

OPEN MEETING ITEM



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COMMISSIONERS
MARC SPITZER - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

ORIGINAL



ARIZONA CORPORATION COMMISSION

22

DATE: July 16, 2004
DOCKET NO: W-01004B-03-0722
TO ALL PARTIES:

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AZ CORP COMMISSION
DOCUMENT CONTROL

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

ASH FORK DEVELOPMENT ASSOCIATION, INC. dba ASH FORK WATER SERVICE (RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JULY 26, 2004

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

AUGUST 3 AND 4, 2004

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JUL 16 2004

DOCKETED BY

BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MARC SPITZER, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF
9 ASH FORK DEVELOPMENT ASSOCIATION,
10 INC. dba ASH FORK WATER SERVICE FOR A
11 RATE INCREASE.

DOCKET NO. W-01004B-03-0722

DECISION NO. _____

12 OPINION AND ORDER

13 DATE OF HEARING:

April 23, 2004

14 PLACE OF HEARING:

Phoenix, Arizona

15 ADMINISTRATIVE LAW JUDGE:

Marc E. Stern

16 IN ATTENDANCE:

Jeff Hatch-Miller, Commissioner

17 APPEARANCES:

Lewis Hume, Manager, on behalf of Ash Fork
Development Association, Inc. dba Ash Fork
Water Service;

Earl M. Hasbrouck, Intervenor, in propria
persona; and

David Ronald, Staff Attorney, Legal Division,
on behalf of the Utilities Division of the Arizona
Corporation.

18 **BY THE COMMISSION:**

19 On September 30, 2003, Ash Fork Development Association, Inc. dba Ash Fork Water
20 Service ("Ashfork," "Company" or "Applicant") filed with the Arizona Corporation Commission
21 ("Commission") an application for a permanent rate increase in its water rates and charges.

22 On October 14, 2003, the Company filed an amendment to the September 20, 2003 rate
23 application.

24 On October 30, 2003, the Commission's Utilities Division ("Staff") filed a letter indicating
25 the Company's rate application was sufficient, and classifying the Company as a Class C utility.

26 On November 5, 2003, pursuant to A.A.C. R14-3-101, by Procedural Order, the Commission
27 scheduled a hearing on the application to commence on April 23, 2004, and established the manner in
28

1 which the hearing was to be conducted and any relevant filing dates.

2 On December 8, 2003, pursuant to the Commission's Procedural Order, the Company filed
3 certification that public notice had been provided as ordered.

4 On December 11, 2003, Mr. Earl M. Hasbrouck, a customer of the Company, filed a request
5 to intervene in the proceeding.

6 On December 22, 2003, the Company filed a response to Mr. Hasbrouck's request for
7 intervention. The Company pointed out that in recent proceedings with respect to a financing
8 application (Docket No. W-01004B-02-0768) and an application for an extension of its Certificate of
9 Convenience and Necessity ("Certificate") (Docket No. W-01004B-03-0510), Mr. Hasbrouck had
10 intervened. In response to a request by Mr. Hasbrouck in the Certificate proceeding, the Company
11 stated that it had provided its plans and specifications to him with respect to its application and Mr.
12 Hasbrouck had failed to return the documents to the Company's office as he agreed within 30 days of
13 the date they were first provided for his review. The Company also objected to his intervention in
14 this proceeding based upon the fact that in the two previous proceedings, Mr. Hasbrouck had
15 attempted to unduly broaden the proceedings. The Applicant requested that, if intervention was
16 granted in this proceeding, Mr. Hasbrouck be advised that the proceeding would be limited to matters
17 dealing with the rate application.

18 On January 2, 2004, Mr. Hasbrouck filed a reply to the Company's response.

19 On February 26, 2004, by Procedural Order, the Commission granted intervention status to
20 Mr. Hasbrouck in this proceeding effective upon the Company filing certification that the plans and
21 specifications provided to Mr. Hasbrouck earlier in the Certificate proceeding had been returned to
22 Applicant. The Commission further ordered that until such time as the Company filed certification of
23 the return of the plans and specifications, Mr. Hasbrouck would not be an intervenor in the
24 proceeding.

25 On March 3, 2004, Mr. Hasbrouck filed what was captioned "Complaint and Motion for
26 Rescission" ("Rescission Motion") and what was captioned "Complaint and Motion for Removal"
27 ("Removal Motion"). In the Rescission Motion, Mr. Hasbrouck argued that the Commission's
28 Procedural Order of February 26, 2004, constituted "retaliatory bureaucratic syndicalism" and was

1 contrary to the "general welfare of the Arizona consumer public". He requested that his intervention
2 status be approved without condition or restriction. In his Removal Motion, Mr. Hasbrouck argued
3 that the presiding Administrative Law Judge had imposed inappropriate constrictions and conditions
4 on his intervenor status and that this constituted "incontrovertible proof of the on-going rampant
5 tyranny and wrongful partiality, bias and discrimination by Commission Staff bent on
6 discriminatorily advocating for the Applicant" and requested the removal of the presiding
7 Administrative Law Judge who had issued the February 26, 2004 Procedural Order.

8 On March 5, 2004, Staff filed a Motion for an Extension ("Extension Motion") which
9 requested a two week extension of time in the above-captioned proceeding in order to prepare its
10 testimony/Staff Report with respect to the arsenic issue that is present in this proceeding. The
11 Company did not object to this request.

12 On March 11, 2004, by Procedural Order, Staff's Extension Motion was granted and Staff
13 was provided an additional two weeks in which to file its Staff Report and/or direct testimony and
14 related exhibits in the proceeding. The Company was provided with an additional week in which to
15 make any filings it would have with respect to rebuttal.

16 On March 24, 2004, Applicant filed certification that Mr. Hasbrouck had returned, on March
17 19, 2004, the specifications and documents as ordered by the Commission's Procedural Order of
18 February 26, 2004.

19 On March 29, 2004, Staff filed its Staff Report, recommending that the rates and charges
20 proposed by Staff be approved.

21 On April 12, 2004 the Company filed a letter in response indicating that the Company agreed
22 with Staff's proposed rates and charges, but pointed out certain minor inaccuracies in the Staff
23 Report.

24 On April 14, 2004, by Procedural Order, the Chief Administrative Law Judge of the
25 Commission denied Mr. Hasbrouck's Removal Motion, which in effect denied the Rescission Motion
26 with respect to the February 26, 2004 Procedural Order.

27 On April 21, 2004, Mr. Hasbrouck filed objections to the April 14, 2004, Procedural Order by
28 the Chief Administrative Law Judge and further requested that the proceeding be continued to allow

1 him additional time to conduct discovery in the proceeding. At the outset of the hearing, Mr.
2 Hasbrouck stated, "I will just stipulate that the hearing can go on without delay." Therefore, a
3 continuance was not necessary and the proceeding was not postponed.

4 On April 23, 2004, a full public hearing was held before a duly authorized Administrative
5 Law of the Commission at its offices in Phoenix, Arizona. The Company appeared through its
6 manager. Mr. Hasbrouck appeared on his own behalf.¹ Staff appeared with counsel. At the
7 conclusion of the hearing, the matter was taken under advisement pending submission of a
8 Recommended Opinion and Order to the Commission.

9 * * * * *

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

12 **FINDINGS OF FACT**

13 1. Pursuant to authority granted by the Commission in Decision No. 5018 (October 8,
14 1929), Applicant is an Arizona non-profit corporation engaged in the business of providing water in
15 the area of Ash Fork, Yavapai County, Arizona.

16 2. Applicant's present rates and charges for water were approved in Decision No. 59167
17 (July 20, 1995).

18 3. On September 30, 2003, the Company filed an application requesting authority to
19 increase its rates and charges for water service.

20 4. On October 30, 2003, Staff filed notice that the Company's application had met the
21 Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

22 5. On December 8, 2003, Applicant filed certification that it had provided notice to its
23 customers of its proposed rates and charges by publication, first class U.S. mail and by posting notice
24 at its standpipe. In response thereto, 29 customers who use the standpipe petitioned the Commission
25 opposing the size of the proposed increase.

26 6. During the test year ended December 31, 2002 ("TY"), Applicant serviced 227

27 ¹ At the outset of the proceeding, Mr. Hasbrouck called attention to the fact that he had filed a signed petition from
28 water hauling customers of the Applicant protesting what they termed "price increases proposed by the utility as being
unfair, unreasonable and discriminatory." The petition contained the signatures of 26 customers.

1 metered customers of which the majority (211) are residential users who are served by 5/8" x 3/4"
2 meters. Applicant also provides standpipe service to 254 customers, of which the majority (234) are
3 small water haulers.

4 7. Average and median usage on 5/8" x 3/4" meters during the TY were 5,848 and 3,915
5 gallons per month, respectively.

6 8. On March 29, 2004, Staff filed its Staff Report on the Company's rate request after
7 conducting an investigation of Applicant's proposed rates and charges for water service and
8 recommended that the Commission issue a Decision approving Staff's proposed rates.

9 9. On April 12, 2004, the Company filed its response to the Staff Report and stipulated
10 that Staff's proposed rates and charges are acceptable to Applicant. The Company also pointed out
11 several minor errors in Staff's schedules in its report.

12 10. At the hearing, Mr. Hume, the Company's manager, testified that Applicant agreed
13 with Staff's proposed rates and charges. He also voiced support of Staff's proposal to adopt an
14 Arsenic Cost Recovery Mechanism ("ACRM") in the form set forth in the Staff Report at Schedule 4,
15 page 2 of 2, which creates a surcharge to pay for arsenic removal equipment, if Applicant is
16 subsequently required by the Arizona Department of Environmental Quality ("ADEQ") to install, by
17 January 23, 2006, required equipment to meet the new requirements of the U.S. Environmental
18 Protection Agency ("EPA") for a reduced maximum containment level ("MCL") for arsenic of no
19 more than 10 parts per billion ("ppb").

20 11. At present, the Company's first well meets compliance at 7.9 ppb, but its second well,
21 which was expected to be brought on line by mid-May, 2004 reflects an MCL for arsenic of 18 ppb.
22 Water from the new well will likely require treatment to meet the new requirements of the EPA, and
23 ADEQ which enforces the EPA's standards.

24 12. During the proceeding, Mr. Hume indicated that the Company will provide notice to
25 its customers and property owners within its certificated service area as directed by the Commission
26 of the possible imposition of an ACRM in order to address concerns raised by the possible surcharge.

27 13. While not disagreeing with some form of rate increase, Mr. Hasbrouck testified that
28 his basic objection to the rate proceeding is because he believes rate payers are being exploited and

1 they are being denied access to accurate financial records concerning the Company's financial status.

2 14. Although Mr. Hasbrouck is a metered customer, he voiced some concern for the effect
3 of the proposed increase on water hauling customers and a concern that the Company is relying too
4 heavily on their business which may decrease if their (water hauling customers) rates become too
5 high and they seek other sources for water service.

6 15. The water rates and charges for Applicant at present, as recommended by Staff and as
7 stipulated to by the Company are as follows:²

	<u>Present Rates</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>		
5/8" x 3/4" Meter	\$11.00	\$11.00
3/4" Meter	11.00	11.00
1" Meter	16.00	16.00
1 1/2" Meter	22.00	22.00
2" Meter	30.00	30.00
3" Meter	50.00	50.00
4" Meter	60.00	90.00
6" Meter	70.00	100.00
Gallons Included in Minimum	1,000	0
<u>COMMODITY RATES:</u>		
Excess of Minimum – Per 1,000 Gallons		
0-6,000	N/A	\$3.35
1,000 – 6,000	\$3.59	N/A
6,001 – 12,000	3.59	\$3.75
Over 12,000	3.59	3.90
Standpipe		
Bulk Water Standpipe (1,000 gallons)	7.00	8.00
Coin-Operated Standpipe (25 gallons)	0.25	0.25
Filter Machine (Per gallon)	-	0.25
<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (Refundable pursuant to A.A.C. R14-2-405)		
5/8" x 3/4" Meter	\$180.00	\$216.00
3/4" Meter	225.00	270.00

2 Although Staff had initially proposed additional service charges related to backflow devices, during the hearing,
28 Staff withdrew these recommendations indicating this service is competitive and not regulated.

1	1" Meter	255.00	306.00
2	1 ½" Meter	455.00	546.00
3	2" Meter	650.00	780.00
4	3" Meter	750.00	900.00
5	4" Meter	850.00	1,020.00
6	6" Meter	950.00	1,140.00

SERVICE CHARGES:

6	Establishment	\$15.00	\$15.00
7	Establishment (After Hours)	20.00	20.00
8	Reconnection (Delinquent)	15.00	15.00
9	Meter Test (If Correct)	10.00	10.00
10	Deposit	*	*
11	Deposit Interest	*	*
12	Reestablishment (Within 12 Months)	**	**
13	NSF Check	\$15.00	\$15.00
14	Deferred Payment	N/A	N/A
15	Meter Reread (If Correct)	10.00	\$10.00
16	Late Fees (Per Month)	N/A	1.50%
17	Replacement Credit Card for Standpipe		
18	Accounts	\$5.00	\$5.00
19	Early Account Termination (Less than		
20	6 months)	1.00	1.00

* Per Commission rule A.A.C. R-14-2-403(B).

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

16. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$510,785 which is the same as its original cost rate base. The Company's FVRB reflects a \$436,642 reduction by Staff of Applicant's net plant due in large part to an adjustment to plant in service.³

17. Staff increased Applicant's operating expenses by \$17,278, approximately ten percent more than the TY expenses, due to adjustments to expenses for property taxes by \$7,737, depreciation expense by \$5,782, purchased power expense by \$2,995, salary expenses by \$2,223, and water testing expenses by \$783. However, this increase was partially offset by decreasing operating expense by \$2,242 for non-recurring expenses.

³ Staff determined this amount by decreasing rate base by \$500,000 to eliminate \$20,000 for land and \$480,000 for construction work in progress, mainly Well No. 2 which was not used and useful during the TY. However, this amount was partially off-set by Staff's increase of rate base by \$61,358 to reflect Staff's computation of accumulated depreciation using Commission approved depreciation rates.

1 18. Applicant's present water rates and charges produced operating revenues of \$242,710
2 and adjusted operating expenses of \$192,468 which resulted in a net adjusted operating income of
3 \$50,242 during the TY for a 9.84 percent rate of return on FVRB.

4 19. The water rates and charges Staff recommended and stipulated to by the Company
5 would produce adjusted operating revenues of \$267,669 and adjusted operating expenses of
6 \$192,418, resulting in net operating income of \$75,201 or a 14.72 percent rate of return on FVRB.

7 20. Staff's recommended rates would increase the average monthly metered customer
8 water bill by 7.7 percent from \$28.40 to \$30.59 and increase the median monthly metered customer
9 water bill by 12.3 percent, from \$21.46 to \$24.11.

10 21. Staff's witness concerning accounting and rates, Alex Igwe, a Certified Public
11 Accountant, testified that 61 percent of the Company's revenues are due to standpipe customers.
12 Staff's recommended rates and charges will give the Company a 28 percent operating margin, which
13 Staff believes is a reasonable cushion given the risk associated with the percentage of revenues
14 derived from non-permanent customers.

15 22. According to the Staff Report, Applicant is in compliance with its Commission
16 compliance action filings and prior Commission Orders. Additionally, Applicant is current on the
17 payment of its property taxes and sales taxes. Applicant is in substantial compliance with the rules of
18 ADEQ and is providing water which meets the requirements of the Safe Drinking Water Act.

19 23. In its report, Staff proposed that the new MCL for arsenic of 10 ppb as required by the
20 EPA and enforced by ADEQ, be addressed in this proceeding since the Company's new second well,
21 which is about to come on line, has an arsenic MCL of 18 ppb which exceeds the new standard of 10
22 ppb which becomes effective January 23, 2006. In furtherance of this goal, Staff is recommending
23 that the Company be required to submit a detailed arsenic treatment plan to the Director of the
24 Utilities Division ("Director") by December 31, 2004.

25 24. Towards this end, Mr. Igwe recommended that the Commission authorize the
26 Company to adopt the ACRM in the form set forth in the Staff Report at Schedule 4, page 2 of 2.

27 25. Based on the ADEQ Arsenic Master Plan ("AMP"), Staff calculated a preliminary
28 hypothetical estimate for Applicant's arsenic removal equipment for its second well of \$330,748,

1 which consists of \$252,800 in capital costs, \$39,936 in operating and maintenance costs, and \$37,932
2 in engineering costs using a well head treatment approach. The capital costs alone total \$290,812
3 when engineering costs are included.

4 26. Staff's analysis assumes that the capital costs will be funded through a 20-year loan
5 from the Arizona Water Infrastructure Authority ("WIFA") for \$290,812 at six percent interest. Staff
6 calculated this amount would require annual debt service of \$25,010 to repay WIFA under Staff's
7 scenario.

8 27. To fund the payment of the estimated debt service of \$25,010, Staff proposes that the
9 Company collect the sum through a surcharge tariff using Staff's proposed ACRM. Staff believes
10 using a tariff will eliminate the need for another determination of FVRB in another rate proceeding in
11 the near future. Staff believes that the Commission should approve the specific surcharge tariffs for
12 arsenic removal in a future proceeding.

13 28. Based on its analysis of the hypothetical costs, Staff calculated that using its
14 methodology, as set forth at Schedule 4, page 2 of 2 of the Staff Report, would result in each metered
15 customer being required to pay an arsenic removal surcharge of \$3.55 per month, bulk standpipe
16 customers a surcharge of \$0.83 per 1,000 gallons and coin-operated standpipe customers \$0.02 per 25
17 gallons.

18 29. Staff is recommending that the Company file a surcharge calculation, if necessary, in
19 the form of a tariff for Commission approval along with its application for long-term financing for
20 the arsenic removal equipment, using Staff's methodology at Schedule 4, page 2 of 2 to the Staff
21 Report.

22 30. Staff additionally recommended:

- 23
- 24 • that the Company notify its customers of the water rates and
25 charges approved hereinafter and the effective date of same by
means of an insert in its next monthly billing and file a copy of
the notice sent to its customers with the Compliance Section of
the Utilities Division ("Compliance Section);
 - 26 • that the Company file, within 30 days of the effective date of this
27 Decision, with the Commission, a copy of the schedule of its
approved rates and charges;
 - 28 • that the Company be ordered to file an arsenic removal treatment

1 plan with the Director of the Utilities Division, by December 31,
2004;

- 2 • that the Company be put on notice that, if it chooses to fund its
3 arsenic removal treatment plan with the proceeds of long-term
debt, it must file a financing application with the Commission;
- 4 • that, if the Company does not file a financing application, it be
5 ordered to propose in the form of a tariff an arsenic removal
surcharge tariff for its arsenic removal treatment plan filing;
- 6 • that the Commission authorize the Company to fund its arsenic
7 removal treatment plan through an arsenic removal surcharge
8 tariff. Staff further recommends that the Commission authorize
9 determination of the specific arsenic removal surcharge rates and
10 the related conditions in a future proceeding, based on the
11 Company's financing and arsenic removal surcharge calculation
12 filings, which calculation shall follow the method shown on
13 Schedule 4, page 2 of 2, of the Staff Report;
- 14 • that the Company be ordered to file a new rate case within 48
15 months from the effective date of rates established in this
16 Decision. The new rate case shall incorporate the arsenic
17 treatment equipment in rate base. In the event that the Company
18 fails to file a new rate case within 48 months, Staff shall file an
19 Order to Show Cause proceeding against the Company;
- 20 • that the Company adopt the depreciation rates shown on Exhibit 6
of the Engineering Report attached to the Staff Report, on a going
forward basis;
- 21 • that the Company file a copy of the Certificate of Approval of
22 Construction issued by ADEQ regarding Well No. 2 with the
23 Director of the Utilities Division six months from the effective
24 date of this Decision; and
- 25 • that the Company, in addition to the collection of its regular rates
26 and charges, collect from its customers their proportionate share
27 of any privilege, sales or use tax as provided for in A.A.C. R14-2-
28 409(D).

31. After reviewing the entirety of the record in this matter, we agree that Staff's proposed rates and charges and other recommendations, as described hereinabove, are reasonable and should be approved, subject to the qualifications discussed below. Our approval of Staff's recommendations includes the concept of an arsenic surcharge mechanism methodology developed by Staff in this case, as set forth in detail in the attachments to the Staff Report. However, we make no finding at this time regarding the reasonableness of any specific costs related to arsenic treatment because the Company has not yet determined the most cost-effective means of complying with the new federal arsenic

1 standards. As described in Staff's recommendations, prior to implementing the surcharge
2 mechanism, the Company must submit a request for financing and for implementation of a surcharge
3 in accordance with Staff's proposed methodology.

4 32. The above-captioned docket will remain open until December 31, 2004 in order to
5 enable the Company, if necessary, to submit within the docket a request for financing authority and
6 imposition of a surcharge, once Ashfork has determined the appropriate arsenic treatment
7 methodology and has ascertained the costs associated with implementing that arsenic compliance
8 plan. The Company's arsenic surcharge request must be made in the above-captioned docket in order
9 to consider the reasonableness of the specific costs of the Company's plan in the context of the FVRB
10 determined in this Decision. Only after Staff has completed its comprehensive review of such a
11 surcharge application, including an analysis of the surcharge calculation and a determination as to
12 whether the Company's treatment plan is the most efficient and cost-effective means of compliance,
13 will we consider Staff's recommendation to approve a specific arsenic surcharge for Ashfork. In
14 addition, affected customers must be given notice by the Company of the specific surcharge costs
15 before we will consider approval of the surcharge.

16 33. Although we are approving the concept of Staff's proposed arsenic surcharge
17 mechanism in this Decision, we wish to make clear that we are making no determination as to the
18 appropriate ratemaking treatment that should ultimately be accorded to arsenic treatment costs. If the
19 Commission determines in a later phase of this proceeding that a specific surcharge amount should be
20 assessed to Ashfork's customers, various ratemaking treatments may be considered in the context of a
21 subsequent rate case, including, but not limited to whether the Company and its customers should
22 share in the burdens associated with arsenic compliance costs, and whether revenues derived from
23 imposition of an arsenic surcharge should be treated as contributions rather than permitting full rate
24 base recognition of plant purchased with surcharge revenues.

25 CONCLUSIONS OF LAW

26 1. Applicant is a public service corporation within the meaning of Article XV of the
27 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

28

1	Standpipe	
	Bulk Water Standpipe (1,000 gallons)	\$8.00
2	Coin-Operated Standpipe (25 gallons)	0.25
	Filter Machine (Per gallon)	0.25

3

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

5	5/8" x 3/4" Meter	\$216.00
	3/4" Meter	270.00
6	1" Meter	306.00
	1 1/2" Meter	546.00
7	2" Meter	780.00
	3" Meter	900.00
8	4" Meter	1,020.00
9	6" Meter	1,140.00

10 SERVICE CHARGE:

11	Establishment	\$15.00
	Establishment (After Hours)	20.00
12	Reconnection (Delinquent)	15.00
	Meter Test (If Correct)	10.00
13	Deposit	*
	Deposit Interest	*
14	Reestablishment (Within 12 Months)	**
15	NSF Check	\$15.00
	Meter Reread (If Correct)	10.00
16	Late Fees (Per Month)	1.50%
	Replacement Credit Card for Standpipe Accounts	\$5.00
17	Early Account Termination (Less than 6 months)	1.00

18

19 * Per Commission rule A.A.C. R-14-2-403(B).

20 ** Number of months off system times the monthly minimum per Commission rule
 21 A.A.C. R14-2-403(D).

22 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
 23 Water Service is hereby directed to comply with Staff's recommendations as set forth in Finding of
 24 Fact No. 30, and more fully described in Finding of Fact Nos. 31, 32, and 33.

25 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
 26 Water Service notify its customers of the water rates and charges approved hereinabove, and their
 27 effective date, by means of an insert in its next monthly billing, and posted at its standpipe, in a form
 28 approved by the Utilities Division Staff.

1 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
2 Water Service file, within 30 days of the effective date of this Decision, a copy of the schedule of its
3 approved rates and charges.

4 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
5 Water Service shall, if it chooses to fund its arsenic removal treatment plan with the proceeds of
6 long-term debt, file a financing application with the Commission.

7 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
8 Water Service shall file an arsenic removal treatment plan in this docket the earlier of December 31,
9 2004 or within 30 days after receiving preliminary approval from WIFA for financing of an arsenic
10 treatment plan.

11 IT IS FURTHER ORDERED that the record in this consolidated docket shall remain open
12 until no later than December 31, 2004 for the purpose of receiving a request for financing and for
13 establishment of an arsenic surcharge, once the costs of the Company's arsenic treatment plan are
14 known.

15 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
16 Water Service shall file in this docket, within 30 days after receiving preliminary approval from
17 WIFA of a loan for financing arsenic treatment facilities, a request for financing and for approval of
18 an arsenic surcharge mechanism.

19 IT IS FURTHER ORDERED that the determination of any specific arsenic removal surcharge
20 shall require subsequent Commission approval in this docket following a comprehensive review by
21 Staff regarding compliance by Ash Fork Development Association, Inc. dba Ash Fork Water Service
22 with Staff's surcharge calculation methodology and a determination and recommendation by Staff
23 with respect to whether the Company's proposed treatment plan is the most efficient and cost-
24 effective means of compliance with the new federal arsenic standards.

25 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
26 Water Service shall file, within 48 months of the effective date of this Decision, a new rate case
27 application which shall address necessary and appropriate ratemaking treatment for arsenic treatment
28 facilities.

1 IT IS FURTHER ORDERED that in the event Ash Fork Development Association, Inc. dba
2 Ash Fork Water Service fails to file a new rate case application within 60 months of the date of this
3 Decision, any arsenic treatment surcharge then in place shall be discontinued.

4 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
5 Water Service shall adopt the depreciation rates shown on Exhibit 6 of the Engineering Report
6 attached to the Staff Report.

7 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
8 Water Service shall file, within six months from the effective date of this Decision, a copy of the
9 Certificate of Approval of Construction issued by ADEQ regarding Well No. 2 with the Director of
10 the Utilities Division.

11 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. dba Ash Fork
12 Water Service, in addition to the collection of its regular rates and charges, collect from its customers
13 their proportionate share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

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

15 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

16
17
18 CHAIRMAN

COMMISSIONER

COMMISSIONER

19
20 COMMISSIONER

COMMISSIONER

21 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
22 Secretary of the Arizona Corporation Commission, have
23 hereunto set my hand and caused the official seal of the
24 Commission to be affixed at the Capitol, in the City of Phoenix,
25 this ____ day of _____, 2004.

26 _____
BRIAN C. McNEIL
EXECUTIVE SECRETARY

27 DISSENT _____

28 DISSENT _____

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SERVICE LIST FOR:

ASH FORK DEVELOPMENT ASSOCIATION, INC.
DBA ASH FORK WATER SERVICE

DOCKET NO.:

W-01004B-03-0722

Lewis Hume, Manager
Ash Fork Development Association, Inc.
518 Lewis Avenue
P.O. Box 436
Ash Fork, AZ 86320-0436

Earl M. Hasbrouck
P.O. Box 1034
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Ernest Johnson, Director
Utilities Division
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