Surcharge for 5/8 x 3/4-Inch Customers

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75 **Step 9 - Monthly Surcharge for All Meter Sizes for the Golf Course**

76	Col A	Col B		Col C		Col D
77				5/8" x 3/4"		Surcharge by
78		NARUC		Customers'		Meter Size
79	Meter Size	Multiplier		Surcharge		Col B x C
80	5/8"x 3/4" Meter	1	x	\$24.98	=	\$24.98
81	3/4" Meter	1.5	x	\$24.98	=	\$37.47
82	1" Meter	2.5	x	\$24.98	=	\$62.46
83	1½" Meter	5	x	\$24.98	=	\$124.91
84	2" Meter	8	x	\$24.98	=	\$199.86
85	3" Meter	15	x	\$24.98	=	\$374.74
86	4" Meter	25	x	\$24.98	=	\$624.57
87	6" Meter	50	x	\$24.98	=	\$1,249.15

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90 **Step 10 - Verify Annual Surcharge Revenue for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**

91	Col A	Col B		Col C		Col D		Col E
92				Number of		Surcharge		Annual
93		Number of		Months in		by		Surcharge Rev
94	Meter Size	Customers		Year		Meter Size		Col B x C X D
95	5/8"x 3/4" Meter	0	x	12	x	\$3.66	=	-
96	3/4" Meter	953	x	12	x	\$5.50	=	62,859
97	1" Meter	4	x	12	x	\$9.16	=	440
98	1½" Meter	0	x	12	x	\$18.32	=	-
99	2" Meter	4	x	12	x	\$29.32	=	1,407
100	3" Meter	0	x	12	x	\$54.97	=	-
101	4" Meter	0	x	12	x	\$91.61	=	-
102	6" Meter	0	x	12	x	\$183.22	=	-
103		<u>961</u>						<u>64,706</u> (from Step 2)

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112 **Step 11 - Verify Annual Surcharge Revenue for 5 Meters Serving the Golf Course**

113	Col A	Col B		Col C		Col D		Col E
114				Number of		Surcharge		Annual
115		Number of		Months in		by		Surcharge Rev
116	Meter Size	Customers		Year		Meter Size		Col B x C X D
117	5/8"x 3/4" Meter	0	x	12	x	\$24.98 =		-
118	3/4" Meter	1	x	12	x	\$37.47 =		450
119	1" Meter	0	x	12	x	\$62.46 =		-
120	1½" Meter	0	x	12	x	\$124.91 =		-
121	2" Meter	2	x	12	x	\$199.86 =		4,797
122	3" Meter	0	x	12	x	\$374.74 =		-
123	4" Meter	1	x	12	x	\$624.57 =		7,495
124	6" Meter	1	x	12	x	\$1,249.15 =		14,990
125		<u>5</u>						<u>27,731</u> (from Step 3)

Line

No.	WIFA LOAN SURCHARGE
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1	Loan Amount:	\$310,432	
2	Term:	20 Years	
3	Interest Rate	5.25%	
4			
5	Step 1 - Principal and Interest Components of the Annual Surcharge Revenue		
6	\$9,019.23	Principal (From Loan Amortization Schedule)	
7	\$16,082.71	Plus: Interest (From Loan Amortization Schedule)	
8	\$25,101.94	Debt Service Component of the Annual Surcharge Revenue	
9			
10	Step 2 - Gross Revenue Conversion Factor		
11	1.639147015	From Testimony or Staff Report or Decision, Schedule XXX-1, Col. B, Line 7	
12			
13	Step 3 - Find the Incremental Income Tax Factor		
14	1.63915	minus 1 =	0.63915
15			
16	Step 4 - Annual Income Tax Component of Surcharge Related To Principle		
17	0.63915	Incremental Income Tax Factor (from Step 3)	
18	\$9,019.23	Multiplied by: Annual Principal Payment on Loan from Step 1 (Note: Interest Expense is tax deductible)	
19	\$5,764.61	Annual Income Tax Component Related to the Principle	
20			
21	Step 5 - Annual Income Tax Component of Surcharge Related to Depreciation Expense		
22	0.63915	Incremental Income Tax Factor (from Step 3)	
23	\$ 17,338	Depreciation Expense	
24	\$11,081.33	Annual Income Tax Component of Surcharge Related to Depreciation Expense	
25			
26	Step 6 - Net Annual Income Tax Component of Surcharge		
27	\$5,764.61	Annual Income Tax Component Related to the Principle (from Step 4)	
28	(\$11,081.33)	Less: Annual Income Tax Component of Surcharge Related to Depreciation Expense (from Step 5)	
29	(\$5,316.71)	Net Annual Income Tax Component of Surcharge Revenue	
30			
31	Step 7 - Debt Reserve Component of the Annual Surcharge Revenue		
32	\$25,101.94	Annual Interest and Principal Payments on the Loan (from Step 1)	
33	20%	Multiplied by: One-fifth of Annual Principal and Interest Payment	
34	\$5,020.39	Debt Reserve Component of the Annual Surcharge Revenue for first five years	
35			
36	Step 8A - Annual Surcharge Revenue Requirement Needed for the Loan Including Reserve Fund		
37	\$0.00	Net Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)	
38	\$25,101.94	Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 1)	
39	\$5,020.39	Plus: Annual Reserve Fund Deposit (from Step 7)	
40	\$30,122.32	Total Annual Surcharge Revenue Requirement for the Loan	
41			
42	Step 8B - Annual Surcharge Rev. Requ. for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course		
43	\$30,122.32	From Line 42	
44	70%	Multiplied by 70%	
45	\$21,085.63		
46			
47	Step 8C - Annual Surcharge Revenue Requirement for the 5 Meters Serving the Golf Course		
48	\$30,122.32	From Line 42	
49	30%	Multiplied by 30%	
50	\$9,036.70		
51			
52			

53 **Step 9 - Equivalent Bills for All Truxton's Customers EXCEPT the 5 Meters Serving the Golf Course**

54	Col A	Col B	Col C	Col D	Col E
55	Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
58	5/8"x 3/4" Meter	1	x 0	x 12	= -
59	3/4" Meter	1.5	x 953	x 12	= 17,154
60	1" Meter	2.5	x 4	x 12	= 120
61	1½" Meter	5	x 0	x 12	= -
62	2" Meter	8	x 4	x 12	= 384
63	3" Meter	15	x 0	x 12	= -
64	4" Meter	25	x 0	x 12	= -
65	6" Meter	50	x 0	x 12	= -
66			<u>961</u>		<u>17,658</u>

68 **Step 10A - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Customers EXCEPT Golf Course**

69
 70 \$21,085.63 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8B)
 71 17,658 Divided by: Total Number of Equivalent Bills (from Step 9)
 72 \$1.19 Monthly Surcharge for 5/8 x 3/4-Inch Customers
 73

74 **Step 10B - Monthly Surcharge for All Meter Size Customers EXCEPT Golf Course**

75	Col A	Col B	Col C	Col D
76	Meter Size	NARUC Multiplier	5/8" X 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
79	5/8"x 3/4" Meter	1	x \$1.19	= \$1.19
80	3/4" Meter	1.5	x \$1.19	= \$1.79
81	1" Meter	2.5	x \$1.19	= \$2.99
82	1½" Meter	5	x \$1.19	= \$5.97
83	2" Meter	8	x \$1.19	= \$9.55
84	3" Meter	15	x \$1.19	= \$17.91
85	4" Meter	25	x \$1.19	= \$29.85
86	6" Meter	50	x \$1.19	= \$59.71

88 **GOLF COURSE SURCHARGE CALCULATIONS**

89 **Step 11A - Equivalent Bills for the 5 Meters Serving the Golf Course**

90	Col A	Col B	Col C	Col D	Col E
91	Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
94	5/8"x 3/4" Meter	1	x 0	x 12	= -
95	3/4" Meter	1.5	x 1	x 12	= 18
96	1" Meter	2.5	x 0	x 12	= -
97	1½" Meter	5	x 0	x 12	= -
98	2" Meter	8	x 2	x 12	= 192
99	3" Meter	15	x 0	x 12	= -
100	4" Meter	25	x 1	x 12	= 300
101	6" Meter	50	x 1	x 12	= 600
102			<u>5</u>		<u>1,110</u>

104 **Step 11B - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Golf Course Customers**

105 \$9,036.70 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8C)
 106 1,110 Divided by: Total Number of Equivalent Bills (from Step 9)
 107 \$8.14 Monthly Surcharge for 5/8 x 3/4-Inch Customers
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112 **Step 11C - Monthly Surcharge for All Meter Size Golf Course Customers**

113	Col A	Col B		Col C		Col D
114				5/8" X 3/4"		Surcharge by
115		NARUC		Customers'		Meter Size
116	Meter Size	Multiplier		Surcharge		Col B x C
117	5/8"x 3/4" Meter	1	x	\$8.14	=	\$8.14
118	3/4" Meter	1.5	x	\$8.14	=	\$12.21
119	1" Meter	2.5	x	\$8.14	=	\$20.35
120	1½" Meter	5	x	\$8.14	=	\$40.71
121	2" Meter	8	x	\$8.14	=	\$65.13
122	3" Meter	15	x	\$8.14	=	\$122.12
123	4" Meter	25	x	\$8.14	=	\$203.53
124	6" Meter	50	x	\$8.14	=	\$407.06

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126 **REVENUE VERIFICATION**

127 **Step 12 - Verify Annual Surcharge Revenue for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**

128	Col A	Col B		Col C		Col D		Col E
129				Number of		Surcharge		Annual
130		Number of		Months in		by		Surcharge Rev
131	Meter Size	Customers		Year		Meter Size		Col B x C X D
132	5/8"x 3/4" Meter	0	x	12	x	\$1.19	=	-
133	3/4" Meter	953	x	12	x	\$1.79	=	20,484
134	1" Meter	4	x	12	x	\$2.99	=	143
135	1½" Meter	0	x	12	x	\$5.97	=	-
136	2" Meter	4	x	12	x	\$9.55	=	459
137	3" Meter	0	x	12	x	\$17.91	=	-
138	4" Meter	0	x	12	x	\$29.85	=	-
139	6" Meter	0	x	12	x	\$59.71	=	-
140		<u>961</u>						<u>21,086</u> (from Step 8B)

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142 **Step 13 - Verify Annual Surcharge Revenue for 5 Meters Serving the Golf Course**

143	Col A	Col B		Col C		Col D		Col E
144				Number of		Surcharge		Annual
145		Number of		Months in		by		Surcharge Rev
146	Meter Size	Customers		Year		Meter Size		Col B x C X D
147	5/8"x 3/4" Meter	0	x	12	x	\$8.14	=	-
148	3/4" Meter	1	x	12	x	\$12.21	=	147
149	1" Meter	0	x	12	x	\$20.35	=	-
150	1½" Meter	0	x	12	x	\$40.71	=	-
151	2" Meter	2	x	12	x	\$65.13	=	1,563
152	3" Meter	0	x	12	x	\$122.12	=	-
153	4" Meter	1	x	12	x	\$203.53	=	2,442
154	6" Meter	1	x	12	x	\$407.06	=	4,885
155		<u>5</u>						<u>9,037</u> (from Step 8C)

MEMORANDUM

DATE: March 7, 2017

TO: Crystal Brown
Executive Consultant III

FROM: Dorothy Hains, P. E.
Utilities Engineer

RE: Truxton Canyon Water Company
Application for Emergency Rate Surcharge
Docket No. W-02168A-17-0042

I. Background

On February 17, 2017, Truxton Canyon Water Company ("Truxton" or "Company") filed an application for an emergency rate surcharge with the Arizona Corporation Commission ("ACC" or "Commission") requesting authorization to incur long term debt in an amount of \$248,944 ("Financing Application") and a surcharge to increase water service rates by \$92,437. Proceeds from the loan would be used to fund the Hualapai 1 Well Conversion to convert the existing natural gas operated well pump to an electric operated well pump.

The Company owns and operates a water system ("System") that consists of three active wells, one 155 gallons per minute ("GPM") arsenic treatment plant, 580,000 gallons of storage capacity and a distribution system. The Company also owns four inactive wells and one inactive 20,000 gallon storage tank. Arizona Department of Environmental Quality ("ADEQ") regulates the System under the Public Water System Identification ("PWS") No. 08-035. The Company served approximately 960 metered customers in 2015; the majority of which were residential.

II. Compliance

A. ADEQ Compliance Status

ADEQ regulates the water system operated by Truxton under ADEQ Public Water System ("PWS") ID No. 08-035. According to the ADEQ Drinking Water Compliance Status Report, dated October 21, 2016, the Truxton system has major deficiencies in monitoring and reporting for the reasons listed below and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

- (1) Arsenic: Truxton is required to test arsenic at its Entry Points to the Distribution System quarterly; Truxton has not complied with this requirement.
- (2) Disinfection Byproducts Stage 1 and Stage 2: There are deficiencies for this monitoring requirement.

B. ACC Compliance Status

A check of the Commission’s Utilities Division Compliance Section database indicated that Truxton there is one delinquent compliance item for Truxton. In Decision No. 74833 the Commission ordered Truxton to be in full compliance with ADEQ by March 28, 2016 (per status check dated March 8, 2017). As noted above, Truxton is not in full compliance with ADEQ.

C. Arizona Department of Water Resources (“ADWR”) Compliance Status

Truxton is not located in any Active Management Area (“AMA”) as designated by ADWR, and is not subject to AMA reporting and conservation rules. Staff received an ADWR compliance status report dated October 13, 2016, in which ADWR reported that it has determined that this water system is currently compliant with departmental requirements governing water providers and/or community water systems.

III. Hualapai 1 Well Conversion

A. Proposed Project

Truxton would use the proposed loan to fund the construction of the improvements at the Hualapai 1 Well and well site. The improvements include (1) replacing the existing natural gas operated well pump with an electric operated well pump; (2) purchasing two used natural gas operated on-site generators; (3) completing an electric power line extension to the well site; (4) installing a new 6-foot tall chain link fence around the Well and well site; (5) completing an on-site wiring and electric equipment installation; and (6) completing on-site plumbing to support installation of the new pumping facilities.

B. Engineering Cost Estimates

Table 1 lists the Company’s proposed plant additions and associated cost estimates and Staff’s recommended adjustments.

Table 1. Estimate Engineering Cost for Hualapai 1 Well Conversion

	Plant Item	Company’s Estimate (\$)	Staff’s Estimates (\$)
1	New Well Pump and Motor¹		
	ADEQ Permit fee (Tax free)	N/A	800

	Labor to mobilize/demobilize material and equipment to job site by vendor	2,500	2,500
	Labor cost of pulling existing nature gas operated pump out of well and set new electric well pump @ 960' depth in well by vendor	14,400	14,400
	One Goulds 12CMC pump (12" with 14 stage, 1,000 GPM) by vendor	18,825	18,825
	one 300-HP Vertical Hollo shaft	31,293	31,293
	Premium efficient, inventor duty fabricated well head (material/labor) by vendor	8,905	8,905
	Tax (5.4275%)	4,120.75	4,120.75
	subtotal	80,044	80,844
	Contingency (10%) ²	N/A	8,084
	Engineering/Administration/Legal fee (15%)	N/A	12,126
	total	80,044	101,054
2	Used Emergency Generators³		
	Two used natural gas powered generators (35 KVA)	35,000	8,000 ⁶
	subtotal	35,000	8,000
	Contingency (10%)	N/A	800
	Engineering/Administration/Legal fee (15%)	N/A	1,200
	total	35,000	10,000
3	Permanent Power⁴		
	Offsite Power Line	150,000	N/A
	1.9 mile 3 phase power line extending from US Highway 66 @ south of Valle Vista Subdivision		165,000 ⁵
	subtotal	150,000	165,000
	Contingency (10%)	N/A	1,650
	Engineering/Administration/Legal fee (15%)	N/A	2,475
	total	150,000	169,125
4	New Fencing⁴	5,000	
	550' long 6' tall chain link fence with a gate (estimated by Staff)		11,503
	subtotal	5,000	11,503
	Contingency (10%)	N/A	1,150
	Engineering/Administration/Legal fee (15%)	N/A	1,725
	total	5,000	14,378
5	On-site Electric⁴	9,200	
	Control Panel Installation	N/A	3,000
	Electric Power Line upgrade	N/A	5,000

	subtotal	9,200	8,000
	Contingency (10%)	N/A	800
	Engineering/Administration/Legal fee (15%)	N/A	1,200
	total	9,200	10,000
6	On-site Piping	4,700	4,700
	subtotal	4,700	4,700
	Contingency (10%)	N/A	470
	Engineering/Administration/Legal fee (15%)	N/A	705
	total	4,700	5,875
	Total	248,944	310,432

Notes:

1. Per conversation with Drill Tech Inc. (the Vendor), no new concrete footing will be needed.
2. Based on the Response to Data Request No. STF 1.4, the Company suggested 10 contingency costs. Staff is recommending 15 percent be added to cover Engineering and Legal fees.
3. Based on the Response to Data Request No. STF 1.17 and 1.18, the Company cost estimate assumes the installation of two used nature gas operated 35 KVA portable generators and no warranty.
4. The Company did not provide any information to support its estimated cost.
5. Staff's cost estimate is based on a quote provided by Mohave Electric Cooperative on December 13, 2016.
6. Staff's estimate is based on \$4,000 per generator for a total cost of \$8,000.

Staff concludes that the cost estimates listed in Table 1 as adjusted by Staff are reasonable. Staff concludes that the proposed infrastructure improvements are appropriate. However, no "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

IV. Allocation

Based on the Hualapai 1 Well's monthly pumping data provided by Truxton, Staff concludes that approximately one-third of Walapai 1 Well's total pumping capacity will be needed to serve the Golf Course.

V. Summary

Conclusions

1. A check of the Commission's Utilities Division Compliance Section database indicated that Truxton is not considered to be in compliance. Truxton has not complied with Decision No. 74833, in which the Commission ordered Truxton to be in full compliance with ADEQ by March 28, 2016 (per status check dated March 8, 2017).

2. ADEQ has reported that the Truxton system has major deficiencies in monitoring and reporting. ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4.
3. ADWR has reported that Truxton is currently compliant with departmental requirements governing water providers and/or community water systems.
4. Staff concludes that the cost estimates listed in Table 1 as adjusted by Staff are reasonable. Staff concludes that the proposed infrastructure improvements are appropriate. However, no "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.