

WILLIAM A. MUNDELL

OPEN MEETING ITEM



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BRIAN C. McNEIL  
EXECUTIVE SECRETARY

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ARIZONA CORPORATION COMMISSION 2001 JAN 30 P 3:21

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

JAN 30 2001

DATE: January 30, 2001

DOCKET NO.: W-02255A-00-0640

TO ALL PARTIES:

DOCKETED BY

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

YARNELL WATER IMPROVEMENT ASSOCIATION, INC.  
(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 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:

FEBRUARY 8, 2001

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:

FEBRUARY 13, 2001 AND FEBRUARY 14, 2001

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

BRIAN C. McNEIL  
EXECUTIVE SECRETARY

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

DOCKET NO. W-02255A-00-0640

DECISION NO. \_\_\_\_\_

IN THE MATTER OF THE APPLICATION OF  
YARNELL WATER IMPROVEMENT  
ASSOCIATION, INC. FOR A PERMANENT RATE  
INCREASE.

**ORDER**

Open Meeting  
February 13 and 14, 2001  
Phoenix, Arizona

**BY THE COMMISSION:**

On August 30, 2000, Yarnell Water Improvement Association, Inc. ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On September 27, 2000, the Commission's Utilities Division ("Staff") filed a notice that the rate application had met the sufficiency requirement of A.A.C. R14-2-103.

Applicant provided notice to its customers of the application for a permanent rate increase on August 31, 2000. In response thereto, the Commission has received nine protests opposing the increase.

On December 11, 2000, Staff filed its Staff Report, recommending that the rates proposed by Staff be approved without a hearing.

\* \* \* \* \*

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

**FINDINGS OF FACT**

1. Applicant is an tax exempt corporation engaged in the business of providing water service to the public in an area approximately 30 miles southwest of Prescott in Yarnell, Yavapai County, Arizona pursuant to authority granted by the Commission in Decision No. 44085 (April 22,

1 1974).

2 2. The Company's present rates and charges for water service were approved in Decision  
3 No. 56656 (October 6, 1989).

4 3. On August 30, 2000, the Company filed with the Commission an application  
5 requesting authority to increase its rates and charges.

6 4. On September 27, 2000, Staff filed notice that the rate application met the sufficiency  
7 requirements of A.A.C. R14-2-103.

8 5. During the test year ended December 31, 1999 ("TY"), Applicant served 510  
9 customers who are primarily provided service by means of ¾ inch meters.

10 6. Average and median water usage for the Company during the TY were 3,399 and  
11 1,982 gallons per month, respectively.

12 7. On August 31, 2000, Applicant notified its customers of the proposed rate increase,  
13 and in response thereto, the Commission has received nine protests.

14 8. Staff conducted an investigation of Applicant's proposed rates and charges, and in the  
15 Staff Report filed December 11, 2000, recommended that its proposed rates be approved without a  
16 hearing.

17 9. The rates and charges for Applicant at present, as proposed in the application, and as  
18 recommended by Staff are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>MONTHLY USAGE CHARGE:</u>			
21 5/8" x ¾" Meter	\$20.00	\$24.00	\$24.00
22 ¾" Meter	20.00	24.00	24.00
23 1" Meter	35.00	40.00	40.00
24 1 ½" Meter	46.00	52.00	80.00
25 2" Meter	60.00	65.00	128.00
3" Meter	75.00	80.00	240.00
4" Meter	N/A	0.00	400.00
5" Meter	N/A	0.00	800.00
26 Gallons Included in Monthly Charge	1,000	1,000	0
27 Per 1,000 Gallons up to 5,000	\$2.00	\$4.00	\$3.00
Per 1,000 Gallons from 5,001 to 10,000	3.75	4.75	4.00
28 Per 1,000 Gallons from 10,001 to 50,000	5.50	6.25	5.50

1 Per 1,000 Gallons in excess of 50,000 gallons 5.50 7.00 6.50

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

3	5/8" x 3/4" Meter	\$300.00	\$700.00	\$455.00
	3/4" Meter	300.00	700.00	515.00
4	1" Meter	370.00	770.00	590.00
5	1 1/2" Meter	525.00	825.00	820.00
	2" Meter	525.00	825.00	1,380.00
6	3" Meter	850.00	950.00	1,935.00
	4" Meter	N/A	1,050.00	3,030.00
7	6" Meter	N/A	1,150.00	5,535.00

8 SERVICE CHARGE:

9	Establishment	\$30.00	\$50.00	\$40.00
	Establishment (After Hours)	30.00	80.00	60.00
10	Reconnection (Delinquent)	30.00	50.00	40.00
	Meter Test (If Correct)	30.00	30.00	30.00
11	Deposit	40.00	80.00	*
	Deposit Interest	*	*	*
12	Reestablishment (Within 12 Months)	**	**	**
13	NSF Check	12.00	25.00	25.00
	Deferred Payment	0.00%	0.00%	0.00%
14	Meter Reread (If Correct)	10.00	10.00	10.00

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 \* Per Commission Rule A.A.C. R-14-2-403(B).  
 20 \*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).  
 21 \*\*\* 1% of Monthly Minimum for a Comparable Size Meter Connection, but no less than  
 22 \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service  
 lines separate and distinct for the primary water service line.

23 10. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined  
 24 to be \$71,602, which is the same as its original cost rate base.

25 11. Applicant's present rates and charges produced operating revenues of \$189,539 and  
 26 adjusted operating expenses of \$199,820 which resulted in an operating loss of \$10,281 for the TY.

27 12. The rates and charges Applicant proposed would produce operating revenues of  
 28 \$234,539 and adjusted operating expenses of \$199,820, resulting in net operating income of \$34,719

1 for a 48.49 percent rate of return on FVRB.

2 13. The rates and charges Staff recommended would produce operating revenues of  
3 \$234,539 and adjusted operating expenses of \$171,767,<sup>1</sup> resulting in net operating income of \$62,772  
4 for a 87.67 percent rate of return on FVRB.

5 14. Staff's recommendation utilizes the Company's request for a \$45,000 revenue increase  
6 over Applicant's TY revenues as requested in its application.

7 15. Applicant's proposed rates would increase the average monthly customer bill by 35.5  
8 percent from \$24.80 to \$33.59, and the median monthly customer bill by 27.2 percent from \$21.96 to  
9 \$27.93.

10 16. Staff's recommended rates would increase the average monthly customer bill by 37.9  
11 percent, from \$24.80 to \$34.20, and the median monthly customer bill by 36.3 percent, from \$21.96  
12 to \$29.95.

13 17. Staff believes that its recommended rates should amply provide Applicant with the  
14 necessary operating income to insure viable operations in the future.

15 18. Staff has verified that Applicant is current on its property tax payments to Yavapai  
16 County and that the Company is also current with its payment of sales taxes to the Arizona  
17 Department of Revenue.

18 19. Staff has verified that Applicant is current on its filings with the Commission, that the  
19 Arizona Department of Environmental Quality ("ADEQ") has determined that Applicant is delivering  
20 water with no maximum contaminant level violations and that its water meets the water quality  
21 standards of the Safe Drinking Water Act.

22 20. According to Staff, Applicant is not maintaining its books and record in accordance  
23 with the NARUC Uniform System Accounts and should do so in the future.

24 21. Staff's proposed rates and charges are reasonable and should be adopted as should the  
25 following additional Staff recommendations:

26

27 <sup>1</sup> After removing totally depreciated plant items, Staff reduced Applicant's operating expenses by  
28 approximately \$28,000 to make an allowance for a substantial decrease in Applicant's depreciation expense brought  
about by Staff's adoption of a composite depreciation rate of 3.13 percent which resulted in \$18,847 in depreciation  
expense.

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- that the Company maintain its books and records in accordance with the NARUC Uniform System of Accounts;
- that Applicant include in its tariff a provision to allow for the flow-through of appropriate state and local sales taxes as provided for A.A.C. R14-2-409(D); and
- that Applicant adopt the depreciation rates delineated in the Engineering Report attached to the Staff Report.

**CONCLUSIONS OF LAW**

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.
2. The Commission has jurisdiction over Applicant and of the subject matter of the application.
3. Notice of the application was provided in the manner prescribed by law.
4. The rates and charges authorized hereinafter are just and reasonable and should be approved without a hearing.
5. Staff's recommendations as set forth in Findings of Fact No. 21 are reasonable and should be adopted.

**ORDER**

IT IS THEREFORE ORDERED that Yarnell Water Improvement Association, Inc. is hereby directed to file on or before February 28, 2001, revised rate schedules setting forth the following rates and charges:

<b><u>MONTHLY USAGE CHARGE:</u></b>	
5/8" x 3/4" Meter	\$24.00
3/4" Meter	24.00
1" Meter	40.00
1 1/2" Meter	80.00
2" Meter	128.00
3" Meter	240.00
4" Meter	400.00
6" Meter	800.00
Gallonage Charge Per 1,000 Gallons:	
up to 5,000 gallons	\$3.00
5,001 to 10,000 gallons	4.00
10,001 to 50,000 gallons	5.50

1 in excess of 50,000 gallons 6.50

2 SERVICE LINE AND METER INSTALLTION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

3	5/8" x 3/4" Meter	\$455.00
	3/4" Meter	515.00
4	1" Meter	590.00
	1 1/2" Meter	820.00
5	2" Meter	1,380.00
	3" Meter	1,935.00
6	4" Meter	3,030.00
	6" Meter	5,535.00

8 SERVICE CHARGE:

9	Establishment	\$40.00
	Establishment (After Hours)	60.00
10	Reconnection (Delinquent)	40.00
	Meter Test (If Correct)	30.00
11	Deposit	*
	Deposit Interest	*
12	Reestablishment (Within 12 Months)	**
	NSF Check	25.00
13	Deferred Payment	0.00%
14	Meter Reread (If Correct)	10.00
15	4" or Smaller	***
	6"	***
16	8"	***
	10"	***
17	Lager than 10"	***

- 18 \* Per Commission Rule A.A.C. R-14-2-403(B).
- 19 \*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
- 20 \*\*\* 1% of Monthly Minimum for a Comparable Size 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 for the primary water service line.

22 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
23 provided on and after March 1, 2001.

24 IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. shall notify  
25 its customers of the rates and charges authorized hereinabove and the effective date of same by  
26 means of an insert in its next regular monthly billing statement.

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1 SERVICE LIST FOR: YARNELL WATER IMPROVEMENT  
2 ASSOCIATION, INC.

3 DOCKET NO. W-02255A-00-0640

4 Pamela A. Mills  
5 General Manager  
6 YARNELL WATER IMPROVEMENT  
7 ASSOCIATION, INC.  
8 P. O. Box 727  
9 Yarnell, Arizona 85362

10 Christopher Kempley, Chief Counsel  
11 Legal Division  
12 ARIZONA CORPORATION COMMISSION  
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15 Deborah Scott, Director  
16 Utilities Division  
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