

Docket



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BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

1
2 WILLIAM A. MUNDELL
3 CHAIRMAN
4 JIM IRVIN
5 COMMISSIONER
6 MARC SPITZER
7 COMMISSIONER

APR 24 2001

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8 IN THE MATTER OF THE APPLICATION OF
9 RANCHO CABRILLO WATER COMPANY FOR
10 A CERTIFICATE OF CONVENIENCE AND
11 NECESSITY TO PROVIDE WATER SERVICE

DOCKET NO. W-03898A-00-0474

DECISION NO. 63592

OPINION AND ORDER

12 DATE OF HEARING: February 8, 2001
13 PLACE OF HEARING: Phoenix, Arizona
14 PRESIDING JUDGE: Mr. Stephen Gibelli
15 APPEARANCES: Mr. Mark D. Dioguardi, TIFFANY AND BOSCO, on
16 behalf of Rancho Cabrillo Water Company;
17 Mr. Devinti M. Williams, Staff Attorney, Legal
18 Division, on behalf of the Utilities Division of the
19 Arizona Corporation Commission.

20 **BY THE COMMISSION:**

21 On July 7, 2000, Rancho Cabrillo Water Company ("Rancho Cabrillo" or "Applicant") filed
22 an application for approval of a Certificate of Convenience and Necessity ("Certificate") to provide
23 water service for property located in Maricopa County, Arizona, approximately 10 miles west of
24 Interstate 17 near Happy Valley Road.

25 On August 3, 2000, the Arizona Corporation Commission's ("Commission") Utilities
26 Division ("Staff") filed its Sufficiency Letter indicating that the Applicant has met the sufficiency
27 requirements of R14-2-402C.

28 On August 8, 2000, a Procedural Order was issued setting the matter for hearing.

On August 17, 2000, Rancho Cabrillo certified that it mailed notice of the hearing to each of
its customers by first-class U.S. mail on August 15, 2000.

On October 17, 2000, Rancho Cabrillo filed a request to withdraw the application as a result
of its belief that the area was certificated to another company.

1 On October 19, 2000, a Procedural Order was issued vacating the hearing and
2 administratively closing the docket.

3 On November 30, 2000, Rancho Cabrillo filed a letter indicating that it learned subsequent to
4 the closure of the docket that the area is not certificated.

5 On December 6, 2000, Staff filed a Response to Rancho Cabrillo's Request to Re-Open the
6 Docket supporting the re-opening of the docket.

7 On December 7, 2000, a Procedural Order was issued re-opening the docket and setting the
8 matter for hearing on February 8, 2001.

9 On December 11, 2000, Rancho Cabrillo filed a letter waiving any time clock limitations on
10 the application.

11 On December 12, 2000, Staff filed its Staff Report in this matter recommending approval of
12 the application after a hearing.

13 On December 14, 2000, Rancho Cabrillo filed a letter certifying that it noticed each of the
14 customers within the proposed certificated area of its application and the hearing date of February 8,
15 2001.

16 On February 8, 2001, a full public hearing was convened before a duly authorized Hearing
17 Officer of the Commission at its offices in Phoenix, Arizona. Both Rancho Cabrillo and Staff
18 appeared with counsel. At the conclusion of the hearing, the matter was taken under advisement
19 pending submission of a Recommended Opinion and Order to the Commission.

20 * * * * *

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

23 **FINDINGS OF FACT**

24 1. On July 7, 2000, Rancho Cabrillo filed an application for a Certificate authorizing it to
25 construct, operate, and maintain facilities to provide water service to the public in a subdivision of
26 approximately 2,500 homes located in Maricopa County, Arizona, approximately 10 miles west of
27 Interstate 17, near Happy Valley Road. A legal description of the property is provided in Exhibit A.

28 2. Rancho Cabrillo is an Arizona corporation whose president is Mr. Steve Robson.

3. Mr. Robson has interests in many other public utilities in Arizona.

4. There is presently no water service or customers in the proposed Rancho Cabrillo subdivision. This will be a new water system that has yet to be constructed and consequently, does not have an Arizona Department of Environmental Quality ("ADEQ") operating compliance status.

5. Rancho Cabrillo has not obtained its ADEQ Approval to Construct its facilities or its Certificate of Assured Water Supply ("CAWS").

6. There are no other private or public water companies in the area of the development capable of providing service to customers in the proposed certificated area. No other water utility is better situated to serve this area than Rancho Cabrillo.

7. Initially, the system will be served by two wells, along with the ancillary storage, pressure tanks, pumping stations, and distribution mains.

8. On September 8, 2000, Rancho Cabrillo filed a copy of its water franchise issued by Maricopa County.

9. Rancho Cabrillo estimates that it will serve 250 customers during its first year of operations and will reach 1,250 customers within five years.

10. On December 12, 2000, Staff filed a Staff Report in which it recommended approval of Rancho Cabrillo's application for a Certificate to provide public water utility service in the area sought to be certificated herein together with Staff's own recommended rates and charges for the Applicant.

11. Rancho Cabrillo's proposed rates and charges, as well as Staff's proposed rates and charges are as follows:

<u>Monthly Usage Charges</u>	<u>Proposed Rates</u>	
	<u>Company</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$15.27	\$15.45
3/4" Meter	15.27	15.27
1" Meter	32.00	32.00
1 1/2" Meter	48.00	48.00
2" Meter	64.00	64.00
4" Meter	128.00	128.00
6" Meter	256.00	256.00

Commodity Charge

1	Charge per 1,000 gallons:		
	1-5,000 gallons usage	\$2.91	\$2.75
2	5,001 to 20,000 gallons usage	\$2.91	3.00
3	Above 20,000 gallons usage	2.91	3.50

Service Line and Meter Installation Charges

4	5/8" x 3/4" Meter	\$0.00	0.00
	3/4" Meter	0.00	0.00
5	1" Meter	0.00	0.00
	1 1/2" Meter	0.00	0.00
6	2" Meter	0.00	0.00
	3" Meter	0.00	0.00
7	4" Meter	0.00	0.00
8	6" Meter	0.00	0.00

Service Charges

9	Establishment	\$30.00	\$30.00
	Establishment (After Hours)	30.00	30.00
10	Reconnection (Delinquent)	30.00	30.00
	Meter Test (If Correct)	30.00	30.00
11	Deposit	*	*
	Deposit Interest	*	*
12	Re-Establishment (Within 12 Months)	**	**
	NSF Check	15.00	15.00
13	Deferred Payment	1.5%	1.5%
14	Meter Re-Read (If Correct)	15.00	15.00

Monthly Service Charge for Fire Sprinkler

15	4" or smaller	***	***
	6"	***	***
16	8"	***	***
	10"	***	***
17	Larger than 10"	***	***

- * Per Commission Rules (R14-2-403.B)
- ** Months off system times the minimum (R14-2-403.D).
- *** 1.0% of monthly minimum for a comparable sized 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 from the primary water service line.

12. Staff also recommended that:

(a) the Commission condition approval of the application Rancho Cabrillo on its filing with the Commission, within 365 days from the effective date of the Commission's Decision, a copy of the developer's Certificate of Assured Water Supply and its Approval to Construct;

(b) the Commission approve Staff's proposed rates as set forth in Findings of Fact No. 11;

(c) Rancho Cabrillo notify the Commission within 15 days of providing service to

1 its first permanent customer;

2 (d) Rancho Cabrillo file a rate application within thirty-six (36) months from the
3 date it provides service to its first customer;

4 (e) Rancho Cabrillo maintain its books and records in accordance with the
5 NARUC Uniform System of Accounts for Class C water utilities;

6 (f) a provision be included in Rancho Cabrillo's tariff to allow for the flow-
7 through of appropriate State and local taxes as provided in A.A.C. Rule R14-2-409.D;

8 (g) Rancho Cabrillo file a backflow tariff for Commission approval;

9 (h) Rancho Cabrillo file tariff pages consistent with this Decision within 30 days
10 from the effective date of this Decision;

11 (i) Rancho Cabrillo submit a letter from ADEQ stating that the water system has
12 no maximum contaminant level violations and is delivering water that meets the quality standards of
13 the Safe Drinking Water Act at least 30 days prior to serving its first permanent customer; and that

14 (j) this Decision become null and void without further order from the Commission
15 should Rancho Cabrillo fail to meet the above conditions within the time frames specified.

16 13. By its fifth year of operation, it is expected that Rancho Cabrillo will have an
17 investment of \$3,361,800 in this system and a rate of return on investment of 10.89 percent.

18 14. Staff believes that a rate of return of 10.89 percent is adequate to provide sufficient
19 cash flow for Rancho Cabrillo's operations.

20 15. At the February 8, 2001 hearing, Rancho Cabrillo agreed to abide by all of Staff's
21 recommendations.

22 16. Mr. Robson has the necessary prior experience in operating public utilities to
23 successfully operate Rancho Cabrillo Water Company.

24 17. After reviewing the evidence herein, we believe that Staff's recommendations with
25 respect to Applicant's request for a Certificate and with respect to its initial rates and charges should
26 be adopted.

CONCLUSIONS OF LAW

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2 1. Applicant is a public service corporation within the meaning of Article XV of the
3 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

4 2. The Commission has jurisdiction over Rancho Cabrillo and the subject matter of the
5 application.

6 3. Notice of the application and hearing thereon was provided in accordance with the
7 law.

8 4. The public convenience and necessity require, and the public would benefit by, the
9 granting of a Certificate of Convenience and Necessity to Rancho Cabrillo Water Company for the
10 area more fully described in Exhibit A.

11 5. Rancho Cabrillo is a fit and proper entity to provide water utility services in the
12 proposed area, which is more fully described in Exhibit A.

13 6. Staff's recommendations set forth in Findings of Fact No. 11 and 12 are reasonable
14 and should be adopted.

15 ORDER

16 IT IS THEREFORE ORDERED that the application of Rancho Cabrillo Water Company for
17 a Certificate of Convenience and Necessity authorizing it to construct, maintain, and operate facilities
18 in order to provide water service to the public in the areas more fully described in Exhibit A, be and
19 is hereby granted.

20 IT IS FURTHER ORDERED that Rancho Cabrillo Water Company shall comply with all of
21 Staff's recommendations in Findings of Fact No. 11 and 12.

22 IT IS FURTHER ORDERED that Rancho Cabrillo Water Company shall file a tariff
23 containing the following schedule of rates and charges:

24
25 MONTHLY USAGE CHARGES

26	5/8" x 3/4" Meter	\$15.45
	3/4" Meter	15.27
	1" Meter	32.00
27	1 1/2" Meter	48.00
	2" Meter	64.00
28	4" Meter	128.00

1 6" Meter 256.00

2 COMMODITY CHARGE

2 Charge per 1,000 Gallons from 1 - 5,000 \$2.75
 3 Charge per 1,000 Gallons from 5,001 to 20,000 3.00
 3 Charge per 1,000 Gallons over 20,000 Gallons 3.50

4 SERVICE CHARGES

4 Establishment \$30.00
 5 Establishment (After Hours) 30.00
 5 Reconnection (Delinquent) 30.00
 6 Meter Test (If Correct) 30.00
 6 Deposit *
 7 Deposit Interest *
 7 Re-Establishment (Within 12 Months) **
 8 NSF Check 15.00
 8 Deferred Payment 1.50%
 9 Meter Re-Read (If Correct) 15.00

10 MONTHLY SERVICE CHARGE FOR FIRE

11 SPRINKLER

11 4" or smaller ***
 11 6" ***
 12 8" ***
 12 10" ***
 13 Larger than 10" ***

14 * Per Commission Rules (R14-2-403.B).

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

15 *** 1.00% of monthly minimum for a comparable sized meter connection, but no less than
 16 \$5.00 per month. The service charge for fire sprinklers is only applicable for service
 16 lines separate and distinct from the primary water service line.

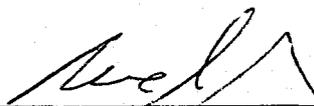
17 IT IS FURTHER ORDERED the rates and charges authorized herein shall be effective for all
 18 service rendered until otherwise ordered by the Arizona Corporation Commission.

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

20 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

21 

23 CHAIRMAN

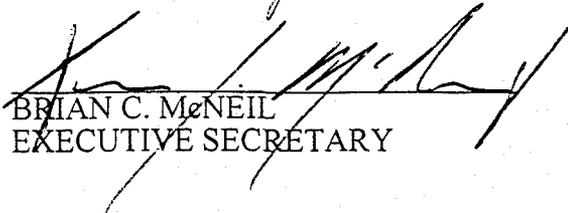
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23 COMMISSIONER

23 COMMISSIONER

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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 24th day of April, 2001.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
SG:mlj

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SERVICE LIST FOR: RANCHO CABRILLO WATER COMPANY

DOCKET NO. W-03898A-00-0474

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EXHIBIT A

The following property located in Section 3, Township 4 North, Range 1 West, Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The Southeast quarter;
 The South half of the Northwest quarter;
 The South half of the Northeast quarter; and

BEGINNING at the North quarter corner of said Section;

THENCE along the North line of the Northeast quarter of said Section and the North line of said Lots 1 and 2, N89°45'52"E, 2,625.13 feet to the Northeast corner of said Section 3; said corner also being the Northeast corner of said Lot 1;

THENCE along the East line of the Northeast quarter of said Section 3 and the East line of said Lot 1, S0°43'25"E, 1,025.06 feet to the Southeast corner of said Lot 1;

THENCE along the South line of said Lots 1 and 2, S89°54'43"W, 2,625.93 feet to the Southwest corner of said Lot 2;

THENCE along the North-South midsection line of said Section 3 and the West line of said Lot 2, N0°40'56"W, 1,018.33 feet to the point of beginning, and

The following property located in Section 10, Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The North half of Section 10

Maricopa	3	4 North	1 West
COUNTY	SECTION	TOWNSHIP	RANGE

6	5	4		2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

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