

0000032937

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
TONY WEST  
COMMISSIONER

**DOCKETED**

JUN 04 1999

DOCKETED BY *sd*

IN THE MATTER OF THE APPLICATION OF  
MESCAL LAKES WATER SYSTEMS, INC. FOR  
PERMANENT RATE INCREASE.

DOCKET NO. W-02472A-99-0171

DECISION NO. 61732

**ORDER**

Open Meeting  
June 1 and 2, 1999  
Phoenix, Arizona

**BY THE COMMISSION:**

Mescal Lakes Water Systems, Inc. ("Mescal" or "Company") filed with the Commission an Application for a Permanent Rate Increase ("Application") on February 23, 1999. On March 25, 1999, the Commission's Utilities Division Staff ("Staff") notified the Company its Application was sufficient and classified the utility as Class D. On April 13, 1999, Mescal filed an amendment to its requested rates. Staff filed its Staff Report on April 27, 1999, in which it recommended that the Company-requested rates be approved without a hearing.

**DISCUSSION**

Mescal provides water utility service to approximately 328 residential and 2 commercial customers in an area located three miles west of Benson, Arizona in Cochise County. Based on test year end December 31, 1998, results ("TY"), as adjusted by Staff, Mescal realized operating income of \$10,755 on an Original Cost Rate Base ("OCRB") of \$172,150, a 6.25 percent rate of return. The Company requested a total revenue level of \$141,318, a 26.2 percent increase over TY revenues, which would produce operating income of \$40,087 based on Staff-adjusted expenses and a 23.3 percent rate of return on OCRB. Staff recommended a revenue level of \$140,938, which would produce operating income of \$39,707 for a 23.1 percent rate of return on OCRB.

Under Staff's proposed rates, Mescal will realize a 25.9 percent increase in operating revenues. Staff's proposed increase is essentially the same as that proposed by the Company. Staff

1 believed that the resultant cash flow will allow the Company to continue the infusion of capital for  
2 the improvement of this aging system. The Company's last rate case was decided in 1991 (Decision  
3 No. 57428, June 19, 1991). The current owner of the Mescal system, Mr. E. H. Lewis, purchased the  
4 system in January 1991. Prior to Mr. Lewis' ownership, the Company had a history of non-  
5 compliance with Commission Rules for not providing adequate service in its certificated area. Mr.  
6 Lewis corrected the various violations of Commission and Arizona Department of Environmental  
7 Quality ("ADEQ") rules and infused capital totaling approximately \$160,000 and made \$211,000 in  
8 plant additions and improvements. The Company expects to make capital infusions of \$25,000 in the  
9 next year.

10 \* \* \* \* \*

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

13 FINDINGS OF FACT

- 14 1. On February 23, 1999, Mescal filed an Application with the Commission.
- 15 2. On March 25, 1999, Staff notified the Company that its Application was sufficient and  
16 classified the utility as Class D.
- 17 3. On April 13, 1999, Mescal filed an amendment to its requested rates.
- 18 4. Staff filed its Staff Report on April 27, 1999, recommending that the Company-  
19 requested rates<sup>1</sup> be approved without a hearing.
- 20 5. Mescal notified its customers of its rate application on February 22, 1999. As a result,  
21 the Commission received nine complaints concerning the rate application.
- 22 6. Mescal provides water utility service to approximately 328 residential and 2  
23 commercial customers in an area located three miles west of Benson, Arizona in Cochise County.
- 24 7. In the TY, Mescal's current rates and charges produced operating income of \$10,755,  
25 a 6.25 percent rate of return on an OCRB of \$172,150.
- 26 8. In its Application, Mescal requested a revenue level of \$141,318, which based on  
27

28 <sup>1</sup> Staff's recommended rates are based on the bill count which can differ from metered revenue and explains why the proposed rates can be the same although the revenue levels proposed by the Company and Staff differ by \$380.

1 Staff's adjusted expenses, would yield operating income of \$40,087, a rate of return of 23.3 percent  
2 on Staff's adjusted OCRB of \$172,150.

3 9. Staff recommended a revenue level of \$140,938, yielding operating income of  
4 \$39,707 and a rate of return of 23.1 percent on its adjusted OCRB.

5 10. Mescal's present and proposed rates and charges, as well as Staff's proposed rates and  
6 charges are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>Monthly Usage Charges</u>			
8 5/8" x 3/4" Meter	\$15.00	\$16.50	\$16.50
9 3/4" Meter	15.00	16.50	16.50
1" Meter	30.00	35.00	35.00
10 1 1/2" Meter	35.00	40.00	40.00
2" Meter	42.00	50.00	50.00
11 3" Meter	55.00	60.00	60.00
4" Meter	95.00	100.00	100.00
12 6" Meter	220.00	230.00	230.00
13 Excess of Minimum – per 1,000 gallons	\$3.00	\$3.50	\$3.50
Gallons included in Minimum	1,000	0	0
14 Bulk Water – per 1,000 gallons	\$4.00	\$4.50	\$4.50
<u>Service Line and Meter Installation Charges</u> (Refundable pursuant to A.A.C. R14-2-405)			
16 5/8" x 3/4" Meter	\$230.00	\$400.00	\$400.00
17 3/4" Meter	230.00	450.00	450.00
1" Meter	300.00	500.00	500.00
18 1 1/2" Meter	350.00	715.00	715.00
2" Meter	450.00	1,170.00	1,170.00
19 3" Meter	725.00	1,585.00	1,585.00
4" Meter	1,325.00	2,540.00	2,540.00
20 6" Meter	2,850.00	4,815.00	4,815.00
<u>Service Charges</u>			
21 Establishment	\$16.00	\$25.00	\$25.00
22 Establishment (After Hours)	35.00	35.00	35.00
Reconnection (Delinquent)	20.00	25.00	25.00
23 Meter Test (If Correct)	40.00	40.00	40.00
Deposit	*	*	*
24 Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
25 NSF Check	15.00	15.00	15.00
Deferred Payment	1.5%	1.5%	1.5%
26 Meter Re-Read (If Correct)	20.00	20.00	20.00
27 Late Fee	0.00	1.5%	1.5%

28

Monthly Service Charges for Fire Sprinkler

4" or Smaller	\$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 A.A.C. R14-2-403(B)

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

\*\*\* 1 percent of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charges for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

11. Mescal's Fair Value Rate Base ("FVRB"), as indicated by the Staff Report, is determined to be \$172,150. Mescal's FVRB is the same as its OCRB.

12. Staff's adjustments to expenses, as reflected in the Staff Report, are reasonable.

13. Mescal's and Staff's proposed rates would increase the median 5/8" x 3/4" meter bill by 27.1 Percent, from \$24.04 to \$30.55, and the average bill by 25.7 percent, from \$27.63 to \$34.73.

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

15. The Company's and Staff's proposed rates and charges are just and reasonable.

16. Mescal is current on its Property Taxes to Cochise County and with its filings to the Arizona Department of Revenue for the Transaction Privilege Tax.

17. The Company is in total compliance ADEQ rules and regulations. ADEQ has certified that Mescal has no maximum contaminant level violations and meets the quality standards of the Safe Drinking Water Act.

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

CONCLUSIONS OF LAW

1. Mescal is a public service corporation within the meaning of Article XV of the Arizona Corporation Commission and A.R.S. §§ 40-250 and 40-252.

2. The Commission has jurisdiction over Mescal and of the subject matter of the Application.

- 1           3.     Notice of the Application was provided in the manner prescribed by law.
- 2           4.     Staff's recommendations contained in Findings of Fact Nos. 14 and 18 are reasonable
- 3 and should be adopted.

ORDER

5           IT IS THEREFORE ORDERED that Mescal Lakes Water Systems, Inc. shall file on or before  
6 June 30, 1999, the following schedule of rates and charges:

7           Monthly Usage Charges

8	5/8" x 3/4" Meter	\$16.50
9	3/4" Meter	16.50
10	1" Meter	35.00
11	1 1/2" Meter	40.00
12	2" Meter	50.00
	3" Meter	60.00
	4" Meter	100.00
	6" Meter	230.00

13	Commodity Charge – per 1,000 gallons	\$3.50
	Bulk Water – per 1,000 gallons	\$4.50

14           Service Line and Meter Installation Charges  
(Refundable pursuant to A.A.C. R14-2-405)

15	5/8" x 3/4" Meter	\$400.00
16	3/4" Meter	450.00
17	1" Meter	500.00
18	1 1/2" Meter	715.00
19	2" Meter	1,170.00
	3" Meter	1,585.00
	4" Meter	2,540.00
	6" Meter	4,815.00

20           Service Charges

21	Establishment	\$25.00
22	Establishment (After Hours)	35.00
23	Reconnection (Delinquent)	25.00
	Meter Test (If Correct)	40.00
	Deposit	*
	Deposit Interest	*
24	Re-Establishment (Within 12 Months)	**
25	NSF Check	15.00
	Deferred Payment (Per Month)	1.5%
	Meter Re-Read (If Correct)	20.00
	Late Fee (Per Month)	1.5%

Monthly Service Charges for Fire Sprinkler

1	4" or Smaller	***
	6"	***
2	8"	***
	10"	***
3	Larger Than 10"	***

4 \* Per A.A.C. R14-2-403(B)  
 5 \*\* Months off system times the minimum (R14-2-403.D)  
 6 \*\*\* 1 percent of monthly minimum for a comparable sized meter connection, but no less than  
 \$5.00 per month. The service charges for fire sprinklers is only applicable for service lines  
 separate and distinct from the primary water service line.

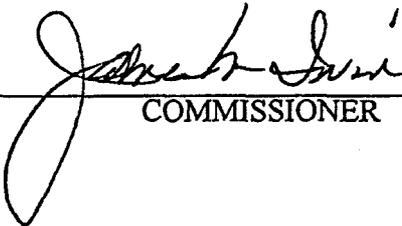
7  
 8 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
 9 provided on and after July 1, 1999.

10 IT IS FURTHER ORDERED that Mescal Lakes Water Systems, Inc. shall notify its  
 11 customers of the rates and charges authorized herein and the effective date of same by means of an  
 12 insert in its next regular monthly billing.

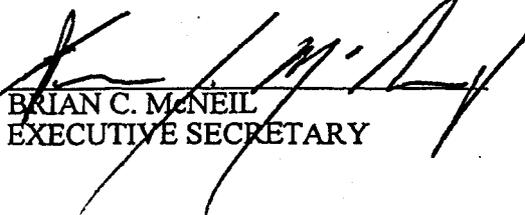
13 IT IS FURTHER ORDERED that Mescal Lakes Water Systems, Inc. shall comply with  
 14 Staff's recommendation set forth in Findings of Fact No. 18.

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

16 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

17  
 18     
 19 CHAIRMAN COMMISSIONER COMMISSIONER

20  
 21 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
 22 Secretary of the Arizona Corporation Commission, have  
 23 hereunto set my hand and caused the official seal of the  
 Commission to be affixed at the Capitol, in the City of Phoenix,  
 this 4<sup>th</sup> day of June, 1999.

24  
 25   
 26 BRIAN C. McNEIL  
 EXECUTIVE SECRETARY

27 DISSENT \_\_\_\_\_  
 28 JR:dap

1 SERVICE LIST FOR: Mescal Lakes Water Systems, Inc.

2 DOCKET NO. W-02472A-99-0171

3 E.H. Lewis, President  
4 Mescal Lakes Water Systems, Inc.  
5 P.O. Box 85160  
6 Tucson, Arizona 85754

7 Paul Bullis, Chief Counsel  
8 Legal Division  
9 ARIZONA CORPORATION COMMISSION  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Director, Utilities Division  
13 ARIZONA CORPORATION COMMISSION  
14 1200 West Washington Street  
15 Phoenix, Arizona 85007

16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28