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BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 JEFF HATCH-MILLER
Chairman
3 WILLIAM A. MUNDELL
Commissioner
4 MARC SPITZER
Commissioner
5 MIKE GLEASON
Commissioner
6 KRISTIN K. MAYES
Commissioner
7

Arizona Corporation Commission

DOCKETED

MAY 05 2005

DOCKETED BY NR

8 IN THE MATTER OF THE APPLICATION)
9 OF DIAMOND VALLEY WATER USERS)
10 CORP. TO AMEND ITS TARIFF)
11

DOCKET NO. W-03263A-05-0215

DECISION NO. 67829

ORDER

12 Open Meeting
13 May 3 and 4, 2005
Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. On March 25, 2005, Diamond Valley Water Users Corp. ("Company") filed a
17 request to amend its tariff (approved in Decision No. 60125). The proposed amendment requests a
18 change to the service line and meter installation charge. The Company is in financial distress and
19 is being operated by an interim manager (Mr. Timothy Kylo). The Prescott Valley Water District
20 ("District") charges for water system connections have increased, and actual connection costs vary
21 due to unique site conditions.

22 2. Staff is processing this application as a water facility hook-up fee tariff.

23 3. The Company has recently received four requests for service line and meter
24 installation (SL&MI) services. The Company's current tariff provides for a partially refundable
25 \$1,650 SL&MI charge for 5/8" x 3/4" meter. In prior years, the previous SL&MI charge of \$1,650
26 generally covered the \$1,200 District imposed County Water System Capacity Charge, the cost of
27 the meter and installation costs. The portion of the SL&MI charge not required to meet the county
28 capacity charge (\$450) was refundable. In recent years, the Company has experienced a wide

1 variety of installation costs due to difficulty in locating mains and, in some instances, road
2 crossings.

3 4. The Company was recently informed by the District that the Water System
4 Connection fee was increased to \$1,650 (from \$1,200) for each new connection effective March 1,
5 2005. Additionally, a new Water Resource Charge was also effective March 1, 2005, for \$1,526
6 for each new connection.

7 5. The Company estimates that the current cost for the meter and installation can
8 range from \$800 to several thousand dollars. Therefore, the total estimated current cost for
9 SL&MIs can range from \$3,976 (\$1,650 plus \$1,526 plus \$800) to several thousand dollars. Thus,
10 the current cost of connecting a customer would require the Company to absorb significant capital
11 costs.

12 6. The Company is currently preparing a rate application and indicates that it has no
13 working capital available to fund SL&MI requests.

14 7. The Company has proposed a change to its current tariff wherein the SL&MI
15 charge will be amended to permit non-refundable recovery of the "Permitted" actual cost of the
16 SL&MI. This will allow the Company to respond to requests for new service on a timely basis.

17 8. Staff believes the Company's proposed tariff amendment should be treated as a
18 water system facility hook-up fee. Service connections and establishment under A.A.C. R-14-2-
19 405.A.6 and intended for costs "where the customer's facilities are ready and acceptable to the
20 utility and the utility only needs to install or read a meter to turn on the service." The District's
21 fees represent a substantial cost to the utility and are more appropriately considered under as a
22 hook-up fee. Treating all new service connections as hook-up fees is also a practical solution to
23 the Company's current financial situation.

24 9. Although the Company has reported operating income of \$22,090 for the year 2004
25 and \$16,393 for 2003, it is experiencing negative cash flow due to the increase in the District water
26 purchasing costs and increasing repairs and maintenance costs. The Company had a negative cash
27 flow for 2004 of approximately \$40,000.

28 ...

1 Diamond Valley Water Users Corp.
 2 W-03263A-05-0215

Exhibit I

3 Water Facility Hook-up Fees:

| 4 | Meter Size | Water System Connection Charge* | Water System Capacity Charge* | Meter and Installation | Permitted Total Cost** |
|----|---------------|------------------------------------|----------------------------------|---------------------------|---------------------------|
| 5 | | (A) | (B) | (C) | (A+B+C) |
| 5 | 5/8" x 3/4" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 6 | 3/4" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 7 | 1" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 7 | 1 1/2" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 8 | 2" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 8 | 3" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 9 | 4" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 9 | 5" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |
| 10 | 6" | \$1,650.00 | \$1,526.00 | Actual Cost | Permitted Cost |

11 * Imposed pursuant to Prescott Valley Water District. Other charges apply to Duplexes/
 12 Apartments/Condominiums/Motel and other types of dwellings.

13 **Permitted Cost

- 14 A. Costs shall be verified by invoice.
- 15 B. For services that are provided by the Company at cost, cost shall include all labor,
 16 materials, other charges incurred, and overheads. However, prior to any such service being
 17 provided, the estimated cost of such service will be provided by the Company to the
 18 customer. After a review of the cost estimate, the customer will pay the amount of the
 19 estimated cost to the Company.
- 20 C. In the event the actual cost is less than the estimated cost, the Company will refund the
 21 excess to the customer within 30 days after completion of the provision of service or after
 22 the Company's receipt of invoices, time sheets or other related documents, which ever is
 23 sooner. Under all circumstances, the minimum charge as indicated above will be charged
 24 for the related service.
- 25 D. All amounts paid by the customer will be considered a non-refundable contribution in aid
 26 of construction.
- 27 E. At the customer's request, the Company shall make available to the customer all invoices,
 28 timesheets or related documents to support the cost for providing service.
- F. Permitted cost shall include any State or federal income taxes that are or may be payable by
 the Company as a result of any tariff or contract for water facilities for which the customer
 advances or contributes funds or facilities to the Company.

1 SERVICE LIST FOR: DIAMOND VALLEY WATER USERS CORP.
2 DOCKET NO. W-03263A-05-0215

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