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Arizona Corporation Commission  
BEFORE THE ARIZONA CORPORATION COMMISSION  
**DOCKETED**

1  
2 CARL J. KUNASEK  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 WILLIAM A. MUNDELL  
COMMISSIONER

JAN 12 2000

DOCKETED BY	<i>sdl</i>
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5 IN THE MATTER OF THE APPLICATION OF  
6 ANWAY MANVILLE WATER COMPANY, LLC  
7 FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-03233A-99-0360

8 IN THE MATTER OF THE APPLICATION OF  
9 ANWAY MANVILLE WATER COMPANY, LLC  
FOR FINANCING APPROVAL.

DOCKET NO. W-03233A-99-0293

DECISION NO. 62240

**ORDER**

11 Open Meeting  
12 January 5 and 6, 2000  
Phoenix, Arizona

13 **BY THE COMMISSION:**

14 On June 10, 1999, Anway Manville Water Company, LLC ("Anway" or "Company") filed  
15 with the Arizona Corporation Commission ("Commission") an application for financing. The  
16 Company is seeking retroactive approval of \$117,200 of long-term debt obtained in 1998 and  
17 expended for plant additions during the 1998 test year and in 1999. On June 25, 1999, Anway also  
18 filed with the Commission an application for a rate increase.

19 On August 17, 1999, the Commission's Utilities Division ("Staff") filed a Motion to  
20 Consolidate ("Motion"). The Motion for Consolidation was granted on September 9, 1999.

21 On August 30, 1999, Staff filed its Staff Report for both the rate and finance applications,  
22 recommending approval for most of the Company's proposed rates and rate design but denial of the  
23 financing application.

24 Anway provided notice of the requested rate increase to its customers by first-class mail. The  
25 Commission received one comment from a customer who opposed the proposed rate increase.

26 **DISCUSSION**

27 **Introduction**

28 Anway is a small water utility company located in Avra Valley, northwest of Tucson, within

1 Pima County, Arizona. During the test year ended December 31, 1998, Anway provided water  
2 total of thirty-nine (39) customers in Avra Valley.

3 Anway received its CC&N and original tariffs per Decision No. 60112, dated March 19,  
4 1997. In that Decision, Staff recommended that the Company file for a rate review no later than 24  
5 months from the date it serves its first customer. Staff also recommended that the Company file a  
6 copy of its Approval to Construct from the Pima County Department of Environmental Quality  
7 (PCDEQ), its Pima County franchise, and a copy of the developer's Certificate of Assured Water  
8 Supply (CAWS) issued by the Arizona Department of Water Resources (ADWR) with the  
9 Commission within 365 days from the effective date of the Commission's Decision. The Staff  
10 Report indicates that Anway is in compliance with these conditions.

11 The Staff Report indicates that the Company is in compliance with the Arizona Department of  
12 Environmental Quality (ADEQ) and is providing water with no maximum contaminant violations and  
13 meets the quality standards of the Safe Drinking Water Act. Since the Company pumps less than 250  
14 acre-feet per year, it is considered a "small provider" by the ADWR and not subject to the gallons  
15 capita per day (gpcd) limit and conservation rules, but is required to monitor and report water use.  
16 Staff concluded that the Company is in compliance with all of its monitoring and reporting  
17 requirements.

18 Based on TY results, as adjusted by Staff, Anway suffered an operating loss of \$12,544 on  
19 Original Cost Rate Base ("OCRB") of \$316,864 resulting in no rate of return. In its rate application,  
20 Anway proposed rates that would yield a revenue level of \$21,320, which would result in an  
21 operating loss of \$4,172 and no rate of return on OCRB of \$307,390. Staff recommended a revenue  
22 level of \$23,188, resulting in an operating loss of \$1,170. Staff's revenue level allows for positive  
23 cash flow of \$8,251 and no rate of return on an OCRB of \$316,864.

#### 24 Rate Base

25 The Company's application utilized a rate base of \$307,390. Staff increased rate base by  
26 \$9,473 to \$316,864 as a result of two adjustments. The first adjustment reduced accumulated  
27 depreciation by \$9,615. This adjustment reflects when the Company's Plant in Service became "us.  
28

1 and useful" in October 1997, as opposed to when the owners acquired Anway in September 1996.  
2 Staff's second adjustment decreases cash working capital by \$142 as a result of changes made to  
3 operating expenses. Staff's adjustments to rate base as reflected in the Staff Report are reasonable  
4 and should be adopted.

#### 5 Revenue and Operating Expenses

6 Staff increased total operating revenue by \$739 as a result of two adjustments. Staff's first  
7 adjustment increased water sales by \$1,102 to account for a 2-inch customer with an average usage of  
8 16,000 gallons, who was only on the water system for one month during the Test Year. Staff's  
9 second adjustment reduced Test Year Operating Revenues by \$363 to remove revenues unlikely to  
10 recur because of unpredictable customer growth.

11 Staff reduced the Company's total operating expenses by \$1,134 as a result of two  
12 adjustments. Staff first adjustment reduced water-testing expenses by \$1,634 based on Staff's  
13 Engineering analysis of water testing expense for the next three years on an annual basis. Staff's  
14 second adjustment reduced the Company's proposed rate case expenses from \$3,500 to \$1,500. Staff  
15 believes that the recommended amount of \$1,500 is appropriate for a company with Anway's  
16 customer size and revenues. Staff then amortized the recommended \$1,500 over three years to reflect  
17 the fact that this expense provides benefits over several years, until Anway's next rate case. This  
18 resulted in a total annual rate case expense of \$500.

19 Staff's adjustments to revenues and operating expenses, as reflected in the Staff Report, are  
20 reasonable and should be adopted.

#### 21 Revenue Requirement and Rate Design

22 In its rate application, the Company proposed rates that would yield a revenue level of  
23 \$21,320, which would result in an operating loss of \$4,172. Staff recommended rates and charges  
24 that will allow the Company to realize a 116 percent increase in operating revenue to \$23,188, which  
25 will provide the Company with an operating loss of \$1,170.

26 The Staff Report indicates that while the Company desires positive operating income, the  
27 Company is concerned about the rate shock to its customers. Staff has recommended Anway's  
28

1 proposed rates with the belief that the Company should return to a profit in phases. Staff  
2 concluded that customer growth would positively impact the Company's operating income going  
3 forward.

4 The Company currently charges 5/8 X 3/4 inch meter customers a monthly minimum of  
5 \$18.00, and the 2 inch meter customer a \$90.00 monthly minimum, with usage charges of \$1.65 per  
6 thousand gallons up to 12,000 gallons usage, and \$2.00 per thousand gallons for usage over 12,000  
7 gallons. In its application, the Company is proposing a minimum charge of \$30.00 for 5/8 X 3/4 inch  
8 meter customers and a minimum charge of \$90.00 for its 2 inch meter customers, with a charge of  
9 \$3.50 per thousand gallons usage up to 12,000 gallons, and \$5.75 per thousand gallons for usage over  
10 12,000 gallons. The Company's proposed rates would increase the typical residential bill, with a  
11 median usage of 4,710 gallons, by \$20.71, from \$25.77 to \$46.48, for an increase of 80.4 percent.  
12 Also, under the Company's proposed rates, the average 5/8" x 3/4" meter bill would increase by  
13 85.1%, from \$30.28 to \$56.06.

14 Staff agrees with the Company's proposed rates. However, Staff and the Company disagree  
15 regarding Service Line and Meter Installation Charges for every meter size.

16 The Company's and Staff's proposed Monthly Usage Charges, are reasonable and should be  
17 adopted. In addition, the Company's recommended charges for Service Line and Meter Installation  
18 Charges are reasonable and should be adopted. Staff has provided no justification in its Report for  
19 increasing the Company's proposed Service Line and Installation Charges.

#### 20 Financing Request

21 Anway also requested the Commission retroactively approve \$117,200 of long-term debt  
22 obtained from Mr. and Mrs. Heater in 1998. The loan is interest-free, with principal repayment  
23 deferred to such a time when Anway would serve 100 customers. Anway stated that the loan was  
24 expended for plant additions of \$102,200 during the 1998 test year, and \$15,000 in 1999.

25 Staff recommended a denial of the Company's proposed financing application. Staff had  
26 concerns about the uncertainty as to when Anway would be serving 100 customers and about the  
27 Company's financial position at that time. Staff Engineering concluded that there is not adequate  
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reliable data upon which to project customer growth, making it impossible to determine when, or if, the customer base will reach 100.

Anway provided notice of the requested financing to its customers by first-class mail. The Commission has not received any comments from customers regarding its financing application.

Staff's recommendations are reasonable given the uncertainty regarding the Company's growth and its projections as to when it would be serving 100 customers. Therefore, Staff's recommendation to deny the Company's proposed financing application should be adopted.

\* \* \* \* \*

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

**FINDINGS OF FACT**

1. On June 10, 1999, Anway Manville Water Company, LLC ("Anway" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for financing.
2. On June 25, 1999, Anway filed with the Arizona Corporation Commission ("Commission") an application for a rate increase.
3. The Company sent notice of its application for a rate increase to its customers on June 1, 1999, by first-class mail.
4. On August 30, 1999, Staff filed its Staff Report recommending the same Monthly Usage Charges and cost per thousand gallons as those requested by the Company. Staff disagreed with the Company's proposed Service Line and Meter Installation Charges.
5. Anway is an Arizona Corporation that serves a small community northwest of Tucson.
6. At the end of the TY, the Company had 39 customers.
7. In its rate application Anway proposed rates that would yield a revenue level of \$21,320, which would generate an operating loss of \$4,172, and no rate of return on an OCRB of \$307,390.
8. Staff recommended a revenue level of \$23,188, which would result in an operating loss of \$1,170 and no rate of return on its adjusted OCRB of \$316,864.

1 9. Anway's present and proposed rates and charges, as well as Staff's proposed rates  
 2 charges are as follows:

	Present Rates	Proposed Rates Company	Staff	
3				
4				
5	<u>Monthly Usage Charges</u>			
6	5/8" x 3/4" Meter	\$18.00	\$30.00	\$30.00
7	3/4" Meter	22.00	46.00	46.00
8	1" Meter	37.00	49.00	49.00
9	1 1/2" Meter	65.00	87.00	87.00
10	2" Meter	90.00	180.00	180.00
11	3" Meter	135.00	145.00	145.00
12	4" Meter	180.00	200.00	200.00
13	6" Meter	255.00	275.00	275.00
14	Gallons in Minimum	0	0	0
15	Charge per 1,000 gallons:			
16	1-12,000 gallons usage	\$1.65	\$3.50	\$3.50
17	Over 12,000 gallons usage	\$2.00	\$5.75	\$5.75
18	<u>Service Line and Meter Installation Charges</u>			
19	5/8" x 3/4" Meter	\$400.00	\$400.00	\$430.00
20	3/4" Meter	440.00	440.00	430.00
21	1" Meter	500.00	500.00	550.00
22	1 1/2" Meter	715.00	715.00	775.00
23	2" Meter Turbo	975.00	1,170.00	1,305.00
24	2" Meter Compound	N/A	N/A	1,900.00
25	3" Meter Turbo	1,100.00	1,585.00	1,815.00
26	3" Meter Compound	N/A	N/A	2,490.00
27	4" Meter Turbo	1,350.00	2,540.00	2,860.00
28	4" Meter Compound	N/A	N/A	3,615.00
29	6" Meter Turbo	2,000.00	4,815.00	5,275.00
30	6" Meter Compound	N/A	N/A	6,810.00
31	<u>Service Charges</u>			
32	Establishment	\$15.00	\$25.00	\$25.00
33	Establishment (After Hours)	30.00	30.00	30.00
34	Reconnection (Delinquent)	15.00	25.00	25.00
35	Meter Test (If Correct)	cost	40.00	40.00
36	Deposit	0.00	0.00	0.00
37	Deposit Interest	0%	0%	0%
38	Re-Establishment (Within 12 Months)	*	*	*
39	NSF Check	15.00	15.00	15.00
40	Deferred Payment	1.5%	1.5%	1.5%
41	Meter Re-Read (If Correct)	10.00	15.00	15.00

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

1           12.     Anway's fair value rate base ("FVRB") as indicated by the Staff Report, is determined  
2 to be \$316,864. The Company's FVRB is the same as its OCRB.

3           13.     Anway's current rates and charges produced revenues of \$11,814 in the TY and  
4 resulted in an operating loss of \$12,544.

5           14.     Staff's adjustments to revenues and expenses, as reflected in the Staff Report, are  
6 reasonable.

7           15.     The rates proposed by the Company and Staff would increase the median 5/8" x 3/4"  
8 meter bill by 80.4 percent from \$25.77 to \$46.48, and the average 5/8" x 3/4" meter bill by 85.1%  
9 from \$30.28 to \$56.06.

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

11          17.     One customer filed written correspondence objecting to the proposed rate increase.

12          18.     The Company's recommended rates and charges are just and reasonable.

13          19.     In 1998, the Company borrowed \$117,200, interest free, from Mr. and Mrs. Heater  
14 with principal repayment deferred to such time when Anway is serving 100 customers. The  
15 Company did not receive Commission authorization for the loan at the time it was incurred.

16          20.     The Company sent notice of the financing application to its customers on June 1,  
17 1999, by first-class mail.

18          21.     Staff has indicated that the Company is current on all of its property taxes.

19          22.     The Staff Report recommended denial of the Company's financing request to  
20 retroactively approve \$117,200 of long-term debt with repayment when the Company serves 100  
21 customers.

22          23.     The \$117,200 loan should be classified as paid-in-capital.

23          24.     The Staff Report indicates that Anway is in compliance with the conditions imposed  
24 on the Company in its CC&N application, Decision No. 60112. The Company filed a copy of its  
25 Approval to Construct from Pima County Department of Environmental Quality (PCDEQ), its Pima  
26 County franchise, and a copy of the developer's Certificate of Assured Water Supply (CAWS) issued  
27 by the Arizona Department of Water Resources (ADWR), with the Commission within 365 days  
28

1 from the effective date of the Commission's decision.

2 25. Anway is in compliance with the rules and regulations of ADEQ and is delivering  
3 water that meets the quality standards of the Safe Drinking Water Act.  
4

5 **CONCLUSIONS OF LAW**

6 1. Anway is a public service corporation within the meaning of Article XV of the  
7 Arizona Corporation Commission and A.R.S. Sections 40-250, 40-251, 40-301, 40-302 and 40-303.

8 2. The Commission has jurisdiction over Anway and of the subject matter of the  
9 applications.

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

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

13 5. The Company's financing application should be denied.

14 **ORDER**

15 IT IS THEREFORE ORDERED that Anway Manville Water Company, LLC shall file on or  
16 before January 7, 2000, the following schedule of rates and charges:  
17

18 **MONTHLY USAGE CHARGES**

19	5/8" x 3/4" Meter	\$30.00
	3/4" Meter	46.00
	1" Meter	49.00
20	1 1/2" Meter	87.00
	2" Meter	180.00
21	3" Meter	145.00
	4" Meter	200.00
22	6" Meter	275.00

23	Charge per 1,000 Gallons:	
24	Usage from 1 - 12,000 gallons	\$3.50
25	Usage over 12,000 gallons	\$5.75

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1 SERVICE LINE AND METER  
 2 INSTALLATION CHARGES

3 (Refundable Pursuant to A.A.C. R14-2-  
 4 405(B))

5	5/8" x 3/4" Meter	\$400.00
6	3/4" Meter	440.00
7	1" Meter	500.00
8	1 1/2" Meter	715.00
9	2" Meter Turbo	1,170.00
10	3" Meter Turbo	1,585.00
11	4" Meter Turbo	2,540.00
12	6" Meter Turbo	4,815.00

13 SERVICE CHARGES

14	Establishment	\$25.00
15	Establishment (After Hours)	30.00
16	Reconnection (Delinquent)	25.00
17	Meter Test (If Correct)	40.00
18	Deposit	0
19	Deposit Interest	0
20	Re-Establishment (Within 12 Months)	*
21	NSF Check	15.00
22	Deferred Payment (Per Month)	1.5%
23	Meter Re-Read (If Correct)	15.00

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

25 IT IS FURTHER ORDERED the aforementioned rates shall become effective as of January 1,  
 26 2000.

27 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C. shall notify its  
 28 customers of the rates and charges authorized herein and the effective date of same by means of an  
 29 insert in its next regular monthly billing.

30 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C. shall file with the  
 31 Commission within 60 days from the effective date of this Decision a copy of the notice it sends to its  
 32 customers of the new rates and charges.

33 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C., is hereby denied  
 34 its request for approval of \$117,200 of long-term debt.

35 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C. shall reclassify  
 36 the \$117,200 loan as paid-in-capital.

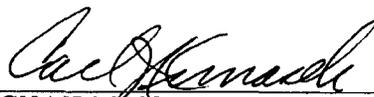
37 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C., shall file an  
 38 affidavit with the Commission, within 30 days from the effective date of this Decision, that the

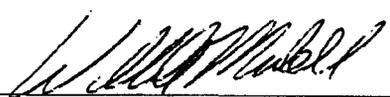
1 reclassification of the \$117,200 loan as paid-in-capital has been made on its books and records.

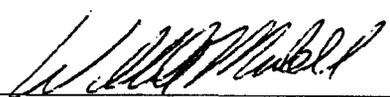
2 IT IS FURTHER ORDERED that Anway Manville Water Company, L.L.C. shall cease from  
3 issuing any additional long-term debt without prior Commission approval.

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

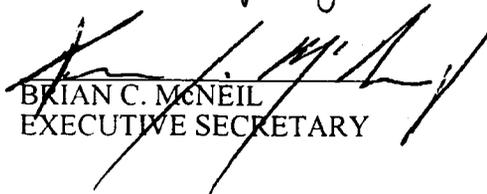
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8 CHAIRMAN

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8 COMMISSIONER

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8 COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
10 Secretary of the Arizona Corporation Commission, have  
11 hereunto set my hand and caused the official seal of the  
12 Commission to be affixed at the Capitol, in the City of Phoenix,  
13 this 12<sup>th</sup> day of January, 2000.

12  
13   
14 BRIAN C. McNEIL  
15 EXECUTIVE SECRETARY

15 DISSENT   
16 SG:bbs  
17

1 SERVICE LIST FOR: Anway Manville Water Company, LLC  
2 DOCKET NOS. W-03233A-99-0360 and W-03233A-99-0293

3 Joseph Heater  
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