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BRIAN C. McNEIL
EXECUTIVE SECRETARY

JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

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ARIZONA CORPORATION COMMISSION

2001 DEC -4 A 10: 17

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: DECEMBER 4, 2001

DOCKET NO: W-01639A-01-0592

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Philip Dion. The recommendation has been filed in the form of an Order on:

CATHERINE B. SICKLES dba ANTELOPE WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

DECEMBER 13, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

DECEMBER 18, 2001 and DECEMBER 19, 2001

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

Arizona Corporation Commission

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 MARC SPITZER
COMMISSIONER
5

6 IN THE MATTER OF THE APPLICATION OF
CATHERINE B. SICKLES DBA ANTELOPE
7 WATER COMPANY FOR A PERMANENT RATE
INCREASE.

DOCKET NO. W-01639A-01-0592

DECISION NO. _____

8 **ORDER**

9 Open Meeting
December 18 and 19, 2001
10 Phoenix, Arizona

11 **BY THE COMMISSION:**

12 * * * * *

13 Having considered the entire record herein and being fully advised in the premises, the
14 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

15 **FINDINGS OF FACT**

- 16 1. On July 26, 2001, Catherine B. Sickles, dba Antelope Water Company, ("Antelope" or
17 "Company") filed with the Commission an Application for a permanent rate increase.
- 18 2. On August 24, 2001, the Commission's Utilities Division Staff ("Staff") filed its
19 Sufficiency Letter and classified Antelope as a Class E Utility.
- 20 3. On October 23, 2001, Staff filed its Staff Report recommending approval of its
21 recommended rates and charges without a hearing.
- 22 4. Antelope provides water utility service to two customers in addition to the owner in
23 Yarnell, Yavapai County, Arizona. Antelope's Certificate of Convenience and Necessity
24 ("Certificate") covers a total of 40 acres. There does not appear to be any potential for growth in the
25 customer base any time soon.
- 26 5. The Commission authorized Antelope's current permanent rates in Decision No.
27 51355 (September 16, 1980).
- 28 6. The Company mailed notice of its rate application to its customers on July 23, 2001.

1 7. The Commission has not received any objections to the Application from the
2 Company's customers¹.

3 8. Ms. Sickles and her late husband acquired all available lots in the Yarnell Country
4 Club Estates subdivision in a bankruptcy sale. As a condition of the purchase, the bankruptcy court
5 required the Sickles to continue operating the water company, which had been established by the
6 developer of the subdivision.

7 9. During the Test Year ("TY") ended December 31, 2000, Ms. Sickles did not have a
8 water meter connection to her home and was not billed for service. Only one of the two customers
9 had a metered connection. The unmetered customer was only charged the monthly minimum. As of
10 July 2001, both customers were metered, however, Ms. Sickles still does not have a meter for her
11 service line.

12 10. The Company does not have a water meter on its well, making it impossible to
13 establish the total number of gallons pumped during the TY. Therefore, Staff estimated consumption
14 to calculate revenues using current and recommended rates.

15 11. The Company does not have a separate electric meter for its well site. Ms. Sickles'
16 home, horse corral, and the Company's well are all on the same electric meter. Ms. Sickles has
17 always apportioned one-third of each electric bill to the water system.

18 12. The Company's books and records are not kept in a formal manner as Ms. Sickles
19 pays all of the Company's expenses from her personal checking account.

20 13. Based on TY results ended December 31, 2000, as adjusted by Staff, Antelope
21 realized an operating loss of \$894 on an adjusted original cost rate base ("OCRB") of \$10,880 for no
22 rate of return.

23 14. The Company proposed a revenue level of \$651 and an operating income of \$302 on
24 an OCRB of \$10,880, resulting in a 2.76 percent rate of return.

25 15. Staff recommended a revenue level of \$1,700 which would provide Antelope with a
26 positive cash flow of approximately \$600 a year. While Staff's recommended rates produce zero

27 ¹ There is a formal complaint before the Commission filed by Harry and Andrea Baker, customers of Antelope, about a
28 dispute over who is responsible for the cost of replacing a meter. A hearing was held in that matter on November 15,
2001. That matter will be resolved in a separate Recommended Opinion and Order.

1 operating income and no rate of return on an adjusted OCRB of \$10,880, Staff has allowed the
2 owner/operator a \$100 per month operator fee.

3 16. Antelope's present and proposed rates and charges as well as Staff's recommended
4 rates and charges are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$20.00	\$30.00	\$35.00
<u>COMMODITY CHARGE PER 1,000 GALLONS</u>			
	1.50	1.50	7.67
<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (Refundable pursuant to A.A.C. R14-2-40-5)			
5/8" x 3/4" Meter	\$100.00	\$0.00	\$400.00
<u>SERVICE CHARGES:</u>			
Establishment	\$0.00	\$0.00	\$0.00
Establishment (After Hours)	0.00	0.00	0.00
Reconnection (Delinquent)	0.00	0.00	0.00
Meter Test (If Correct)	0.00	0.00	0.00
Deposit	0.00	0.00	-- *
Deposit Interest	0.00%	0.00%	*
Re-establishment (Within 12 Months)	0.00	**	**
NSF Check	35.00	35.00	25.00
Deferred Payment	0.00%	0.00%	0.00%
Meter Reread (If Correct)	0.00	0.00	0.00

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

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

25 17. In its Staff Report, Staff made adjustments that increase the Company's proposed rate
26 base of \$665 to \$10,880. The increase of \$10,215 is attributable to adjustments that decreased
27 Accumulated Depreciation and increased plant and service to recognize capital expenditures not
28

1 recorded to the plant accounts by the Company. One of those adjustments reflects the cost of
2 installing the new meter on the previously unmetered customer's property that is the subject of the
3 formal complaint. Staff's adjustments to raise rate base, as reflected in the Staff Report, are
4 reasonable and should be adopted. Consequently, Antelope's Fair Value Rate Base ("FVRB") is
5 determined to be \$10,880. The Company's FVRB is the same as its OCRB.

6 18. Staff increased the Test Year operating revenue from \$503 to \$806. Staff's
7 adjustment reflects an increase in revenues based upon the estimated monthly use of Ms. Sickles' and
8 the unmetered customer at 2,500 and 1,000 gallons respectively. The unmetered customer is a part-
9 time resident. Staff's adjustments to operating revenue as reflected in the Staff report are reasonable
10 and should be adopted.

11 19. Staff made two adjustments to operating expenses, resulting in a net increase of
12 \$1,642. Staff's adjustments include increasing outside services and rate case expense by \$1,300 to
13 recognize \$1,200 for the system operator and \$100 for rate case expenses, and an increase of
14 depreciation expense by \$342. Staff's adjustments to operating expenses as reflected in the Staff
15 Report are reasonable and should be adopted.

16 20. During the Test Year, the Company's customers had a median estimated water usage
17 of 1,278 gallons.

18 21. The Company's proposed rates would increase the median 5/8 x 3/4 inch meter monthly
19 bill by 45.6 percent, from \$21.92 to \$31.92.

20 22. Staff's recommended rates would increase the median 5/8 x 3/4 inch meter monthly bill
21 by 104.4 percent, from \$21.92 to \$44.80.

22 23. Staff recommends its proposed rates and charges be approved without a hearing.

23 24. The Company is current on all its property and sales taxes.

24 25. The Arizona Department of Environment Quality ("ADEQ") considers this a private
25 water system and has no jurisdiction over private water systems. The Company's service area is not
26 located within an Active Management Area and is not subject to conservation and monitoring
27 requirements of the Arizona Department of Water Resources.

28 26. The Company does not have a Backflow Tariff or a Curtailment Plan on file with the

1 Commission.

2 27. Staff further recommended that:

- 3 (a) Antelope file with the Commission a schedule of its approved rates and charges
4 within 30 days after the Decision in this matter is issued.
- 5 (b) Antelope be ordered to submit a rate case application by June 30, 2004, using a
6 test year ending no later than December 31, 2003.
- 7 (c) Antelope be ordered to install a separate electric meter for the well no later than
8 December 31, 2002.
- 9 (d) Antelope be ordered to install water meters on both the well head and Ms.
10 Sickles' residence no later than December 31, 2002.
- 11 (e) Antelope be ordered to immediately apply the depreciation rates shown on
12 page 4 of the engineering report for Antelope Water Company that is attached to
13 the Staff Report.
- 14 (f) Antelope be ordered to maintain the books and records in compliance with the
15 standards established by the National Association of Regulatory Utility
16 Commissioners for water utilities in compliance with Arizona Administrative
17 Code ("A.A.C.") R14-2-411(D)(2) by January 1, 2002.
- 18 (g) In addition to the collection of its regular rates and charges, the Company shall
19 collect from its customers their proportionate share of any Privilege Sales or Use
20 Tax as provided for in A.A.C. R-14-2-409(D).
- 21 (h) Antelope shall file a Backflow Tariff with the Commission within 30 days of
22 Commission's Decision on this matter.
- 23 (i) Antelope shall file a Curtailment Plan with the Commission for approval
24 within 120 days after the Commission's Decision in this matter.

25 CONCLUSIONS OF LAW

26 1. Antelope is a public service corporation within the meaning of Article XV of the
27 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, and 40-302.

28 2. The Commission has jurisdiction over Antelope and 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
approved without a hearing.

5. Staff's recommendations as set forth in Finding of Fact No. 16, 23 and 27 are
reasonable and should be adopted.

1 IT IS THEREFORE ORDERED that Antelope Water Company shall file on or before January
2 1, 2002, the following rates and charges:

3
4 MONTHLY USAGE CHARGE:

5 5/8" x 3/4" Meter \$35.00

6 COMMODITY RATE PER 1,000 GALLONS 7.67

7 Service Line and Meter Installation Charges

8 5/8" x 3/4" Meter \$400.00

9 SERVICE CHARGE:

10 Establishment \$0.00

11 Establishment (After Hours) 0.00

12 Reconnection (Delinquent) 0.00

13 Meter Test (If Correct) 0.00

14 Deposit *

15 Deposit Interest *

16 Re-establishment (Within 12 Months) **

17 NSF Check 25.00

18 Deferred Payment 0.00%

19 Meter Reread (If Correct) 0.00

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

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

22 IT IS FURTHER ORDERED that the above rates and charges shall become effective for all
23 service provided on or after January 1, 2002.

24 IT IS FURTHER ORDERED that Catherine B. Sickles, dba Antelope Water Company shall
25 notify its customers of the rates and charges authorized herein and the effective date of same by
26 means of insert in its next regular monthly billing.

27 IT IS FURTHER ORDERED that Catherine B. Sickles, dba Antelope Water Company shall
28 file a copy of the notice it sends to its customers with the Commission within 60 days of the effective
date of this Decision.

1 IT IS FURTHER ORDERED that Catherine B. Sickles, dba Antelope Water Company shall
2 comply with Staff's recommendations as set forth in Finding of Fact No. 27.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
Secretary of the Arizona Corporation Commission, have
hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this _____ day of _____, 2001.

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

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DISSENT _____
PJD:mlj

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1 SERVICE LIST FOR: CATHERINE B. SICKLES dba ANTELOPE WATER
2 COMPANY

3 DOCKET NO.: W-01639A-01-0592

4 Catherine B. Sickles
5 ANTELOPE WATER COMPANY
6 P.O. Box 41
7 Yarnell, Arizona 85362

8 Christopher Kempley, Chief Counsel
9 ARIZONA CORPORATION COMMISSION
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ernest G. Johnson, Director
13 ARIZONA CORPORATION COMMISSION
14 1200 West Washington Street
15 Phoenix, Arizona 85007
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