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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

APR 14 2000

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

DOCKETED BY *sd*

IN THE MATTER OF THE APPLICATION OF
NEW RIVER UTILITY COMPANY, INC. FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-01737A-99-0633

DECISION NO. 62449

ORDER

Open Meeting
April 11 and 12, 2000
Phoenix, Arizona

BY THE COMMISSION:

On November 8, 1999, New River Utility Company, Inc. ("New River" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On January 18, 2000, Staff filed its Staff Report, recommending approval for rates and charges, many of which differ from those proposed by the Company.

New River provided notice of the requested rate increase to its customers on August 25, 1999, by first-class mail.

DISCUSSION

Introduction

New River is a water provider authorized by the Commission to provide water service in its certificated area located in the City of Peoria, Maricopa County, Arizona. During the test year ended December 31, 1998, New River provided water to a total of 338 customers. As of December 31, 1999, the Company had 976 customers.

The Staff Report indicates that the Maricopa County Department of Environmental Services (MCDES) performed a plant inspection and found no deficiencies. Staff's Report also states that the Company is providing water with no maximum contaminant violations and meets the quality standards of the Safe Drinking Water Act. The Staff Report states that New River pumped less than

1 250 acre-feet per year at the time it filed its application, and therefore is considered a "sr
2 provider" by the Arizona Department of Water Resources ("ADWR") and not subject to the gallons
3 per capita per day limit and conservation rules. As a result of this classification, the Company has
4 only been required to monitor and report water usage. The Company is in compliance with the
5 monitoring and reporting requirements for a small provider.

6 Based on TY results, as adjusted by Staff, New River's current rates and charges produced an
7 operating loss of \$37,374 on an Original Cost Rate Base ("OCRB") of \$179,383 resulting in no rate
8 of return. In its rate application, New River's proposed rates would yield a revenue level of
9 \$238,240, which would result in operating income of \$2,224, and a rate of return of 1.79 percent on
10 OCRB of \$124,245. Staff recommended a revenue level of \$256,231, resulting in operating income
11 of \$3,210 and a 1.79 percent rate of return on an OCRB of \$179,383.

12 Rate Base

13 The Company's application utilized a rate base of \$124,245. Staff increased rate base by
14 \$55,138 to \$179,383 as a result of several adjustments. Staff decreased Plant in Service by \$23,8
15 by removing the original cost of a well that is no longer used and useful. Staff also increased the
16 Cash Working Capital Allowance by \$641 due to Staff's adjustments to the Company's operating
17 expenses.

18 Staff decreased the Accumulated Depreciation account by \$78,331. The Company's proposed
19 Accumulated Depreciation figure was determined on a tax basis. Staff's adjustment is based on the 2
20 percent depreciation rate that the Company has used since 1961. Staff accepted the Company's
21 proposed depreciation rates on a going forward basis.

22 Revenue and Operating Expenses

23 Staff made several adjustments to test year revenue and expenses, accounting for a difference
24 of \$11,950 between the Company and Staff's operating loss.

25 Some of Staff's largest adjustments include an increase to Water Sales revenue by \$28,110
26 from \$186,692 to \$214,802 as a result of the reconciliation of reported revenues to bill count
27 revenues and an increase to Property Tax Expense by \$7,059 to reflect the actual 1999 tax bill.
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1 Staff also reduced the Company's Water Testing Expense by \$7,587 to reflect Staff
2 Engineering's proposed testing cost as well as other small reclassifications.

3 Finally, Staff increased the Depreciation Expense by \$3,924 to reflect the difference between
4 tax depreciation and depreciation for rate making purposes.

5 Revenue Requirement and Rate Design

6 In its rate application, the Company proposed rates that would yield a revenue level of
7 \$238,240 which would result in operating income of \$2,224 for a 1.79 percent rate of return. Staff
8 recommended rates and charges that would give the Company a revenue level of \$256,231, resulting
9 in an operating income of \$3,210 and a rate of return of 1.79 percent.

10 The Company currently charges 5/8 X 3/4 inch meter customers a monthly minimum of
11 \$4.00, with usage charges of \$1.00 per thousand gallons in excess of 5,000 gallons usage. In its
12 application, the Company is proposing a minimum charge of \$7.50 for 5/8 X 3/4 inch meter
13 customers, with a charge of \$1.00 per thousand gallons usage with 1,000 gallons included in the
14 Monthly Usage Charge. The Company's proposed rates would increase the typical residential bill,
15 with a median usage of 9,007 gallons, by \$7.50, from \$8.01 to \$15.51, for an increase of 93.7 percent.
16 Also, under the Company's proposed rates, the average 5/8 x 3/4 inch meter bill would increase by
17 62.9 percent, from \$11.93 to \$19.43.

18 In its Report, Staff is proposing a minimum charge of \$7.50 for 5/8 X 3/4 inch meter
19 customers, with a charge of \$1.00 per thousand gallons usage with no gallons included in the
20 Monthly Usage Charge. The rates proposed by Staff would increase the median 5/8 x 3/4 inch meter
21 bill by 106.2 percent from \$8.01 to \$16.51, and the average 5/8 x 3/4 inch meter bill by 71.3 percent,
22 from \$11.93 to \$20.43.

23 We find Staff's recommended rates to be reasonable and they should be adopted. In addition,
24 Staff's recommended Service Line and Meter Installation Charges and Service Charges are
25 reasonable and should be adopted.

26 Other Issues

27 According to the Staff Report, the Company reported 104,161,000 gallons of water sold
28

1 during the 1998 test year. At the same time, the Company reported that 123,248,000 gallons
2 been pumped. This represents an unaccounted-for water level of 15.51 percent. Staff believes that
3 non-account water should be 10 percent or less and never more than 15 percent. Staff recommends
4 that if the water loss cannot be reduced to less than 10 percent, the Company should submit a detailed
5 study explaining why it is not cost-effective to do so.

6 The Staff Report indicates that the Company has not been keeping its books in compliance
7 with the National Association of Regulatory Utility Commissioners' ("NARUC") Uniform System of
8 Accounts. Therefore, Staff recommends that the Company begin keeping its books and records in
9 compliance with NARUC.

10 FINDINGS OF FACT

11 1. On November 8, 1999, New River filed with the Commission an application for a rate
12 increase.

13 2. The Company sent notice of its application for a rate increase to its customers on
14 August 25, 1999 in conjunction with its regular monthly billings.

15 3. On January 18, 2000, Staff filed its Report on New River's application.

16 4. New River is an Arizona corporation that provides water service in the City of Peoria,
17 in Maricopa County, Arizona.

18 5. The Company had 338 customers at the end of the 1998 test year and 976 customers
19 as of December 31, 1999.

20 6. The average and median monthly usage is 12,929 and 9,007 gallons, respectively.

21 7. 16 customers either telephoned or wrote to the Consumer Services Division of the
22 Commission opposing the Company's proposed rate increase.

23 8. New River proposed rates that would yield a revenue level of \$238,240 which would
24 generate an operating income of \$2,224, and a rate of return of 1.79 percent on an OCRB of
25 \$124,245.

26 9. Staff recommended a revenue level of \$256,231, which would result in an operating
27 income of \$3,210 and a rate of return of 1.79 percent on its adjusted OCRB of \$179,383.
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1 10. New River's present and proposed rates and charges, as well as Staff's proposed rates
 2 and charges, are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>Monthly Usage Charges</u>			
3 5/8" x 3/4" Meter	\$4.00	\$7.50	\$7.50
4 3/4" Meter	4.00	7.50	7.50
5 1" Meter	4.00	18.75	18.75
6 1 1/2" Meter	4.00	37.50	37.50
7 2" Meter	4.00	59.99	60.00
8 3" Meter	4.00	119.98	120.00
9 4" Meter	4.00	187.48	190.00
10 6" Meter	4.00	749.91	375.00
11 8" Meter	4.00	1,124.86	750.00
12 Excess of Minimum – per 1,000 gallons	\$1.00	\$1.00	\$1.00
13 Gallons Included in Minimum	5,000	1,000	0
14 Standpipe	N/A	\$1.25	\$1.50
<u>Service Line and Meter Installation Charges</u>			
15 5/8" x 3/4" Meter	\$325.00	\$370.00	\$410.00
16 3/4" Meter	360.00	415.00	410.00
17 1" Meter	420.00	480.00	520.00
18 1 1/2" Meter	600.00	700.00	660.00
19 2" Meter	1,000.00	1,760.00	1,155.00
20 2" Meter Compound	N/A	N/A	1,720.00
21 3" Meter	0.00	2,300.00	1,625.00
22 3" Meter Compound	N/A	N/A	2,260.00
23 4" Meter	N/A	3,325.00	2,500.00
24 4" Meter Compound	N/A	N/A	3,200.00
25 6" Meter	N/A	6,430.00	4,500.00
26 6" Meter Compound	N/A	N/A	6,300.00
27 8" Meter	N/A	8,200.00	8,200.00
<u>Service Charges</u>			
28 Establishment	\$0.00	\$25.00	\$25.00
Establishment (After Hours)	0.00	35.00	35.00
21 Reconnection (Delinquent)	5.00	35.00	35.00
22 Deposit	0.00	*	*
23 Deposit Interest	0.00%	*	*
24 Re-Establishment (Within 12 Months)	25.00	**	**
25 NSF Check	0.00	25.00	15.00
26 Deferred Payment	0.00%	1.50%	1.50%
27 Meter Test (If Correct)	0.00	40.00	40.00
28 Meter Re-Read (If Correct)	2.50	25.00	20.00
Late Charge (Per Month)	N/A	1.50%	1.50%
Fire Sprinkler Rate	N/A	***	***

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

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

1 *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no more
2 than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable
3 service lines separate and distinct from the primary water service line.

4 12. New River's fair value rate base ("FVRB") is determined to be \$179,383. The
5 Company's FVRB is the same as its OCRB.

6 13. New River's current rates and charges produced revenues of \$214,802 in the TY and
7 resulted in an operating loss of \$37,374.

8 14. Staff's adjustments to rate base, revenues, and expenses, as reflected in the Staff
9 Report, are reasonable.

10 15. The rates proposed by the Company would increase the median 5/8 x 3/4 inch meter
11 bill by 93.7 percent, from \$8.01 to \$15.51, and the average 5/8 x 3/4 inch meter bill by 62.9 percent,
12 from \$11.93 to \$19.43.

13 16. The rates proposed by Staff would increase the median 5/8 x 3/4 inch meter bill by
14 106.2 percent from \$8.01 to \$16.51, and the average 5/8 x 3/4 inch meter bill by 71.3 percent, from
15 \$11.93 to \$20.43.

16 17. Staff recommended its proposed rates and charges be granted without a hearing.

17 18. Staff recommended that, in addition to the collection of the Company's regular rates
18 and charges, New River shall collect from its customers their proportionate share of any Privilege,
19 State, or Use Tax as provided for in A.A.C. R14-2-409.D.

20 19. Staff recommended that New River be ordered to file for permanent rates using a Test
21 Year of December 31, 2000 within eighteen months of the date of the Commission Order in this case.

22 20. Staff recommended that the Company be ordered to commence keeping its books and
23 records according to the National Association of Regulatory Utility Commissioners' ("NARUC")
24 Uniform System of Accounts so that its books and records will be properly amenable to Commission
25 review for its next rate case filing.

26 21. Staff further recommends that the Company be ordered to reduce its water loss to less
27 than 15 percent and preferably less than 10 percent before filing its next rate case. If the water loss
28 cannot be reduced to less than 10 percent, then Staff recommends that the Company submit a detailed
29 explanation as to why such a reduction would not be cost-effective.

1 22. Staff has indicated that the Company is current on all of its property taxes.

2 23. At the time that New River submitted its application, it pumped less than 250 acre-feet
3 per year and therefore was considered a "small provider" by ADWR not subject to the gallons per
4 capita per day limit and conservation rules. The Company is in compliance with the monitoring and
5 reporting requirements for a small provider.

6 24. New River is in compliance with the rules and regulations of MCDES and is
7 delivering water that meets the quality standards of the Safe Drinking Water Act.

8 **CONCLUSIONS OF LAW**

9 1. New River is a public service corporation within the meaning of Article XV of the
10 Arizona Corporation Commission and A.R.S. Sections 40-250 and 40-251.

11 2. The Commission has jurisdiction over New River and of the subject matter of the
12 applications.

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

14 4. The rates and charges authorized hereafter are just and reasonable and should be
15 approved without a hearing.

16 **ORDER**

17 IT IS THEREFORE ORDERED that New River Utility Company shall file on or before April
18 28, 2000, the following schedule of rates and charges:

19 **MONTHLY USAGE CHARGES**

20

21 5/8" x 3/4" Meter	\$7.50
22 3/4" Meter	7.50
23 1" Meter	18.75
24 1 1/2" Meter	37.50
25 2" Meter	60.00
3" Meter	120.00
4" Meter	190.00
6" Meter	375.00
8" Meter	750.00

26 **COMMODITY RATES (per 1,000 gallons)**

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All Meter Sizes:	\$1.00
Standpipe	1.50

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1	<u>SERVICE LINE AND METER</u>	
	<u>INSTALLATION CHARGES</u>	
2	(Refundable Pursuant to A.A.C. R14-2-405(B))	
3	5/8" x 3/4" Meter	\$410.00
	3/4" Meter	410.00
4	1" Meter	520.00
	1 1/2" Meter	660.00
5	2" Meter	1,155.00
	2" Meter Compound	1,720.00
6	3" Meter	1,625.00
	3" Meter Compound	2,260.00
7	4" Meter	2,500.00
	4" Meter Compound	3,200.00
8	6" Meter	4,500.00
	6" Meter Compound	6,300.00
9	8" Meter	8,200.00
10	<u>SERVICE CHARGES</u>	
	Establishment	\$25.00
11	Establishment (After Hours)	35.00
	Reconnection (Delinquent)	35.00
12	Deposit	*
	Deposit Interest	*
13	Re-Establishment (Within 12 Months)	**
	NSF Check	15.00
14	Deferred Payment (Per Month)	1.50%
	Meter Test (If Correct)	40.00
15	Meter Re-Read (If Correct)	20.00
	Late Charge (Per Month)	1.50%
16	Fire Sprinkler Rate	***

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

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

19 *** 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.

20 IT IS FURTHER ORDERED that the aforementioned rates shall become effective as of May
21 1, 2000.

22 IT IS FURTHER ORDERED that New River Utility Company shall notify its customers of
23 the rates and charges authorized herein and the effective date of same by means of an insert in its next
24 regular monthly billing and shall file a copy of said insert with the Utilities Division Director within
25 30 days of the effective date of this order.

26 IT IS FURTHER ORDERED that New River Utility Company shall collect from its
27 customers their proportionate share of any Privilege, State, or Use Tax as provided for in A.A.

28

1 R14-2-409.D.

2 IT IS FURTHER ORDERED that New River Utility Company shall file a rate application for
3 permanent rates using a Test Year ending December 31, 2000 within eighteen months of the date of
4 the Commission Order in this case.

5 IT IS FURTHER ORDERED that New River Utility Company shall immediately begin
6 keeping its books and records according the National Association of Regulatory Utility
7 Commissioners' ("NARUC") Uniform System of Accounts so that its books and records will be
8 properly amenable to Commission review for its next rate case filing.

9 IT IS FURTHER ORDERED that New River Utility shall file with the Commission within
10 180 days from the effective date of this Decision, an affidavit verifying that its books and records are
11 being maintained in accordance with the NARUC Uniform System of Accounts.

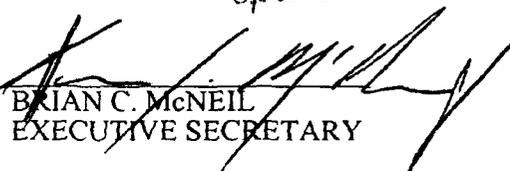
12 IT IS FURTHER ORDERED that the New River Utility Company shall reduce its water loss
13 to less than 15 percent and preferably less than 10 percent before filing its next rate case. If the water
14 loss cannot be reduced to less than 10 percent, the Company shall submit a detailed explanation as to
15 why such a reduction would not be cost-effective to the Utilities Division Director before it files its
16 next rate case.

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

18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

19   
20 CHAIRMAN COMMISSIONER COMMISSIONER

21
22 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
23 Secretary of the Arizona Corporation Commission, have
24 hereunto set my hand and caused the official seal of the
25 Commission to be affixed at the Capitol, in the City of Phoenix,
26 this 14th day of April, 2000.

27 
28 BRIAN C. McNEIL
EXECUTIVE SECRETARY

27 DISSENT _____
28 SG:bbs

1 SERVICE LIST FOR:

NEW RIVER UTILITY COMPANY

2 DOCKET NO.

W-01737A-99-0633

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