

JIM IRVIN
COMMISSIONER CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER



ARIZONA CORPORATION COMMISSION



0000000243

DATE: MARCH 25, 1998
DOCKET NOS.: W-01977A-97-0764 and W-01977A-98-0012
TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Scott Wakefield. The recommendation has been filed in the form of an Order on:

DOLAN SPRINGS WATER COMPANY
(RATES/FINANCING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

APRIL 3, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

APRIL 6, 1998 and APRIL 7, 1998

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.


JACK ROSE
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
3 COMMISSIONER - CHAIRMAN
4 RENZ D. JENNINGS
5 COMMISSIONER
6 CARL J. KUNASEK
7 COMMISSIONER

8 IN THE MATTER OF THE APPLICATION OF)
9 DOLAN SPRINGS WATER COMPANY, INC.)
10 FOR A PERMANENT RATE INCREASE.)

DOCKET NO. W-01977A-97-0764

11 IN THE MATTER OF THE APPLICATION OF)
12 DOLAN SPRINGS WATER COMPANY, INC.)
13 FOR AN ORDER AUTHORIZING THE)
14 ISSUANCE OF DEBT.)

DOCKET NO. W-01977A-98-0012

DECISION NO. _____

ORDER

15 Open Meeting
16 April 6 and 7, 1998
17 Phoenix, Arizona

18 **BY THE COMMISSION:**

19 Having considered the entire record herein and being fully advised in the premises, the Arizona
20 Corporation Commission ("Commission") finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 1. Dolan Springs Water Company ("DSWC" or "Applicant") is an Arizona corporation
23 engaged in the business of providing water utility service to the public in a portion of Mohave County,
24 Arizona, pursuant to authority granted by the Commission in Decision No. 38173 (November 15, 1965).

25 2. Applicant's present rates and charges for water service were approved in Decision No.
26 57716 (February 20, 1992).

27 3. On December 1, 1997, the Commission received from DSWC an application requesting
28 authority to increase its rates and charges.

4. On December 31, 1997, the Commission's Utilities Division Staff ("Staff") determined
that DSWC's rate application was sufficient.

5. On January 8, 1998, DSWC filed with the Commission a financing application requesting
approval to borrow \$9,806 from the Water Infrastructure Financing Authority ("WIFA").

6. During the test year ended December 31, 1996 ("TY"), Applicant served 157 metered

1 SERVICE LINE AND METER INSTALLATION CHARGES:
 2 (Refundable pursuant to A.A.C. R14-2-405)

3	5/8" x 3/4" Meter	\$ 250.00	\$ 250.00	\$ 330.00
	3/4" Meter	270.00	270.00	375.00
	1" Meter	350.00	350.00	440.00
4	1 1/2" Meter	570.00	570.00	660.00
	2" Meter	775.00	775.00	1,155.00
5	3" Meter	925.00	925.00	1,625.00
	4" Meter	2,600.00	2,600.00	2,540.00
6	6" Meter	3,725.00	3,725.00	4,875.00

7 SERVICE CHARGES:

8	Establishment	\$ 20.00	\$ 25.00	\$ 25.00
	Establishment (After Hours)	25.00	35.00	35.00
9	Reconnection (Delinquent)	20.00	35.00	35.00
	Meter Test (If Correct)	15.00	40.00	40.00
10	Deposit	*	*	*
	Deposit Interest	*	*	*
11	Reestablishment			
	(Within 12 Months)	**	**	**
12	NSF Check	\$ 15.00	\$ 20.00	\$ 15.00
	Deferred Payment (per month)	1.00%	1.00%	1.00%
13	Meter Reread (If Correct)	\$ 10.00	\$ 15.00	\$ 15.00
14	Late Fee (per month)	0.00%	1.00%	1.50%

15 MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

16	4" or smaller	\$0.00	\$0.00	***
	6"	0.00	0.00	***
17	8"	0.00	0.00	***
	10"	0.00	0.00	***
18	Larger than 10"	0.00	0.00	***

19 *

20 Per Commission Rule A.A.C. R14-2-403(B).

21 **

22 Number of months off system times the monthly minimum, per Commission Rule A.A.C. R14-2-403(D).

23 ***

24 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

25 12. Pursuant to the Staff Report, Applicant's original cost rate base is determined to be \$31,000 which is the same as its fair value rate base ("FVRB").

26 13. Applicant's present rates and charges produced adjusted operating revenues of \$72,582 and adjusted operating expenses of \$67,352, which resulted in net operating income of \$5,230 during the TY and a 16.87 percent rate of return on FVRB.

28 14. The rates and charges Applicant proposed would produce operating revenues of \$80,278

1 and adjusted operating expenses of \$67,352, resulting in net operating income of \$12,926 and a 41.70
2 percent rate of return on FVRB.

3 15. The rates and charges Staff recommended would produce operating revenues of \$80,646
4 and operating expenses of \$67,352, resulting in net operating income of \$13,294 and a 42.88 percent rate
5 of return on FVRB.

6 16. Applicant's proposed rate schedule would increase the average monthly customer bill by
7 13.1 percent, from \$30.56 to \$34.56, and the median monthly customer bill by 18.6 percent, from \$21.53
8 to \$25.53.¹

9 17. Staff's recommended rates would increase the average monthly customer bill by 11.3
10 percent, from \$30.56 to \$34.03, and the median monthly customer bill by 15.0 percent, from \$21.53 to
11 \$24.76.

12 18. The rates and charges proposed by Staff would provide debt service coverage of \$13,517
13 for the existing approved debt and the debt approved herein, and additional cash flow of \$8,225 to
14 provide for normal contingencies as well as provide a return to the owners.

15 19. The rates and charges proposed by Staff are reasonable, with the improvements approved
16 herein.

17 20. The proposed WIFA loan would be at the prevailing Prime Rate at the time of issuance²,
18 for a period of not greater than twenty years. Assuming an 8.5 percent interest rate (the current Prime
19 Rate) and a ten-year term, annual principal and interest payments would total \$1,458.96.

20 21. The loan proceeds would be used to improve two of Applicant's existing well sites.
21 Approximately \$5,806 would be applied toward site preparation and drilling at Applicant's horizontal
22 well. The remaining \$4,000 would be applied toward a well slab, wellhead extension, electrical work,
23 pump replacement, well pulling, automatic controls, fencing, pipe and fittings at another well site. These
24 improvements will allow Applicant to accommodate any growth on its system as well as establish a
25 reserve for use in times of need.

26
27 ¹ Average and median monthly bills are for customers with ¾" meters.

28 ² Applicant may qualify for a lower interest rate on the loan, but at this time it is not known
what the final interest rate discount will be.

1 SERVICE CHARGES:

2	Establishment	\$ 25.00
	Establishment (After Hours)	35.00
	Reconnection (Delinquent)	35.00
3	Meter Test (If Correct)	40.00
	Deposit	*
4	Deposit Interest (Per Annum)	*
	Reestablishment (Within 12 Months)	**
5	NSF Check	\$ 15.00
	Deferred Payment (Per Month)	1.00%
6	Meter Reread (If Correct)	\$ 15.00
	Late Fee (Per Month)	1.50%

7 MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

8	4" or smaller	***
	6"	***
9	8"	***
	10"	***
10	Larger than 10"	***

- 11 * Per Commission Rule A.A.C. R14-2-403(B).
- 12 ** Number of months off system times the monthly minimum, per Commission Rule A.A.C. R14-2-403(D).
- 13 *** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

14 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
15 provided on and after May 1, 1998.

16 IT IS FURTHER ORDERED that Dolan Springs Water Company shall notify its customers of
17 the rates and charges authorized hereinabove and the effective date of same by means of an insert in its
18 next regular monthly billing.

19 IT IS FURTHER ORDERED that Dolan Springs Water Company is hereby authorized to borrow
20 up to \$9,806 from the Water Infrastructure Financing Authority at up to the prevailing Prime Rate at the
21 time of issuance of the loan, for a period of up to twenty years.

22 IT IS FURTHER ORDERED that Dolan Springs Water Company is hereby authorized to engage
23 in any transactions and to execute any documents necessary to effectuate the authorization granted
24 hereinabove.

25 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Dolan
26 Springs Water Company's use of the proceeds for the purposes set forth in the application.
27

1 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
2 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
3 proceeds derived thereby for purposes of establishing just and reasonable rates.

4 IT IS FURTHER ORDERED that Dolan Springs Water Company is hereby directed to comply
5 with the Staff recommendations set forth in Findings of Fact No. 24.

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

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8
9 COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

10
11 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona
12 Corporation Commission, have hereunto set my hand and caused the official seal
13 of the Commission to be affixed at the Capitol, in the City of Phoenix, this
14 _____ day of _____, 1998.

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16 _____
17 JACK ROSE
18 EXECUTIVE SECRETARY

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SERVICE LIST FOR: DOLAN SPRINGS WATER COMPANY
DOCKET NOS.: W-01977A-97-0764 and W-01977A-98-0012

Margaret M. Hamm
DOLAN SPRINGS WATER CO., INC.
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