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Arizona Corporation Commission

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF  
WILLOW LAKES PROPERTY OWNERS  
ASSOCIATION INC. FOR A PERMANENT RATE  
INCREASE.

DOCKET NO. W-02173A-00-0974

DECISION NO. 64305

**ORDER**

Open Meeting  
December 18 and 19, 2001  
Phoenix, Arizona

**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. Willow Lakes Property Owners Association, Inc. ("Willow Lakes" or "Company") is a non-profit corporation that provides water utility service to approximately 62 customers in an area of Cochise County, Arizona.
2. In Decision No. 63588 (April 24, 2001), the Commission authorized a rate increase for the Company and approved a loan from USDA-Rural Development to replace inoperative meters, aging mains and the construction of a second well.
3. In Decision No. 63588, the Commission adopted Commission Staff's recommended rates, which based upon the Company's estimated average usage of approximately 3,500 gallons, were expected to generate revenue of \$23,444, operating income of \$4,343, and a 3.3 percent rate of return on an adjusted Original Cost Rate Base ("OCRB") of \$128,237.
4. The Company used the Rural Development loan to replace meters and had them in service in April 2001.
5. The rates approved in Decision No. 63588 became effective May 1, 2001, and the

1 company billed its customers the new rates based on the new, accurate, meter readings.

2 6. The meter readings in May through August 2001, indicate that the actual average  
3 usage is significantly higher than the Company's estimate, which has resulted in higher revenues than  
4 expected.

5 7. On August 30, 2001, at the request of the Company and its ratepayers, the  
6 Commission's Consumer Services Section conducted a public comment meeting in the Company's  
7 service area. The customers were concerned that there are many low income families in the area and  
8 the high water rates were a financial burden.

9 8. On September 21, 2001, the Company requested to amend the tariff approved in  
10 Decision No. 63588.

11 9. On October 30, 2001, Commission Utilities Division Staff ("Staff") filed its Staff  
12 Report on the Company's request to amend Decision No. 63588. Staff's review utilized data  
13 provided by the accurate bill counts and most recent operating expenses found in the Company's  
14 December 31, 2000, Utilities Annual Report.

15 10. Based on the current rates approved in Decision No. 63588, the Company would  
16 realize operating revenue of \$51,495, and operating income of \$32,294, a 25.18 percent rate of return  
17 on an OCRB of \$128,237.

18 11. Four months of actual bill counts taken after the installation of the new meters indicate  
19 a median usage of 5,750 gallons.

20 12. As a result of its review of the request to amend Decision No. 63588, Staff increased  
21 OCRB by \$5,103, from \$128,202 to \$133,305. Staff decreased Plant in Service and Contribution in  
22 Aid of Construction by \$34,650 to reflect the actual cost of plant improvements. The rest of Staff's  
23 adjustments affected Accumulated Depreciation and Amortization and Working Capital.

24 13. Staff's adjustments to revenues and expenses decreased the Company's operating  
25 income by \$24,612, from \$32,294 to \$7,682. Staff decreased Water Sales by \$16,316 from \$51,495  
26 to \$35,179 to reflect the difference between the revenue approved in Decision No. 63588 and Staff's  
27 revised recommended rates. Staff increased operating expenses by \$8,296 to reflect the operating  
28 expenses reflected on the December 2000, Utilities Annual Report. Staff's adjustments to Outside

1 Services include a pro forma increase of \$4,800 for the certified operator and \$2,400 for the  
2 bookkeeper/billing clerk.

3 14. Staff's recommended rates produce operating revenue of \$35,179 and operating  
4 income of \$7,682, a 5.76 percent rate of return on an adjusted OCRB of \$133,305.

5 15. Staff's recommended rates result in a cash flow of \$11,946, which Staff believes is  
6 sufficient to cover operating expenses, the Company's USDA-Rural Development loan and normal  
7 contingencies.

8 16. Willow Lakes' present rates and charges, as well as Staff's recommended rates and  
9 charges are as follows:

	<u>Present Rates</u> <u>Dec. No. 63588</u>	<u>Staff Proposed</u> <u>Rates</u>
<u>Monthly Usage Charges</u>		
5/8" x 3/4" Meter	\$25.00	\$25.00
3/4" Meter	37.50	30.00
1" Meter	62.50	50.00
1 1/2" Meter	125.00	100.00
2" Meter	200.00	160.00
3" Meter	375.00	300.00
4" Meter	625.00	500.00
6" Meter	1,250.00	1,000.00
Gallons included in Minimum	0	0
<u>Commodity Rate</u>		
From 1 to 8,000 gallons – per 1,000 gallons	\$5.20	\$2.25
In excess of 8,000 gallons	\$5.20	\$3.20
<u>Service Line and Meter Installation Charges</u> (Refundable pursuant to A.A.C. R14-2-405)		
5/8" x 3/4" Meter	\$100.00	\$100.00
3/4" Meter	120.00	120.00
1" Meter	160.00	160.00
1 1/2" Meter	300.00	300.00
2" Meter	400.00	400.00
3" Meter	500.00	500.00
4" Meter	600.00	600.00
6" Meter	800.00	800.00
<u>Service Charges</u>		
Establishment	\$50.00	\$50.00
Establishment (After Hours)	75.00	75.00
Reconnection (Delinquent)	25.00	25.00
Meter Test (If Correct)	25.00	250.00
Deposit	*	*

1	Deposit Interest – Per Annum	*	*
1	Re-Establishment (Within 12 Months)	**	**
2	NSF Check	20.00	20.00
2	Deferred Payment – Per Month	1.5%	1.5%
3	Meter Re-Read (If Correct)	10.00	10.00
4	<u>Monthly Service Charge for Fire Sprinkler</u>		
4	4" or smaller	***	***
5	6"	***	***
5	8"	***	***
6	10"	***	***
6	Larger than 10"	***	***

7

8 \* Per A.A.C. R14-2-403.B

8 \*\* Months off system times the minimum (R14-2-403.D)

9 \*\*\* 1.0% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than

9 \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service

10 lines separate and distinct from the primary water service line.

11 17. Staff's recommended rates would decrease the average monthly bill by 35.5 percent

12 from \$69.21, based on the rates approved in Decision No. 63588, to \$44.61, and decrease the median

13 monthly bill by 30.9 percent, from \$54.90 to \$37.94.

14 18. Staff's adjustments to OCRB and operating expenses, as set forth in the Staff Report,

15 are reasonable.

16 19. Willow Lakes' Fair Value Rate Base ("FVRB") is determined to be \$133,305. The

17 Company's FVRB is the same as its OCRB.

18 20. The Arizona Department of Environmental Quality ("ADEQ") certified the Willow

19 Lakes' system is delivering water that does not exceed any maximum contaminant level and meets

20 the quality standards of the Safe Drinking Water Act.

21 21. The Company is current on all property and sales taxes.

22 22. Staff further recommends the rates and charges become effective for the December 1,

23 2001 billing, that they be approved without a hearing and that the Company notify its customers of

24 the rates and charges approved by the Commission and the effective date by means of an insert in its

25 next regular monthly billing, and file with the Commission within 60 days of the effective date of the

26 Decision, a copy of the notice.

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**CONCLUSIONS OF LAW**

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2 1. Willow Lakes is a public service corporation within the meaning of Article XV of the  
3 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301 and 40-302.

4 2. The Commission has jurisdiction over Willow Lakes and of the subject matter of the  
5 application.

6 3. Notice of the application was given in accordance with the law.

7 4. The rates and charges for water service established herein are just and reasonable and  
8 should be adopted without a hearing.

9 **ORDER**

10 IT IS THEREFORE ORDERED that Willow Lakes Property Owners Association, Inc. shall  
11 file on or before December 31, 2001, a revised tariff that reflects Staff's recommended rates and  
12 charges approved herein.

13 IT IS FURTHER ORDERED that Willow Lakes Property Owners, Inc. shall notify its  
14 customers of the rates and charges authorized herein and the effective date of same by means of an  
15 insert in its next regular monthly billing, and shall file within 60 days of the effective date of this  
16 Decision, a copy of the notice it sends to its customers of the new rates and charges.

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

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7 CHAIRMAN  COMMISSIONER  COMMISSIONER

8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
9 Secretary of the Arizona Corporation Commission, have  
10 hereunto set my hand and caused the official seal of the  
11 Commission to be affixed at the Capitol, in the City of Phoenix,  
12 this 28<sup>th</sup> day of December, 2001.

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14 BRIAN C. McNEIL  
15 EXECUTIVE SECRETARY

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DISSENT \_\_\_\_\_  
JR:dap

1 SERVICE LIST FOR: WILLOW LAKES PROPERTY OWNERS  
2 ASSOCIATION

3 DOCKET NO.: W-02173A-01-0974

4 Bill Holmquist, President  
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