



0000027209

Docket

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED

MAR 25 2002

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA ESTATES PROPERTY OWNERS
ASSOCIATION FOR A PERMANENT RATE
INCREASE.

DOCKET NO. W-02064A-01-0787

DECISION NO. 64665

ORDER

Open Meeting
March 19 and 20, 2002
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. On October 9, 2001, Montezuma Estates Property Owners Association ("Montezuma" or "Company") filed with the Commission an application for a permanent rate increase.
2. On November 14, 2001, the Commission's Utilities Division Staff ("Staff") filed an insufficiency letter.
3. On December 4, 2001, Staff filed its sufficiency letter and classified Montezuma as a Class E utility.
4. On February 1, 2002, Staff filed its Staff Report recommending approval of the application without a hearing.
5. On March 1, 2002, Staff filed an amended Staff Report that includes typographical corrections to pages 1 and 6 of the Staff Report, and to Schedule 4 attached to the Staff Report.
6. Montezuma is a non-profit corporation that currently provides water utility service to approximately 80 customers in an area located 49 miles south of Flagstaff near Rimrock in Yavapai County, Arizona. Its system consists of two wells. Each well is equipped with a 2,000-gallon

1 pressure tank, a 10,000-gallon storage tank, and a 5 horsepower booster pump. One of the wells is
2 equipped with a 10,000-watt standby propane generator.

3 7. The Commission authorized Montezuma's current permanent rates in Decision No.
4 59883 (November 26, 1996).

5 8. The Company mailed notice of its rate application to its customers on October 5,
6 2001. There has been no customer response objecting to the proposed rate increase.

7 9. Based on Test Year results for the year ended December 31, 2000, as adjusted by
8 Staff, Montezuma realized an operating income of \$10,384 on an Original Cost Rate Base
9 ("OCRB") of \$49,656.

10 10. The Company proposed a revenue level of \$25,962 and operating income of \$12,420,
11 for a rate of return of 25.01 percent on an OCRB of \$49,656.

12 11. Staff recommended a revenue level of \$31,662, resulting in an operating income of
13 \$4,355, for a rate of return of 8.53 percent on an OCRB of \$51,044.

14 12. Montezuma's present and proposed rates and charges, as well as Staff's
15 recommended rates and charges, are as follows:

	Present Rates	Proposed Rates	
		Company	Staff
<u>MONTHLY USAGE CHARGE:</u>			
18 5/8" x 3/4" Meter	\$16.00	\$21.00	\$27.25
19 3/4" Meter	24.00	31.50	40.88
20 1" Meter	40.00	52.50	68.13
21 1 1/2" Meter	80.00	105.00	136.25
22 2" Meter	128.00	168.00	216.39
23 3" Meter	240.00	315.00	408.75
24 4" Meter	400.00	525.00	681.25
25 6" Meter	800.00	1,050.00	1,362.50
26 Excess of Minimum -- per 1,000 Gallons	\$1.05	\$1.80	\$1.85
27 Gallons included in minimum	0	0	0

26 SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

27 5/8" x 3/4" Meter (Same side of road as water 28 main)	\$400.00	\$500.00	\$500.00
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1	5/8" x 3/4" Meter (Other side of road from water main)	400.00	800.00	800.00
2	3/4" Meter (Same side of road as water main)	440.00	550.00	550.00
3	3/4" Meter (Other side of road from water main)	440.00	875.00	875.00
4	1" Meter (Same side of road as water main)	500.00	625.00	625.00
5	1" Meter (Other side of road from water main)	500.00	1,000.00	1,000.00
6	1 1/2" Meter (Same side of road as water main)	715.00	900.00	900.00
7	1 1/2" Meter (Other side of road from water main)	715.00	1,425.00	1,425.00
8	2" Meter Turbo (Same side of road as water main)	1,170.00	1,450.00	1,450.00
9	2" Meter Turbo (Other side of road from water main)	1,170.00	2,350.00	2,350.00
10	2" Meter Compound (Same side of road as water main)	1,700.00	2,125.00	2,125.00
11	2" Meter Compound (Other side of road from water main)	1,700.00	3,400.00	3,400.00
12	3" Meter Turbo (Same side of road as water main)	1,585.00	1,975.00	1,975.00
13	3" Meter Turbo (Other side of road from water main)	1,585.00	3,175.00	3,175.00
14	3" Meter Compound (Same side of road as water main)	2,190.00	2,750.00	2,750.00
15	3" Meter Compound (Other side of road from water main)	2,190.00	4,375.00	4,375.00
16	4" Meter Turbo (Same side of road as water main)	2,540.00	3,175.00	3,175.00
17	4" Meter Turbo (Other side of road from water main)	2,540.00	5,100.00	5,100.00
18	4" Meter Compound (Same side of road as water main)	3,215.00	4,025.00	4,025.00
19	4" Meter Compound (Other side of road from water main)	3,215.00	6,425.00	6,425.00
20	6" Meter Turbo (Same side of road as water main)	4,815.00	6,025.00	6,025.00
21	6" Meter Turbo (Other side of road from water main)	4,815.00	9,625.00	9,625.00
22	6" Meter Compound (Same side of road as water main)	6,270.00	7,850.00	7,850.00
23	6" Meter Compound (Other side of road from water main)	6,270.00	12,550.00	12,550.00
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Off-Site Facilities & Original Main

Replacement Hook-up Fee

5/8" x 3/4" Meter	\$1,500.00	\$2,000.00	\$2,000.00
3/4" Meter	1,800.00	2,400.00	2,400.00
1" Meter	3,000.00	4,000.00	4,000.00
1 1/2" Meter	6,000.00	8,000.00	8,000.00
2" Meter	9,600.00	12,800.00	12,800.00
3" Meter	18,000.00	24,000.00	24,000.00
4" Meter	30,000.00	40,000.00	40,000.00
6" Meter	60,000.00	80,000.00	80,000.00

SERVICE CHARGES:

Establishment	\$25.00	\$40.00	\$40.00
Establishment (After Hours)	30.00	60.00	60.00
Reconnection (Delinquent)	30.00	50.00	50.00
Meter Test (If Correct)	20.00	30.00	30.00
Deposit	*	45.00	*
Deposit Interest	*	*	*
Reestablishment (Within 12 Months)	**	**	**
NSF Check	15.00	25.00	25.00
Deferred Payment (per month)	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	15.00	15.00
Late Fee	0.00	5.00	(a)

Monthly Service Charge for Fire Sprinkler

4" or Smaller	***	***	***
6"	***	***	***
8"	***	***	***
10"	***	***	***
Larger than 10"	***	***	***

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

** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

*** 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.

(a) 1.5 percent after 15 days.

13. In its Staff Report, Staff made adjustments that increased the Company's proposed rate base of \$49,656 to \$51,044. The increase of \$1,388 is attributable to Staff's adjustment to Cash Working Capital, which was necessitated by certain of Staff's adjustments to Operating Expenses. Staff's adjustment to rate base, as reflected in the Staff Report, is reasonable and should be adopted.

1 Consequently, Montezuma's Fair Value Rate Base ("FVRB") is determined to be \$51,044. The
2 Company's FVRB is the same as its OCRB.

3 14. Staff made eight adjustments to Operating Expenses, resulting in a net decrease of
4 \$13,765. Staff made adjustments increasing Office Supplies and Expense by \$618, and Outside
5 Services by \$8,847. Staff based both of those adjustments on changes that occurred outside the Test
6 Year, but that are known and measurable, and will be recurring. Staff's adjustments also included an
7 increase in Depreciation Expense in the amount of \$2,060 to reflect Staff's proposed depreciation
8 rates. Staff adjusted Property and Income Tax Expenses to reflect actual tax amounts, and Water
9 Testing Expense to reflect Staff's calculation of annual water testing costs. In addition, Staff made
10 an adjustment of \$1,746 to exclude the effects of a Company-proposed negative acquisition
11 adjustment, and \$500 to Rate Case Expense to reflect the Company's annual rate case expense,
12 which Staff recommends be \$1,500 amortized over 3 years. Staff's adjustments to operating
13 revenues and expenses as reflected in the Staff Report are reasonable and should be adopted.

14 15. During the test year, the Company's customers had a median use of 4,100 gallons.

15 16. The Company's proposed rates would increase the median 5/8 x 3/4 inch meter
16 monthly bill by 39.8 percent, from \$20.31 to \$28.38.

17 17. Staff's recommended rates would increase the median 5/8 x 3/4 inch meter monthly
18 bill by 71.6 percent, from \$20.31 to \$34.84.

19 18. Decision No. 59833 approved off-site hook-up fees for Montezuma to cover the costs
20 of installing backbone plant and for the replacement of original mains that were improperly installed
21 by the original developer. Montezuma proposes an increase to its off-site hook-up fees due to
22 increased costs for material and labor.

23 19. The Arizona Department of Environmental Quality ("ADEQ") has determined that
24 Montezuma is currently delivering water that meets the water quality standards required by Title 18,
25 Chapter 4 of the Arizona Administrative Code.

26 20. The Company is current on all property and sales taxes.

27 21. Staff recommends that its proposed rates and charges be approved without a hearing,
28 and that the proposed increase in the off-site hook-up fee tariff as shown in the Engineering Report

1 attached to the Staff Report be approved.

2 22. Staff also recommends that the Commission approve the proposed curtailment plan as
3 submitted by Montezuma as shown in Attachment B of the Engineering Report attached to the Staff
4 Report.

5 23. Staff further recommends that:

6 (a) Montezuma's proposed negative acquisition adjustment not be recognized for
7 ratemaking purposes;

8 (b) Montezuma be ordered to adopt the depreciation rates shown on page seven of the
9 Engineering Report attached to the Staff Report;

10 (c) Montezuma be required to file yearly reports within 30 days after the end of each
11 calendar year with the Director of the Utilities Division, indicating 1) the annual
12 quantity of water pumped and sold, and 2) the efforts made to reduce water loss;

13 (d) Montezuma be required to place all hook-up fees in a separate interest bearing
14 account to be used solely for the installation of backbone off-site plant and
15 replacement of original mains, valves, and fittings;

16 (e) Montezuma be ordered to file an annual report of its hook-up fee account; which
17 report should be filed within 45 days of the end of each calendar year and which
18 should contain the following information: 1) Name of each entity paying hook-
19 up fees; 2) Amount of hook-up fees paid by each entity; 3) Description of utility
20 plant constructed with hook-up fee funds; 4) Balance of hook-up fee account; 5)
21 Interest earned on hook-up fee account; and 6) Any other pertinent information
22 that may be required by Staff; and that

23 (f) Montezuma be required to file, within 36 months of a Decision in this case, a
24 report with the Commission's Utilities Division Director describing what steps the
25 Company is planning to take in order to reduce the arsenic level in its water to
26 below 10 parts per billion.

27 CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Montezuma and of the subject matter of the
application.

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

4. The rates and charges authorized herein are just and reasonable and should be

1 approved without a hearing.

2 5. Staff's recommendations set forth in Findings of Fact Nos. 11, 13, 14, 21, 22 and 23
 3 are reasonable and should be adopted.

4 **ORDER**

5 IT IS THEREFORE ORDERED that Montezuma Estates Property Owners Association shall
 6 file with the Commission's Docket Control Center, on or before April 1, 2002, the following
 7 schedule of rates and charges:

8
 9 **MONTHLY USAGE CHARGE:**

10	5/8" x 3/4" Meter	\$27.25
	3/4" Meter	40.88
11	1" Meter	68.13
12	1 1/2" Meter	136.25
	2" Meter	216.39
13	3" Meter	408.75
	4" Meter	681.25
14	6" Meter	1,362.50
15	Gallonge Charge- per 1,000 Gallons	\$1.85

16
 17 **SERVICE LINE AND METER INSTALLATION CHARGES:**
 (Refundable pursuant to A.A.C. R14-2-405)

18	5/8" x 3/4" Meter (Same side of road as water main)	\$500.00
19	5/8" x 3/4" Meter (Other side of road from water main)	800.00
20	3/4" Meter (Same side of road as water main)	550.00
21	3/4" Meter (Other side of road from water main)	875.00
22	1" Meter (Same side of road as water main)	625.00
23	1" Meter (Other side of road from water main)	1,000.00
24	1 1/2" Meter (Same side of road as water main)	900.00
25	1 1/2" Meter (Other side of road from water main)	1,425.00

28

1	2" Meter Turbo (Other side of road from water main)	2,350.00
2	2" Meter Compound (Same side of road as water main)	2,125.00
3	2" Meter Compound (Other side of road from water main)	3,400.00
4	3" Meter Turbo (Same side of road as water main)	1,975.00
5	3" Meter Turbo (Other side of road from water main)	3,175.00
6	3" Meter Compound (Same side of road as water main)	2,750.00
7	3" Meter Compound (Other side of road from water main)	4,375.00
8	4" Meter Turbo (Same side of road as water main)	3,175.00
9	4" Meter Turbo (Other side of road from water main)	5,100.00
10	4" Meter Compound (Same side of road as water main)	4,025.00
11	4" Meter Compound (Other side of road from water main)	6,425.00
12	6" Meter Turbo (Same side of road as water main)	6,025.00
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15	6" Meter Compound (Other side of road from water main)	12,550.00

Off-Site Facilities & Original Main

18		
19	<u>Replacement Hook-up Fee</u>	
20	5/8" x 3/4" Meter	\$2,000.00
21	3/4" Meter	2,400.00
22	1" Meter	4,000.00
23	1 1/2" Meter	8,000.00
24	2" Meter	12,800.00
25	3" Meter	24,000.00
26	4" Meter	40,000.00
27	6" Meter	80,000.00

SERVICE CHARGES:

28	Establishment	\$40.00
	Establishment (After Hours)	60.00
	Reconnection (Delinquent)	50.00
	Meter Test (If Correct)	30.00

1	Reconnection (Delinquent)	50.00
	Meter Test (If Correct)	30.00
2	Deposit	*
	Deposit Interest	*
3	Reestablishment (Within 12 Months)	**
	NSF Check	25.00
4	Deferred Payment (per month)	1.50%
5	Meter Re-Read (If Correct)	15.00
	Late Fee	(a)
6	<u>Monthly Service Charge for Fire Sprinkler</u>	
7	4" or Smaller	***
	6"	***
8	8"	***
9	10"	***
	Larger than 10"	***

11 * Per Commission Rule A.A.C. R-14-2-403(B).

12 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

13 *** 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.

14 (a) 1.5 percent after 15 days.

15 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
16 provided on and after April 1, 2002.

17 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall
18 notify its customers of the rates and charges authorized herein and the effective date of same by
19 means of an insert in its next regular monthly billing.

20 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall file
21 with the Commission's Docket Control Center a copy of the notice it sends to its customers within 60
22 days of the effective date of this Decision.

23 IT IS FURTHER ORDERED that the proposed increase in the Off-Site Hook-Up Fee as
24 shown in the Staff Report is hereby approved. Montezuma Estates Property Owners Association
25 shall file with the Commission's Docket Control Center, on or before April 1, 2002 a new Tariff
26 Schedule for Off-Site Facilities and Original Main Replacement Hook-Up Fee that conforms with the
27 Tariff Schedule as it appears in the Staff Report.
28

1 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall
2 place all hook-up fees in a separate interest bearing account to be used solely for the installation of
3 backbone off-site plant and replacement of original mains, valves, and fittings.

4 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall file
5 with the Director of the Utilities Division an annual report on its hook-up fee account. This report
6 shall be filed within 45 days of the end of each calendar year and shall contain the following
7 information: 1) Name of each entity paying hook-up fees; 2) Amount of hook-up fees paid by each
8 entity; 3) Description of utility plant constructed with hook-up fee funds; 4) Balance of hook-up fee
9 account; 5) Interest earned on hook-up fee account; and 6) Any other pertinent information that may
10 be required by Staff.

11 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall file
12 yearly reports within 30 days after the end of each calendar year with the Director of the Utilities
13 Division, that indicate 1) the annual quantity of water pumped and sold, and 2) the efforts made to
14 reduce water loss.

15 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association's
16 proposed curtailment plan as shown in the Staff Report is hereby approved.

17 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association's
18 proposed negative acquisition adjustment shall not be recognized for ratemaking purposes.

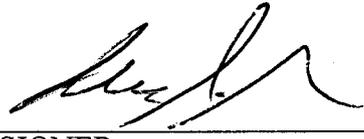
19 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall
20 adopt the depreciation rates shown in the Staff Report.

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1 IT IS FURTHER ORDERED that Montezuma Estates Property Owners Association shall file,
2 within 36 months, a report with the Commission's Utilities Division Director describing what steps
3 the Company is planning to take in order to reduce the arsenic level in its water to below 10 parts per
4 billion.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8  _____
9 CHAIRMAN COMMISSIONER COMMISSIONER


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11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
12 Secretary of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this 25th day of MARCH, 2002.

16 
17 BRIAN C. McNEIL
18 EXECUTIVE SECRETARY

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DISSENT _____
TW:dap

1 SERVICE LIST FOR:

MONTEZUMA ESTATES PROPERTY OWNERS
ASSOCIATION

2
3 DOCKET NO.:

W-02064A-01-0787

4 Peter Sanchez, President
5 MONTEZUMA ESTATES PROPERTY
OWNERS ASSOCIATION
6 P.O. Box 612
Rimrock, Arizona 86335

7 Christopher Kempley, Chief Counsel
Legal Division
8 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
9 Phoenix, Arizona 85007

10 Ernest Johnson, Director
Utilities Division
11 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
12 Phoenix, Arizona 85007

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