



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

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

JAN 20 2004

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
BONITA CREEK LAND AND HOMEOWNERS'  
ASSOCIATION FOR A PERMANENT RATE  
INCREASE.

DOCKET NO. W-02195B-03-0293

66734

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
January 13 and 14, 2004  
Phoenix, Arizona

BY THE COMMISSION:

On May 8, 2003, Bonita Creek Land and Homeowners' Association ("Applicant" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase in its water rates and charges.

On June 9, 2003, the Commission's Utilities Division ("Staff") issued a notice of insufficiency.

On August 25, 2003, Applicant filed an amended application and provided notice to its customers. In response thereto, the Commission has not received any protests concerning Applicant's proposed rate increase.

On September 24, 2003, Staff filed notice that Applicant's application had met the sufficiency requirements of A.A.C. R14-2-103. Based on its application, Staff classified the Company as a Class E utility.

On November 24, 2003, Staff filed a Staff Report, recommending that the rates proposed by Staff be approved.

\* \* \* \* \*

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

**FINDINGS OF FACT**

1  
2 1. Pursuant to authority granted by the Commission, Applicant is an Arizona non-profit  
3 corporation engaged in the business of providing water to an area approximately 15 miles northeast  
4 of Payson, Gila County, Arizona.

5 2. Applicant's present rates and charges for water were approved in Decision No. 59548  
6 (March 13, 1996).

7 3. On May 8, 2003, the Company filed an application requesting authority to increase its  
8 rates and charges for water service.

9 4. On June 9, 2003, Staff issued a notice of insufficiency to Applicant.

10 5. On August 25, 2003, Applicant filed an amended application and provided notice to its  
11 customers of its proposed rates and charges by first class U.S. mail and, in response thereto, no  
12 protests have been received by the Commission opposing Applicant's proposed increase.

13 6. On September 24, 2003, Staff filed notice that the Company's application had met the  
14 Commission's sufficiency requirements under A.A.C. R14-2-103.

15 7. During the test year ended December 31, 2002 ("TY"), Applicant served 38 metered  
16 customers all of whom are residential users who are served by 5/8" x 3/4" meters.

17 8. Average and median meter usage on the 5/8" x 3/4" meters during the TY were 1,685  
18 and 756 gallons per month, respectively.

19 9. Staff conducted an investigation of Applicant's proposed rates and charges for water  
20 service and filed its Staff Report on the Company's rate application request on November 24, 2003,  
21 and recommended that the Commission issue a Decision approving Staff's proposed rates.

22 10. The water rates and charges for Applicant at present, as proposed in the Application  
23 and as recommended by Staff are as follows:

	<u>Present</u> <u>Rates</u>	<u>Proposed Rates</u>	
		<u>Applicant</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$19.75	\$29.75	\$35.00
3/4" Meter	19.75	29.75	60.00

66734

1	1" Meter	49.38	69.00	100.00
	1 1/2" Meter	98.75	109.00	200.00
2	2" Meter	158.00	169.00	320.00
	3" Meter	296.25	306.00	600.00
3	4" Meter	493.75	569.00	1,000.00
	5" Meter	740.63	0.00	0.00
4	6" Meter	987.50	1,069.00	0.00
5	Gallons Included In Minimum	0	0	0
6	Excess of Minimum – per 1,000 Gallons			
7	From Zero gallons to 3,000 gallons	\$4.25	\$4.25	n/a
	From 3,001 gallons to 10,000 gallons	4.75	4.75	n/a
8	Over 10,000 gallons	5.75	5.75	n/a
	From zero gallons to 2,000 gallons	n/a	n/a	\$6.25
9	From 2,001 gallons to 8,000 gallons	n/a	n/a	7.00
10	Over 8,000 gallons	n/a	n/a	7.75
11	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u>			
12	(Refundable pursuant to A.A.C. R14-2-405)			
13	5/8" x 3/4" Meter	\$365.00	\$515.00	\$515.00
14	3/4" Meter	405.00	575.00	575.00
	1" Meter	455.00	660.00	660.00
15	1 1/2" Meter	668.00	900.00	900.00
	2" Meter	1,080.00	1,525.00	1,525.00
16	3" Meter	1,460.00	2,165.00	2,165.00
	4" Meter	2,350.00	3,360.00	3,360.00
17	5" Meter	3,400.00	0.00	0.00
18	6" Meter	4,450.00	6,035.00	6,035.00
19	<u>SERVICE CHARGES:</u>			
20	Establishment	\$30.00	\$30.00	\$30.00
21	Establishment (After Hours)	35.00	35.00	35.00
	Reconnection (Delinquent)	30.00	30.00	30.00
22	Meter Test (If Correct)	40.00	40.00	40.00
	Deposit	*	*	*
23	Deposit Interest	6.00%	3.00%	*
	Reestablishment (Within 12 Months)	**	**	**
24	NSF Check	15.00	25.00	15.00
25	Deferred Payment (per Month)	***	***	***
	Meter Reread (If Correct)	10.00	25.00	10.00
26	Late Payment Charge (per month)	n/a	25.00	1.5%
27				
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66734

MONTHLY SERVICE CHARGE FOR  
FIRE SPRINKLERS:

4" or Small	\$0.00	\$0.00	****
6"	0.00	0.00	****
8"	0.00	0.00	****
10"	0.00	0.00	****
Larger than 10"	0.00	0.00	****

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* Per Commission Rule A.A.C. R14-2-409(G).

\*\*\*\* 1.00% 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.

11. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$5,921 which is the same as its original cost rate base. The Company's FVRB reflects a \$4,921 reduction by Staff of Applicant's proposed FVRB due in large part to adjustments to Applicant's contributed plant account and the amortization of CIAC.

12. Staff decreased Applicant's operating expenses by \$690 due to several minor adjustments to expenses.

13. Applicant's present water rates and charges produced operating revenues of \$12,280 and adjusted operating expenses of \$18,135 which resulted in an operating loss of \$5,855 during the TY for no return on FVRB.

14. The water rates and charges Applicant proposed would produce operating revenues of \$16,963 and adjusted operating expenses of \$18,755 resulting in no return on FVRB.

15. The water rates and charges Staff recommended would produce adjusted operating revenues of \$21,000 and adjusted operating expenses of \$18,755, resulting in net operating income of \$2,245 or a 37.92 percent rate of return on FVRB.

16. Applicant's proposed rate schedule would increase the average monthly customer water bill by 37.2 percent, from \$26.91 to \$36.91, and the median monthly customer water bill by 43.5 percent, from \$22.97 to \$32.97.

17. Staff's recommended rates would increase the average monthly customer water bill by

1 69.2 percent, from \$26.91 to \$45.53, and increase the median monthly customer water bill by 73  
2 percent, from \$22.97 to \$39.73.

3 18. According to the Staff Report, Applicant is in compliance with its Commission  
4 compliance action filings and prior Commission Orders. Additionally, Applicant is current on the  
5 payment of property taxes, sales taxes, and is providing water which meets the requirements of the  
6 Safe Drinking Water Act and the requirements of the new arsenic maximum contaminant level.

7 19. During Staff's review of the water rate request, Staff found that Applicant's utility  
8 plant is experiencing a water loss of 24 percent on water pumped. Staff believes that water losses in  
9 excess of ten percent are not prudent for the Company and that Applicant's water losses should be  
10 reduced unless said reduction would not be cost effective.

11 20. Staff additionally recommended:

- 12 • that Applicant notify its customers of the water rates and charges approved  
13 hereinafter and their effective date by means of an insert in its next monthly billing  
14 and file a copy of the notice sent to its customers with the Compliance Section of  
the Utilities Division ("Compliance Section");
- 15 • that Applicant file, within 45 days after the effective date of this Decision, with  
16 Docket Control a curtailment tariff for approval by the Director ("Director") of the  
17 Utilities Division. Applicant's curtailment tariff shall generally conform to the  
sample tariff found on the Commission's website or available upon request from  
Commission Staff;
- 18 • that Applicant shall notify, no later than sixty (60) days after the filing of this  
19 tariff, its customers of this new curtailment tariff in its next regularly scheduled  
20 billing;
- 21 • that Applicant provide a copy of its curtailment tariff to any customer, upon  
22 request;
- 23 • that Applicant, following the effective date of this Decision, file, within 30 days of  
24 the end of each subsequent calendar year, a yearly report with Docket Control for  
review by the Director demonstrating the amount of water pumped and sold each  
year along with the efforts made to reduce water loss to less than 10 percent.  
Applicant shall submit this report until it achieves two consecutive years of less  
than 10 percent loss or until further Order by the Commission;
- 25 • that Applicant file, within 30 days of the effective date of this Decision, with the  
Commission, a copy of the schedule of its approved rates and charges;
- 26 • that Applicant adopt the depreciation rate table as set forth in Exhibit 4 to the  
27 Engineering Report attached to the Staff Report;
- 28 • that Applicant adopt the off-site water facilities Hook-up Fee tariff as set forth in  
Exhibit 5 of the Engineering Report attached to the Staff Report;

66734

- 1           • that all funds collected by Applicant as off-site facilities Hook-up Fees shall be  
2 deposited into a separate interest bearing trust account and used solely for the  
3 purposes of paying for the cost of off-site facilities, for the replacement of  
4 undersized mains and associated valves and appurtenances, and repayment of  
5 loans obtained for the installation of off-site facilities;
- 6           • that Applicant, following the effective date of this Decision, file, by April 15<sup>th</sup> of  
7 each following year, with Docket Control, annual reports on the water Hook-up  
8 Fee account disclosing the following:
- 9               1. the name of each entity paying a Hook-up Fee;
  - 10              2. the amount of Hook-Up Fee paid by each entity;
  - 11              3. the description of utility plant constructed with Hook-Up Fee funds;
  - 12              4. the balance in the Hook-Up Fee account;
  - 13              5. the interest earned on the Hook-Up Fee account; and
  - 14              6. any other pertinent information that may be required by Staff; and
- 15           • that Applicant, in addition to the collection of its regular rates and charges, collect  
16 from its customers their proportionate share of any privilege, sales or use tax as  
17 provided for in A.A.C. R14-2-409(D).

18           21. As a non-profit corporation homeowners' association, Applicant must charge rates that  
19 allow it to operate in a viable fashion. We agree with Staff's recommendations and find that Staff's  
20 proposed rates are just and reasonable under the circumstances described herein.

### 21           CONCLUSIONS OF LAW

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

24           2. The Commission has jurisdiction over Applicant and the subject matter of the  
25 application.

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

27           4. Under the circumstances discussed herein, the rates and charges for Applicant as  
28 authorized hereinafter are just and reasonable and should be approved without a hearing.

          5. Staff's recommendations, as set forth in Findings of Fact No. 20 are reasonable and  
should be adopted.

### ORDER

          IT IS THEREFORE ORDERED that Bonita Creek Land and Homeowners' Association is  
hereby directed to file on or before January 30, 2004, revised rate schedules setting forth the  
following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$35.00
3/4" Meter	60.00
1" Meter	100.00
1 1/2" Meter	200.00
2" Meter	320.00
3" Meter	600.00
4" Meter	1,000.00

## Gallonage Charge per 1,000 Gallons

From 0 gallons to 2,000 gallons	\$6.25
From 2,001 gallons to 8,000 gallons	7.00
Over 8,000 gallons	7.75

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refunded pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	\$515.00
3/4" Meter	575.00
1" Meter	660.00
1 1/2" Meter	900.00
2" Meter	1,525.00
3" Meter	2,165.00
4" Meter	3,360.00
5" Meter	0.00
6" Meter	6,035.00

SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	35.00
Reconnection (Delinquent)	30.00
Meter Test (If Correct)	40.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	15.00
Deferred Payment (per Month)	***
Meter Reread (If Correct)	10.00
Late Payment Charge (per Month)	1.5%

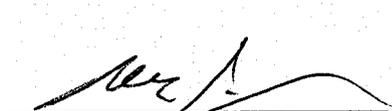
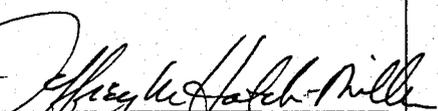
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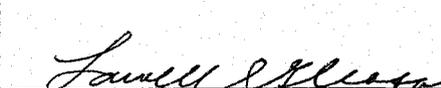


1 IT IS FURTHER ORDERED that Bonita Creek Land and Homeowners' Association shall  
2 comply with Staff's recommendations as set forth in Findings of Fact No. 20.

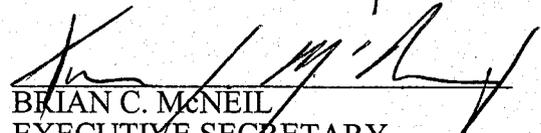
3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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6     
7 CHAIRMAN COMMISSIONER COMMISSIONER

8  
9    
10 COMMISSIONER COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 20<sup>th</sup> day of January, 2004.

17   
18 BRIAN C. McNEIL  
19 EXECUTIVE SECRETARY

20 DISSENT \_\_\_\_\_  
21 DISSENT \_\_\_\_\_

22 MES:mlj

1 SERVICE LIST FOR: BONITA CREEK LAND AND HOMEOWNER'S ASSOCIATION

2 DOCKET NO.: W-02195B-03-0293

3

4 Fred Washburn  
5 Bonita Creek Land and Homeowners' Association  
6 HC7 Box 271-E  
7 Payson, AZ 85541

8 Christopher Kempley, Chief Counsel  
9 Legal Division  
10 ARIZONA CORPORATION COMMISSION  
11 1200 W. Washington  
12 Phoenix, AZ 85007

13 Ernest Johnson, Director  
14 Utilities Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 W. Washington  
17 Phoenix, AZ 85007

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