

ORIGINAL



0000017604

OPEN MEETING

RECEIVED

MEMORANDUM

410

2005 FEB 18 P 12:03

Arizona Corporation Commission

AZ CORP COMMISSION
DOCUMENT CONTROL COMMISSION

DOCKETED

FEB 18 2005

FROM: Utilities Division

DOCKETED BY	
-------------	--

DATE: February 18, 2005

RE: IN THE MATTER OF VALLEY UTILITIES WATER COMPANY, INC. FOR FILING TO ESTABLISH AN OFF-SITE FACILITIES HOOK-UP FEE TARIFF (ARSENIC IMPACT FEE TARIFF) IN DOCKET NO. W-01412A-04-0848

Introduction

On November 26, 2004, Valley Utilities Water Company, Inc. ("Valley" or the "Company") filed tariff pages to establish an Off-Site Facilities Hook-Up Fee Tariff. Valley is undertaking a significant construction project to reduce the level of arsenic concentration in its water supply so it can meet the new arsenic standard in 2006. The Company proposes to fund its project using a Water Infrastructure Finance Authority of Arizona ("WIFA") loan. An application for approval of this loan is pending before the Commission in Docket No. W-01412A-04-0849. The Company plans to use proceeds from the proposed hook-up fees to pay the debt service and/or principal reduction on the requested loan.

Suspension of Filing

On January 4, 2005, in Decision No. 67461, the Commission suspended the tariff filing for a period of seventy-five (75) days, until and including March 12, 2005. This request was granted so that Staff would have more time to review the application.

Valley's Water System

Valley is located in the Phoenix West Valley, just east of Luke Air Force Base. The water system consists of six wells, five storage tanks and four booster systems serving approximately 1,250 service connections. The arsenic level at each well is: Well 1 at 12 parts per billion ("ppb"), Well 2 at 12 ppb, Well 3 at 7 ppb, Well 4 at 12 ppb, Well 5 at 13 ppb and Well 6 at 11 ppb.

Arsenic Treatment Study

Valley hired a consulting firm, Narasimhan Consulting Services, Inc., to conduct an arsenic treatment study for Valley's treatment technology considerations. A pilot study was conducted at Valley's Wells 4, 5 and 6 from April 2003 to September 2003 and the final study report was completed in May 2004. The study recommended using the absorption media treatment method with a total treatment system cost of \$1,926,100 for treatment of five of the six wells.

completed in May 2004. The study recommended using the absorption media treatment method with a total treatment system cost of \$1,926,100 for treatment of five of the six wells.

Proposed Hook-Up Fee

The proposed hook-up fee will be used to pay the debt service and/or principal reduction on the requested WIFA loan. The WIFA loan is requesting service debt approval for arsenic treatment system facilities for Wells 1 and 2 at \$542,500 and Wells 4, 5 and 6 at \$1,383,600, totaling \$1,926,100. Valley seeks approval of a hook-up fee tariff of \$1,100 for all new 5/8- x 3/4-inch service connections, graduated for larger meter sizes. Only that portion of the treatment system cost needed to serve new growth was used to calculate the proposed hook-up fee amounts. Staff has reviewed the Company's arsenic treatment study and its hook-up fee calculations and finds them to be reasonable.

Staff's Recommendation

Staff recommends approval of the hook-up tariff an Arsenic Impact Fee ("AIF") Tariff (attached).

Staff further recommends that the monies collected under this AIF tariff shall be used to pay for only arsenic treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion (ppb) arsenic standard. Engineering and design costs related to these arsenic treatment facilities may be included.

Staff further recommends that this AIF tariff is applicable to all new service connections established after the effective date of the tariff.

Staff further recommends that the AIF shall be non-refundable; therefore, facilities installed using these funds shall be contributions in aid of construction.

Staff further recommends that all funds collected by the Company as AIF shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities, including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.

Staff further recommends that after all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the AIF has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary

Staff further recommends that Valley be required to submit a calendar year status report each January 31st to the Utilities Division Director every twelve (12) months, beginning January 31, 2006,

THE COMMISSION

February 18, 2005

Page 3

until the AIF Tariff is no longer in effect. This status report should contain a list of all customers that have paid the AIF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIF Tariff account, and a list of all facilities that have been installed with the AIF Tariff funds.



Ernest G. Johnson

Director

Utilities Division

EGJ:MSJ:lh\DR

ORIGINATOR: Marlin Scott, Jr.

TARIFF SCHEDULE

UTILITY: Valley Utilities Water Company, Inc.
DOCKET NO.: W-01412A-04-0848

DECISION NO. _____
EFFECTIVE DATE: _____

ARSENIC IMPACT FEE

I. Purpose and Applicability

The purpose of the Arsenic Impact Fee ("AIF") payable to **Valley Utilities Water Company, Inc.** ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing water treatment plant facilities to treat and remove arsenic. These charges are applicable to all new service connections established after the effective date of the tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting, this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of water facilities to serve new service connections.

"Arsenic Treatment Facilities" means treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion ("ppb") arsenic standards.

"Company" means Valley Utilities Water Company, Inc., an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Service Connection" means and includes all service connections for residential, commercial, and industrial, regardless of meter size.

III. Arsenic Impact Fee Charges

Each new service connection shall pay the Arsenic Impact Fee derived from the following table:

ARSENIC IMPACT FEE TABLE		
Meter Size	Meter Factor	Fee
5/8" x 3/4"	1	\$1,100
3/4"	1.2	\$1,320
1"	2	\$2,200
1-1/2"	4	\$4,400
2"	6.4	\$7,040
3"	12	\$13,200
4"	20	\$22,000
6" or larger	40	\$44,000

IV. Terms and Conditions

- (A) Assessment of One Time AIF Charge: The AIF may be assessed only once per service connection, or lot within a platted subdivision (similar to service line and meter installation charges). However, this provision does not exempt from the AIF, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of AIF: AIF may only be used to pay for capital items of arsenic treatment facilities (including engineering and design costs for such facilities), or for repayment of loans obtained for installation of arsenic treatment facilities. AIF shall not be used for expenses, maintenance, or operational purposes.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the main extension agreement in accordance with R-14-2-406(M).

- (2) In the event the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.
- (D) Failure to Pay Charges, Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this AIF tariff.
- (E) AIF Non-refundable: The amounts collected by the Company pursuant to the AIF shall be non-refundable advances in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company as AIF shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities (including engineering and design costs for such facilities), including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- (G) AIF in Addition to Other Charges: The AIF shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (H) Disposition of Excess Funds: After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the AIF has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF VALLEY UTILITIES)
 WATER COMPANY, INC. – FILING TO)
 ESTABLISH AN OFF-SITE FACILITIES)
 HOOK-UP FEE TARIFF (ARSENIC)
 IMPACT FEE))

DOCKET NO. W-01412A-04-0848
 DECISION NO. _____
ORDER

Open Meeting
 March 8 and 9, 2005
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Valley Utilities Water Company, Inc. (“Valley” or “Company”) provides water utility service to approximately 1,250 customers in a portion of Maricopa County, Arizona, approximately 20 miles northwest of downtown Phoenix.
2. On November 26, 2004, Valley filed tariff pages to establish an Off-Site Facilities Hook-Up Fee Tariff. Valley is undertaking a significant construction project to reduce the level of arsenic concentration in its water supply so it can meet the new arsenic standard in 2006. The Company proposes to fund its project using a Water Infrastructure Finance Authority of Arizona (“WIFA”) loan. An application for approval of this loan is pending before the Commission in Docket No. W-01412A-04-0849. The Company plans to use proceeds from the proposed hook-up fees to pay the debt service and/or principal reduction on the requested loan.
- ...
- ...

1 3. On January 4, 2005, in Decision No. 67461, the Commission suspended the tariff
2 filing for a period of seventy-five (75) days, until and including March 12, 2005. This request was
3 granted so that Staff would have more time to review the application.

4 4. Valley is located in the Phoenix West Valley, just east of Luke Air Force Base. The
5 water system consists of six wells, five storage tanks and four booster systems serving
6 approximately 1,250 service connections. The arsenic level at each well is: Well 1 at 12 parts per
7 billion ("ppb"), Well 2 at 12 ppb, Well 3 at 7 ppb, Well 4 at 12 ppb, Well 5 at 13 ppb and Well 6 at
8 11 ppb.

9 5. Valley hired a consulting firm, Narasimhan Consulting Services, Inc., to conduct an
10 arsenic treatment study for Valley's treatment technology considerations. A pilot study was
11 conducted at Valley's Wells 4, 5 and 6 from April 2003 to September 2003 and the final study
12 report was completed in May 2004. The study recommended using the absorption media treatment
13 method with a total treatment system cost of \$1,926,100 for treatment of five of the six wells.

14 6. The proposed hook-up fee will be used to pay the debt service and/or principal
15 reduction on the requested WIFA loan. The WIFA loan is requesting service debt approval for
16 arsenic treatment system facilities for Wells 1 and 2 at \$542,500 and Wells 4, 5 and 6 at
17 \$1,383,600, totaling \$1,926,100. Valley seeks approval of a hook-up fee tariff of \$1,100 for all
18 new 5/8- x 3/4-inch service connections, graduated for larger meter sizes. Only that portion of the
19 treatment system cost needed to serve new growth was used to calculate the proposed hook-up fee
20 amounts. Staff has reviewed the Company's arsenic treatment study and its hook-up fee
21 calculations and finds them to be reasonable.

22 7. Staff recommends approval of the hook-up tariff as an Arsenic Impact Fee ("AIF")
23 Tariff.

24 8. Staff further recommends that:

25 a. The monies collected under this AIF tariff shall be used to pay for only
26 arsenic treatment equipment and related appurtenances (including
27 engineering and design costs for such facilities) necessary for the removal of
28 arsenic through treatment of water to meet the 10 parts per billion (ppb)
arsenic standard.

...

- 1 b. The AIF tariff is applicable to all new service connections established after
2 the effective date of the tariff.
- 3 c. The AIF shall be non-refundable; therefore, facilities installed using these
4 funds shall be contributions in aid of construction.
- 5 d. All funds collected by the Company as AIF shall be deposited into a
6 separate interest bearing trust account and used solely for the purposes of
7 paying for the costs of arsenic treatment facilities, including repayment of
8 loans obtained for the installation of arsenic treatment facilities that will
9 benefit the entire water system.
- 10 e. After all necessary funds are collected to pay for all Arizona Department of
11 Environmental Quality required arsenic treatment facilities or the AIF has
12 been terminated by order of the Commission, any funds not necessary to pay
13 for arsenic treatment facilities remaining in the trust shall be refunded. The
14 manner of the refund shall be determined by the Commission at the time a
15 refund becomes necessary.
- 16 f. Valley be required to submit a calendar year status report each by January
17 31st to the Utilities Division Director every twelve (12) months, beginning
18 January 31, 2006, until the AIF Tariff is no longer in effect. This status
19 report should contain a list of all customers that have paid the AIF Tariff,
20 the amount each has paid, the amount of money spent from the account, the
21 amount of interest earned on the AIF Tariff account, and a list of all
22 facilities that have been installed with the AIF Tariff funds.

CONCLUSIONS OF LAW

- 23 1. Valley is an Arizona public service corporation within the meaning of Article XV,
24 Section 2, of the Arizona Constitution.
- 25 2. The Commission has jurisdiction over Valley and over the subject matter of the
26 application.
- 27 3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S.
28 Section 40-250.
4. The Commission, having reviewed the application and Staff's Memorandum dated
February 18, 2005, concludes that the tariff is reasonable, fair and equitable and therefore is in the
public interest.
5. Staff's recommendations, as set forth in Finding of Fact No. 8, are reasonable and
should be adopted.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

THEREFORE, IT IS ORDERED that Valley Utilities Water Company, Inc.'s application for revision of its tariff schedules to implement an Arsenic Impact Fee, be and hereby is approved.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall comply with the requirements contained in Finding of Fact No. 8.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall file, within 30 days, a copy of the Arsenic Impact Fee Tariff approved herein.

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

BY THE 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 this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2005.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:MSJ:lm\DR

1 SERVICE LIST FOR: Valley Utilities Water Company, Inc.
2 DOCKET NO. W-01412A-04-0848

3 Mr. Richard L. Sallquist
4 Sallquist & Drummond, P.C.
5 4500 South Lakeshore Drive – Suite 339
6 Tempe, Arizona 85282

7 Mr. Robert Prince
8 Valley Utilities Water Company, Inc.
9 12540 West Bethany Home Road
10 Litchfield Park, Arizona 85340

11 Mr. Ernest G. Johnson
12 Director, Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Mr. Christopher C. Kempley
17 Chief Counsel
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007

21

22

23

24

25

26

27

28

29

30

31

32

33