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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JAN - 4 2005

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

DOCKETED BY  
*MR*

IN THE MATTER OF THE APPLICATION OF  
LAS QUINTAS SERENAS WATER CO. FOR A  
RATE INCREASE.

DOCKET NO. W-01583A-04-0178

DECISION NO. 67455

OPINION AND ORDER

DATE OF HEARING:

October 13, 2004

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

APPEARANCES:

Mr. Lawrence V. Robertson, Jr., Munger  
Chadwick, PLC, on behalf of Las Quintas  
Serenas Water Co.; and

Mr. Jason D. Gelman, Staff Attorney, Legal  
Division, on behalf of the Utilities Division of  
the Arizona Corporation Commission.

**BY THE COMMISSION:**

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

\* \* \* \* \*

FINDINGS OF FACT

1. Las Quintas Serenas Water Co. ("LQS" or "Company") provides water utility service  
to approximately 905 customers in a portion of southern Pima County, Arizona.

2. On March 9, 2004, LQS filed an application with the Commission for a permanent  
rate increase.

3. On April 8, 2004, the Commission's Utilities Division Staff ("Staff") filed a letter  
indicating the Company's rate application was sufficient, and classifying the Company as a Class C  
utility.

1           4.       A Procedural Order dated April 16, 2004, set the matter for hearing and established  
2 procedural guidelines and deadlines.

3           5.       On May 26, 2004, as required by the April 16, 2004 Procedural Order, LQS mailed  
4 notice of the hearing to its customers by first class mail.

5           6.       On August 20, 2004, Staff filed the Direct Testimony of Elena Zestrijan, Alejandro  
6 Ramirez and Dorothy Hains.

7           7.       On September 20, 2004, LQS filed the Rebuttal Testimony of Stave Gay, the  
8 Company's Operator/Manager, Dale Calvert, the Company's accountant, and Kathleen Conger, the  
9 Company's Office Manager.

10          8.       On October 1, 2004, Staff filed the Surrebuttal Testimony of Elena Zestrijan,  
11 Alejandro Ramirez and Dorothy Hains.

12          9.       On October 13, 2004, the hearing convened as scheduled in Tucson, Arizona.

13          10.      LQS's current rates and charges were authorized in Decision No. 54760 (November  
14 13, 1985).

15          11.      In its current application, LQS utilized a test year ending September 30, 2003.

16          12.      In its Application, the Company had requested an increase in total revenues of  
17 \$88,993, or 30.97 percent, over adjusted test year revenues of \$287,332. In its application, the  
18 Company reported an adjusted Original Cost Rate Base ("OCRB") of \$198,058.

19          13.      Staff recommends an 8.1 percent cost of capital and a fair value rate base of \$161,341.

20          14.      Staff determined that the Company had adjusted test year revenues of \$287,332, and  
21 adjusted Operating Expenses of \$276,952, resulting in Operating Income of \$10,380, a 6.4 percent  
22 rate of return an adjusted OCRB. Staff recommends a revenue increase of \$3,400, or 1.18 percent,  
23 from \$287,332 to \$290,732.

24          15.      In its rebuttal testimony, the Company agreed with most of Staff's adjustments,  
25 including Staff's adjusted OCRB and recommended return on equity of 8.1 percent. However, the  
26 Company disputed four of Staff's adjustments to various Operating Expense accounts aggregating  
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1 \$8,287.<sup>1</sup> The Company argued that adjusted test year Operating Expenses were \$285,238, which  
2 resulted in Operating Income of \$2,094. Ultimately, the Company requested a revenue increase of  
3 \$13,878, or 4.83 percent, from \$287,332 to \$301,210, an 8.1 percent rate of return on an adjusted  
4 OCRB of \$161,341.

5 16. Staff recommends a Repairs and Maintenance Expense totaling \$7,920. Staff's  
6 recommended amount did not include \$174 associated with the purchase of chlorine used for water  
7 treatment. The Company had misclassified this amount but provided evidence at the hearing in the  
8 form of testimony and receipts that support the legitimacy of this expenditure. Staff did not dispute  
9 the Company's evidence and believed that this additional sum should be allowed as part of the Repair  
10 and Maintenance Expense.

11 17. We concur with the Company that the \$174 should properly be allowed in Repairs and  
12 Maintenance Expense.

13 18. Staff recommends a Rate Case Expense of \$4,000, which recognizes rate case  
14 expenses of \$12,000 amortized over three years. (Zestrijan Surrebuttal at 6) The Company proposes  
15 a rate case expense of \$9,934. (Ex A-4) The difference between Staff's recommendation and the  
16 Company's proposal is \$5,934. The Company provided documentation that indicated rate case  
17 expenses of \$23,006 had been billed as of the hearing date, and estimated additional expenses totaling  
18 approximately \$9,500, for a total estimated Rate Case Expense of approximately \$32,500. (Ex A-5)  
19 The Company recognized that some of the rate case costs were incurred because of the extended  
20 period since the last rate case. Id. Accordingly, the Company broke out the time spent documenting  
21 additions to the rate base and suggested that only half of that time should be included in the  
22 calculation of the rate case expense. The Company proposes to amortize its adjusted rate case  
23 expense of \$29,801 over three years, for an annual Rate Case Expense of \$9,934. (Ex A-5)

24 19. The Company's proposed rate case expenses are excessive when compared to  
25 similarly sized companies, and appears to have been caused in part by an exceptionally long time  
26 since its last rate case and the Company's efforts to justify expenses that Staff had initially disallowed  
27

28 <sup>1</sup> The four accounts were Repairs and Maintenance, Rate Case Expense, Transportation Expense, and telephone charges that are part of Miscellaneous Expenses.

1 for lack of documentation. Under these circumstances, we believe that a reasonable rate case expense  
2 of \$18,000, amortized over three years is reasonable. Amortizing the \$18,000 over three years, a  
3 reasonable time period for the Company to file another rate case, results in an annual expense of  
4 \$6,000.

5 20. Staff recommends a Transportation Expense of \$3,073. The Company argues the  
6 adjusted Transportation Expense should be \$4,610. Staff had removed \$2,789 associated with  
7 reimbursements for the Company's Operator's use of his own vehicle. Staff removed the expense  
8 because it had been paid to the Operator's wife, who was not an employee of the Company. (Zestrijan  
9 Surrebittal at 6)<sup>2</sup> The Company does not dispute that the reimbursements should be disallowed. The  
10 Company argues, however, that because it purchased a used truck during the test year, the expenses  
11 associated with that truck should be annualized to more accurately reflect the actual expenses  
12 associated with that vehicle. With the purchase of the truck, the Company no longer needs to  
13 reimburse Mr. Gay for the use of his own vehicle on Company business. LQS provided receipts for  
14 fuel, insurance and registration which when annualized, indicate an additional cost of \$1,537 over the  
15 amount Staff recommends for Transportation Expenses. Staff does not object to allowing the  
16 expenses associated with the "new" truck, only to allowing purported reimbursements made to a  
17 nonemployee. (TR at 144)

18 21. The Company's proposed adjustment to annualize the expenses associated with the  
19 truck purchased in June of the test year is reasonable. Staff included the truck in rate base. The  
20 Company offered receipts for the costs of the title annual registration, insurance and mileage. (S-5)  
21 Staff does not dispute that the expenses are appropriate, only that Staff did not have adequate time  
22 prior to the hearing to thoroughly evaluate the expenses. (TR at 135)

23 22. The evidence indicates that the Company's proposed annualization adjustment to  
24 Transportation Expense is appropriate and reasonable. We therefore, find that the Company's  
25 proposal should be adopted and that the appropriate Transportation Expense should be \$4,610.  
26

27 <sup>2</sup> In the past, the Company's previous accountant had mistakenly included Mr. Gay's transportation reimbursements with  
28 his compensation and reported it on his W-2. The Company tried to avoid confusion by writing the reimbursement  
checks to Mrs. Gay to distinguish them from wages.

1           23. Staff recommends Total Miscellaneous Expenses of \$6,602. As part of its  
2 adjustments, Staff disallowed \$632 associated with undocumented long distance telephone charges  
3 included in Miscellaneous Expenses. Staff did not believe that the Company should be incurring out  
4 of state long distance charges and was concerned that without documentation that supports the claim  
5 that the calls were related to the Company's utility business, they should be disallowed. (Zestrijan  
6 Surrebuttal at 7) LQS argued that the long distance calls were made for legitimate business purposes  
7 such as contacting customers who were outside the state and contacting software technicians to  
8 trouble shoot a problem encountered with the program that monitors operation of the water system  
9 status. (S-5)

10           24. The Company provided documentation that shows \$149 of the long distance toll  
11 charges were associated with contacting customers and/or troubleshooting a software problem. Such  
12 charges are legitimate utility expenses. The Company did not meet its burden with respect to the  
13 remainder of the toll charges, and did not provide sufficient information concerning the  
14 appropriateness of access charges and taxes to allow the recovery of these costs. Our determination  
15 concerning telephone charges is based on the evidence presented in this case, and does not imply that  
16 in the future the Company cannot demonstrate that a different expense level for long distance phone  
17 charges is appropriate. Consequently, we approve a total Miscellaneous Expense of \$6,751 (Staff's  
18 recommended amount of \$6,603 plus \$149).

19           25. Based on the foregoing, we find that LQS had adjusted Operating Expenses in the test  
20 year totaling \$280,811.

21           26. In the test year, based on Total Revenues of \$287,332 and adjusted Operating  
22 Expenses of \$280,822, LQS experienced Operating Income of \$6,521, a 4.04 percent rate of return on  
23 an adjusted OCRB of \$161,341.

24           27. LQS has an actual capital structure comprised of 100 percent equity.

25           28. As recommended by Staff, and agreed to by the Company, a cost of equity of 8.1  
26 percent is reasonable.

27           29. LQS waived reconstruction cost new rate base, thus, its fair value rate base is the same  
28

1 as its OCRB, which is \$161,341.

2 30. Based on the foregoing, LQS's operating income requirement is \$13,069. With test  
3 year Operating Income of \$6,521, LQS had an operating income deficiency of \$6,548. Utilizing  
4 Staff's recommended gross revenue conversion factor of 1.26459, LQS has a gross revenue  
5 deficiency of \$8,281. Accordingly, LQS's revenue requirement is \$295,613, a 2.9 percent increase  
6 over test year revenues.

7 31. The rates and charges for LQS at present, as proposed by the Company, and as  
8 recommended by the Staff are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$10.00	\$12.50	\$9.35
3/4" Meter	N/A	--	--
1" Meter	10.00	12.50	22.50
1 1/2" Meter	10.00	25.00	53.00
2" Meter	10.00	50.00	66.00
2 1/2" Meter	N/A	100.00	90.00
3" Meter	N/A	150.00	125.00
4" Meter	250.00	250.00	225.00
5" Meter	N/A	300.00	275.00
6" Meter	N/A	400.00	350.00
Standpipe	10.00	12.50	9.60
Gallons included in minimum charge			
5/8" x 3/4" Meter	2,000	0	0
1" Meter	2,000	0	0
1 1/2" Meter	N/A	0	0
2" Meter	2,000	0	0
3" Meter	N/A	0	0
4" Meter	50,000	0	0
6" Meter	N/A	0	0
Standpipe	2,000		

1	<u>COMMODITY CHARGE (per 1,000</u>			
2	<u>gallons)</u>			
3	<b>5/8" x 3/4" meter</b>			
	0 to 20,000 gallons	\$1.36	\$1.36	N/A
4	0 to 4,000 gallons	1.36	1.36	\$0.95
	Over 20,000 gallons	1.36	2.05	N/A
5	4,000 to 23,000	1.36	2.05	1.15
6	Over 23,000 gallons	1.36	2.05	1.35
7	<b>1" Meter</b>			
	0 to 20,000 gallons	1.36	1.36	N/A
8	0 to 40,000 gallons	1.36	N/A	1.15
	Over 20,000 gallons	1.36	2.05	N/A
9	Over 40,000 gallons	1.36	2.05	1.35
10	<b>1 1/2" Meter</b>			
11	0 to 20,000 gallons	1.36	1.36	N/A
	0 to 100,000	1.36	N/A	1.15
12	Over 20,000 gallons	1.36	2.05	N/A
13	Over 100,000 gallons	1.36	N/A	1.35
14	<b>2" Meter</b>			
	0 to 20,000 gallons	1.36	1.36	N/A
15	0 to 150,000	1.36	N/A	1.15
	Over 20,000 gallons	1.36	2.05	N/A
16	Over 150,000 gallons	1.36	N/A	1.35
17	<b>4" Meter</b>			
18	0 to 20,000 gallons	1.36	1.36	N/A
	0 to 400,000	1.36	N/A	1.15
19	Over 20,000 gallons	1.36	2.05	N/A
20	Over 400,000 gallons	1.36	N/A	1.35
21	<b>Standpipe</b>			
	0 to 20,000 gallons	1.36	1.36	N/A
22	0 to 4,000 gallons	1.36	1.36	0.95
	Over 20,000 gallons	1.36	2.05	N/A
23	4,000 to 23,000	1.36	2.05	1.15
24	Over 23,000 gallons	1.36	2.05	1.35
25	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u>			
	(Refundable pursuant to A.A.C. R14-2-405)			
26	5/8" x 3/4" Meter	\$150.00	\$150.00	\$150.00
27	1" Meter	225.00	225.00	225.00
	1 1/2" Meter	350.00	475.00	475.00
28	2" Meter	500.00	625.00	625.00

1	3" Meter	N/A	850.00	850.00
	4" Meter	2,200.00	1,800.00	1,800.00
2	6" Meter	N/A	3,000.00	3,000.00
3	Standpipe charges			
4	Original Key Deposit	\$25.00	\$40.00	\$30.00
	Additional Set	5.00	10.00	5.00
5				
6	<u>SERVICE CHARGE:</u>			
7	Establishment	\$10.00	\$20.00	\$15.00
	Establishment (After Hours)	15.00	30.00	20.00
8	Reconnection	10.00	20.00	10.00
9	Reconnection (After hours/customer request)	--	30.00	15.00
	Meter Test (If Correct)	15.00	25.00	20.00
10	Guarantee Deposit	(b)	(b)	(b)
11	Late Payment Fee	N/A	(c)	(c)
	Reestablishment (Within 12 Months)	7.28	(a)	(a)
12	NSF Check	10.00	15.00	10.00
	Meter Reread (If Correct)	10.00	15.00	15.00
13	Off Site Facilities hook-up fee	250.00	500.00	250.00

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15 (a) Number of months off system times minimum monthly charge

16 (b) Per Commission rule A.A.C. R14-2-403(D).

17 (c) 1.5% per Commission rule A.A.C. R14-2-409G(6).

18

32. The Company currently has single commodity rate and a \$10 monthly minimum charge for all meter sizes except for the 4 inch meter which has a monthly charge of \$250. The smaller meter sizes include 2,000 gallons in the monthly charge and the 4 inch meter monthly minimum includes 50,000 gallons. Staff recommends a monthly minimum charge that increases with meter size, eliminates any water included in the monthly charge and incorporates a tiered commodity charge. Staff's recommended rates decrease the monthly charge for the 5/8 inch meters. LQS proposes increasing the monthly usage charge for all meter sizes, eliminating any gallonage included in the monthly minimum and adds a two tiered commodity charge.

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33. LQS believes that Staff's proposed rate design will result in the loss of revenue because customers on larger meters will switch to smaller meters. LQS has over 30 residential and commercial accounts which receive service from meters larger than the 5/8 inch. LQS states that

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1 under Staff's proposed design, the larger meters will bear the brunt of the increase because their rates  
 2 would be raised while the 5/8 inch meter rate would be lowered. LQS believes it is likely that the 30  
 3 residential customers on larger meters would switch to the smaller size meter with the result the  
 4 Company would lose revenue from these customers with no opportunity to make it up for other  
 5 customers. Based on an assumption that half of the 30 residential customers opted to switch meter  
 6 sizes, LQS estimates the Company would lose \$3,555 in revenue annually. The Company  
 7 understands Staff's goal that customers who place extra demand on the system by using larger meters  
 8 should pay for the cost of that demand. At the hearing, as a compromise, the Company proposed that  
 9 the monthly charge for the 5/8 inch meter should remain unchanged and that the charges for the one  
 10 inch, 1½ inch and 2 inch meters should be lowered by 50 percent from Staff's recommended  
 11 amounts. (TR at 86) The Company believes that its modified design would provide the Company  
 12 with a reasonable measure of assurance that it would have the opportunity to recover the revenues  
 13 that the Commission would approve in this proceeding. (TR at 87)

14 34. Staff recommends that the Company's proposed service line and meter installation  
 15 charges be accepted and that the hook-up fee approved in Decision No. 58839 be continued. Staff  
 16 recommended service charges that are generally lower than those proposed by the Company.

17 35. LQS objected to Staff's proposed service charges. LQS's office manager testified that  
 18 its proposed service charges were based on its estimates of the time required to perform the service.  
 19 Staff did not perform a time study, nor had it requested one from the Company. Rather, Staff based  
 20 its recommended service charges on what the Commission has approved for other companies. (TR at  
 21 147)

22 36. According to the Company's application, the number of customers on different meter  
 23 sizes is as follows:

24	700	5/8 inch meter
25	36	1 inch
26	6	1 ½ inch
27	4	2 inch
28	1	4 inch
	150	Standpipe

1           37. Staff's proposed rate design which includes graduated increasing charges based on  
2 meter size, and a tiered commodity charge is rationally based to encourage conservation and to  
3 allocate fairly costs among the meter sizes. Customers on larger meters place greater demands on the  
4 system and should be responsible for the extra costs. Thus, we generally approve Staff's  
5 recommended rate design, but modify the monthly charges to address the Company's concerns about  
6 its ability to reach the approved return. We adjust the 5/8 inch meter and the standpipe monthly  
7 minimum to account for the higher revenue requirement we approve herein. Furthermore, we find  
8 that the Company has met its burden to demonstrate that its proposed service charges are aligned with  
9 actual costs and should be adopted.

10           38. Under the rates approved herein the average monthly bill of the 5/8 inch meter  
11 customer would decrease \$0.63, or 2.6 percent, from \$23.83 to \$23.20 and the median monthly bill  
12 would increase \$0.07, or 0.4 percent, from \$19.29 to \$19.36.

13           39. LQS is current with its Utilities and Corporations Reports.

14           40. LQS is current on its sales and property tax payments.

15           41. The Arizona Department of Environmental Quality ("ADEQ") has determined that the  
16 Company is currently delivering water that meets water quality standards required by A.A.C., Title  
17 18, Chapter 4.

18           42. The U. S. Environmental Protection agency ("EPA") reduced the arsenic maximum  
19 contaminant level ("MCL") in drinking water from 50 micrograms per liter ( $\mu\text{g}/\text{l}$ ) to 10  $\mu\text{g}/\text{l}$ . The  
20 date for compliance with the new MCL is January 23, 2006. The most recent lab analysis indicates  
21 that the arsenic level for LQS's wells are above the new arsenic MCL. Recent tests indicate that Well  
22 No. 5 has an arsenic MCL of 11  $\mu\text{g}/\text{l}$ , Well No. 6 has an MCL of 15  $\mu\text{g}/\text{l}$ , and Well No. 7 has an  
23 MCL of 13  $\mu\text{g}/\text{l}$ .

24           43. Staff has calculated a preliminary estimate of arsenic removal costs for LQS's system  
25 using ADEQ Arsenic Master Plan ("AMP"). Staff's estimate includes \$186,992 in capital costs,  
26 \$124,122 for annual operations and maintenance costs and \$28,049 in engineering costs. However,  
27  
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1 we make no finding in this Decision as to the reasonableness of Staff's estimates or any costs that  
2 may be incurred by LQS to meet the new arsenic MCLs.

3 44. The Company is located in the Tucson Active Management Area ("AMA") and is in  
4 compliance with the AMA reporting and conservation requirements.

5 45. Staff further recommends that:

- 6 a. The Company use depreciation rates approved by the National Association of  
7 Regulatory Commissioners ("NARUC") category, as delineated in Exhibit 6 to  
8 the Engineering Report issued in this matter;
- 9 b. The Company submit its detailed arsenic removal plan to ADEQ or the  
10 PCDEQ by December 31, 2004, for review and approval. A copy of this plan  
11 shall also be submitted to the Director of the Utilities Division by December  
12 31, 2004;
- 13 c. The proposed curtailment tariff filed by the Company be approved, and that the  
14 Company docket the approved curtailment tariff within thirty days of the  
15 effective date of this Decision.

16 **CONCLUSIONS OF LAW**

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

19 2. The Commission has jurisdiction over LQS and of the subject matter of the  
20 application.

21 3. Notice of the application was provided in the manner prescribed by law.

22 4. The rates and charges authorized herein are just and reasonable.

23 5. Staff's recommendations, as set forth in Findings of Fact No. 46, are reasonable and  
24 should be adopted.

25 ...  
26 ...  
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ORDER

IT IS THEREFORE ORDERED that Las Quintas Serenas Water Company is hereby directed to file on or before January 15, 2005 revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$10.00
3/4" Meter	22.50
1" Meter	25.00
1 1/2" Meter	55.00
2" Meter	70.00
3" Meter	125.00
4" Meter	225.00
6" Meter	350.00
Standpipe	10.10

COMMODITY CHARGE (per 1,000 gallons)

<u>5/8" x 3/4" meter</u>	
0 to 4,000 gallons	\$0.95
4,001 to 23,000 gallons	1.15
Over 23,000 gallons	1.35

<u>3/4" Meter</u>	
0 to 4,000 gallons	\$0.95
4,000 to 23,000 gallons	1.15
Over 23,000 gallons	1.35

<u>1" Meter</u>	
0 to 40,000 gallons	1.15
Over 40,000 gallons	1.35

<u>1 1/2" Meter</u>	
0 to 100,000 gallons	1.15
Over 100,000 gallons	1.35

<u>2" Meter</u>	
0 to 150,000 gallons	1.15
Over 150,000 gallons	1.35

1	<u>4" Meter</u>	
2	0 to 400,000 gallons	1.15
	Over 400,000 gallons	1.35
3		
	<u>6" Meter</u>	
4	0 to 400,000 gallons	1.15
5	Over 400,000 gallons	1.35
6		
	<u>Standpipe</u>	
7	0 to 4,000 gallons	0.95
8	4,001 to 23,000 gallons	1.15
	Over 23,000 gallons	1.35

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-40-5)

10	5/8" x 3/4" Meter	\$150.00
11	1" Meter	225.00
12	1 1/2" Meter	475.00
	2" Meter	625.00
13	3" Meter	850.00
	4" Meter	1,800.00
14	6" Meter	3,000.00

15	Standpipe charges	
	Original Key Deposit	\$30.00
16	Additional Set	5.00

SERVICE CHARGE:

18	Establishment	\$20.00
19	Establishment (After Hours)	30.00
	Reconnection	20.00
20	Reconnection (After hours/customer request)	30.00
21	Meter Test (If Correct)	25.00
22	Guarantee Deposit	(b)
	Late Payment Fee	(c)
23	Reestablishment (Within 12 Months)	(a)
	NSF Check	15.00
24	Meter Reread (If Correct)	15.00
25	Off Site Facilities hook-up fee	250.00

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- (a) Number of months off system times minimum monthly charge
  - (b) Per Commission rule A.A.C. R14-2-403(D).
  - (c) 1.5% per Commission rule A.A.C. R14-2-409G(6).

1 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective  
2 for all service rendered on and after January 1, 2005.

3 IT IS FURTHER ORDERED that Las Quintas Serenas Water Company shall notify its  
4 customers of the revised schedules of rates and charges authorized herein by means of an insert in its  
5 next regularly scheduled billing, in a form approved by Staff.

6 IT IS FURTHER ORDERED that Las Quintas Serenas Water Company utilize the  
7 depreciation rates delineated in the Engineering Report issued in this matter.

8 IT IS FURTHER ORDERED that Las Quintas Serenas Water Company submit its detailed  
9 arsenic removal plan to ADEQ or the PCDEQ by February 28, 2005, for review and approval. A  
10 copy of this plan shall also be submitted to the Director of the Utilities Division by February 28,  
11 2005.

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IT IS FURTHER ORDERED that the proposed curtailment tariff filed by Las Quintas Serenas Water Company is approved, and that Las Quintas Serenas Water Company shall docket the approved curtailment tariff within thirty days of the effective date of this Decision.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 4<sup>th</sup> day of Jan., 2005. *Kim*

  
 BRIAN C. McNEIL  
 EXECUTIVE SECRETARY

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

JR:mj

1 SERVICE LIST FOR: LAS QUINTAS SERENAS WATER COMPANY

2  
3 DOCKET NO.: W-01583A-04-0178

4 Steve Gay  
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