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OPEN MEETING



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AZ CORP COMMISSION
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MEMORANDUM

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ORIGINAL

TO: THE COMMISSION

FROM: Utilities Division

DATE: October 25, 2005

RE: IN THE MATTER OF THE APPLICATION OF CHAPARRAL CITY WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR APPROVAL OF AN OFF-SITE FACILITIES HOOK-UP FEE TARIFF (DOCKET NO. W-02113A-05-0722)

Introduction

On October 13, 2005, Chaparral City Water Company, Inc. ("Chaparral City" or the "Company") filed an application for approval of an Off-Site Facilities Hook-up Fee Tariff. This tariff filing was ordered in Decision No. 68176 (dated September 30, 2005) as follows:

"IT IS FURTHER ORDERED that Chaparral City Water Company, Inc. shall cease charging hook-up fees until such time that it has an approved off-site facilities hook-up fee tariff on file."

The Company's prior hook-up fee was approved by the Commission in Decision No. 57395 (dated May 23, 1991).

Company's Water System

The Company serves the Town of Fountain Hills which is located along the eastern city limits of Scottsdale within Maricopa County. The operation of the water system consists of an 18 million gallon per day Central Arizona Project water treatment plant, two wells, eight storage tanks, six booster stations and a distribution system, with four pressure zones, serving approximately 13,000 customers.

Proposed Off-Site Facilities Hook-up Fee

In Decision No. 57395, the Commission established a hook-up fee for the Company but ordered that a portion of the revenue generated by the hook-up fee be treated as revenue for the purpose of establishing rates and charges. During its last rate case, the Company requested that hook-up fees be treated as contributions in aid of construction ("CIAC") which was approved in Decision No. 68176.

Prior to the October 13, 2005 tariff filing, the Company docketed as a compliance item a "Notice of Filing an Off-Site Facilities Hook-Up Fee Tariff" which preserved the fee calculation established in Decision No. 57395. Upon receiving this compliance item, Staff contacted the Company and advised it that in order to have an approved tariff, the Company should file the compliance item as a new tariff filing and further recommended using Staff's latest standard tariff form. Staff emailed the Company its latest tariff form that included for illustrative purposes a tariff fee table starting at \$2,000 for a 5/8 x 3/4-inch service connection. The Company's proposed Off-Site Facilities Hook-Up Fee Tariff filed on October 13, 2005, incorporates Staff's recommended standard form hook-up fee tariff and requested a tariff fee of \$2,000 for all new 5/8 x 3/4-inch service connections. It appears that a lack of communication may have resulted in the Company including the illustrative fee amounts in its tariff proposal.

Staff's Analysis

Staff has reviewed the Company's proposed tariff and recommends using the maximum amount of \$1,000 for a 5/8 x 3/4-inch meter established by the Commission in Decision No. 57395. The fee calculation established in Decision No. 57395 provides:

"The fee shall be a variable fee, fixed on January 1 of each calendar year, computed by dividing \$369,404.50 by the number of new hook-ups during the previous calendar year; however, in no event shall the hook-up fee be higher than \$1,000 nor less than \$500.

Staff is recommending the amount be set at the maximum and no longer variable since all the monies collected will now be considered as CIAC and not revenue.

Staff's Recommendation

Staff recommends approval of the Company's Off-Site Facilities Hook-up Fee Tariff as modified by Staff and reflected in the attached Tariff Schedule.



Ernest G. Johnson
Director
Utilities Division

EGJ:MSJ:lhm\DR

ORIGINATOR: Marlin Scott, Jr.

TARIFF SCHEDULE

UTILITY: Chaparral City Water Company, Inc.
DOCKET NO.: W-02113A-05-0722

DECISION NO. _____
EFFECTIVE DATE: _____

OFF-SITE FACILITIES HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to **Chaparral City Water Company, Inc.** ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builder of new residential subdivisions.

"Company" means Chaparral City Water Company, Inc., an Arizona limited liability company.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or other uses, regardless of meter size.

III. Off-Site Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee
5/8" x 3/4 "	1	\$1,000
3/4"	1.5	\$1,500
1"	2.5	\$2,500
1-1/2 "	5	\$5,000
2"	8	\$8,000
3"	16	\$16,000
4"	25	\$25,000
6" or larger	50	\$50,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

a. For those requiring a Main Extension Agreement –

In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company

that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

- b. For those connecting to an existing main that was installed pursuant to a Main Extension Agreement that was approved by the Arizona Corporation Commission –

In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall not be entitled to any refunds.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision Projects: In the event that the Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Developer's or Builder's construction schedule and water service requirements.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2006, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
 OF CHAPARRAL CITY WATER)
 COMPANY, INC., AN ARIZONA)
 CORPORATION, FOR APPROVAL OF AN)
 OFF-SITE FACILITIES HOOK-UP FEE)
 TARIFF)

DOCKET NO. W-02113A-05-0722
 DECISION NO. _____
ORDER

Open Meeting
 November 8 and 9, 2005
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On October 13, 2005, Chaparral City Water Company, Inc. ("Chaparral City" or the "Company") filed an application for approval of an Off-Site Facilities Hook-up Fee Tariff. This tariff filing was ordered in Decision No. 68176 (dated September 30, 2005) as follows:

"IT IS FURTHER ORDERED that Chaparral City Water Company, Inc. shall cease charging hook-up fees until such time that it has an approved off-site facilities hook-up fee tariff on file."

2. The Company's prior hook-up fee was approved by the Commission in Decision No. 57395 (dated May 23, 1991).

3. The Company serves the Town of Fountain Hills which is located along the eastern city limits of Scottsdale within Maricopa County. The operation of the water system consists of an 18 million gallon per day Central Arizona Project water treatment plant, two wells, eight storage

1 tanks, six booster stations and a distribution system, with four pressure zones, serving
2 approximately 13,000 customers.

3 4. In Decision No. 57395, the Commission established a hook-up fee for the Company
4 but ordered that a portion of the revenue generated by the hook-up fee be treated as revenue for the
5 purpose of establishing rates and charges. During its last rate case, the Company requested that
6 hook-up fees be treated as contributions in aid of construction ("CIAC") which was approved in
7 Decision No. 68176.

8 5. Prior to the October 13, 2005 tariff filing the Company docketed as a compliance
9 item a "Notice of Filing an Off-Site Facilities Hook-Up Fee Tariff" which preserved the fee
10 calculation established in Decision No. 57395. Upon receiving this compliance item, Staff
11 contacted the Company and advised it that in order to have an approved tariff, the Company
12 should file the compliance item as a new tariff filing and further recommended using Staff's latest
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14 purposes a tariff fee table starting at \$2,000 for a 5/8 x 3/4-inch service connection. The
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16 incorporates Staff's recommended standard form hook-up fee tariff and requested a tariff fee of
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18 may have resulted in the Company including the illustrative fee amounts in its tariff proposal.

19 6. Staff has reviewed the Company's proposed tariff and recommends using the
20 maximum amount of \$1,000 for a 5/8 x 3/4-inch meter established by the Commission in Decision
21 No. 57395. The fee calculation established in Decision No. 57395 provides:

22 "The fee shall be a variable fee, fixed on January 1 of each calendar year, computed
23 by dividing \$369,404.50 by the number of new hook-ups during the previous
24 calendar year; however, in no event shall the hook-up fee be higher than \$1,000 nor
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1 IT IS FURTHER ORDERED that Chaparral City Water Company, Inc. shall file, within 30
2 days, a copy of the Off-Site Facilities Hook-Up Fee Tariff approved herein.

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
Director of the Arizona Corporation Commission, have
hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2005.

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BRIAN C. McNEIL
Executive Director

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DISSENT: _____

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DISSENT: _____

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EGJ:MSJ:lhm\DR

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1 SERVICE LIST FOR: Chaparral City Water Company, Inc.
2 DOCKET NO. W-02113A-05-0722

3 Mr. Norman D. James
4 Mr. Jay L. Shapiro
5 Fennemore Craig
6 3003 North Central Avenue, Suite 2600
7 Phoenix, Arizona 85012

8 Mr. Ernest G. Johnson
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 Mr. Christopher C. Kempley
14 Chief Counsel
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007

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