

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

22
ORIGINAL



ARIZONA CORPORATION COMMISSION

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2001 NOV -8 A 10:42

DATE: November 8, 2001
DOCKET NOS: W-02476A-01-0502

AZ CORP COMMISSION
DOCUMENT CONTROL

TO ALL PARTIES:

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

BRADSHAW 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:

NOVEMBER 19, 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:

NOVEMBER 27 AND 28, 2001

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

Arizona Corporation Commission
DOCKETED
NOV 08 2001

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DOCKETED BY

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
BRADSHAW WATER COMPANY FOR A
7 PERMANENT RATE INCREASE.

DOCKET NO. W-02476A-01-0502

DECISION NO. _____

8 **ORDER**

9 Open Meeting
November 27 and 29, 2001
10 Phoenix, Arizona

11 **BY THE COMMISSION:**

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

14 **FINDINGS OF FACT**

15 1. On June 22, 2001, Bradshaw Water Company ("Bradshaw" or "Company") filed with
16 the Arizona Corporation Commission ("Commission") an Application for a Permanent Rate Increase.

17 2. On July 23, 2001, the Commission's Utilities Division Staff ("Staff") filed its
18 Sufficiency Letter and classified Bradshaw as a Class D utility.

19 3. On October 5, 2001, Staff filed its Staff Report recommending approval of its
20 recommended rates and charges without a hearing.

21 4. Bradshaw provides water utility service to approximately 87 customers in an area near
22 Prescott within Yavapai County, Arizona. The Company's system produced less than 30 percent of
23 the water sold to its customers. More than 70 percent of the water sold is purchased from the Prescott
24 Valley Water District.

25 5. The Commission authorized Bradshaw's current permanent rates in Decision No.
26 60708 (February 27, 1998).

27 6. The Company mailed notice of its rate application to its customers on June 25, 2001.
28 Since that time, one petition, which was docketed on July 18, 2001, was received by the Commission.

1 The petition was signed by 95 individuals who objected to the proposed rate increase. According to
 2 Staff, the originator of the petition agreed that since the petition was docketed, a public comment
 3 hearing would not be necessary.

4 7. Based on Test Year results for the year ended December 31, 2000, as adjusted by
 5 Staff, Bradshaw realized an operating loss of \$14,707 on an original cost rate base ("OCRB") of
 6 \$480,519, for no rate of return.

7 8. The Company proposed a revenue level of \$79,865 and an operating loss of \$31,256
 8 for no rate of return.

9 9. Staff recommended a revenue level of \$76,237 and an operating income of \$1,983 on
 10 an OCRB \$480,519, resulting in a 0.14 percent rate of return. Staff's proposed rates would produce
 11 positive cash flow of \$20,000.

12 10. Bradshaw's present and proposed rates and charges, as well as Staff's recommended
 13 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	\$33.20	\$34.00	\$33.00
3/4" Meter	33.20	34.00	33.00
1" Meter	56.50	58.00	82.50
1 1/2" Meter	77.00	80.00	165.00
2" Meter	123.00	126.00	264.00
3" Meter	0.00	0.00	495.00
4" Meter	0.00	0.00	825.00
6" Meter	0.00	0.00	1,650.00
<u>COMMODITY CHARGE PER 1,000 GALLONS</u>			
From 0 to 4,000 Gallons	5.25	5.25	4.50
From 4,001 to 6,000 Gallons	5.75	6.00	5.75
In excess of 6,000 Gallons	6.25	6.75	6.75

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SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-40-5)

5/8" x 3/4" Meter	\$330.00	\$350.00	\$350.00
3/4" Meter	375.00	400.00	400.00
1" Meter	440.00	500.00	500.00
1 1/2" Meter	660.00	750.00	750.00
2" Meter	1,155.00	1,500.00	1,500.00
3" Meter	0.00	0.00	1,975.00
4" Meter	0.00	0.00	3,040.00
6" Meter	0.00	0.00	7,290.00

SERVICE CHARGE:

Establishment	\$50.00	\$60.00	\$60.00
Establishment (After Hours)	60.00	120.00	90.00
Reconnection (Delinquent)	60.00	75.00	60.00
Meter Test (If Correct)	30.00	50.00	50.00
Deposit	*	*	*
Deposit Interest	*	*	*
Reestablishment (Within 12 Months)	50.00	60.00	**
NSF Check	15.00	25.00	25.00
Deferred Payment	1.50%	1.50%	1.50%
Meter Reread (If Correct)	10.00	20.00	20.00
Late Fee (Per Month)	1.50%	1.50%	****

Monthly Service Charge of 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 Commission rule A.A.C. R-14-2-403(B).
- ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
- *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month.
- **** 1.5 Percent of monthly unpaid balance

11. In its Staff Report, Staff made adjustments that increased the Company's proposed rate base of \$305,991 to \$480,519. The increase of \$174,528 is mainly attributable to an adjustment

1 in accumulated depreciation. Staff's adjustments to rate base, as reflected in the Staff Report, are
2 reasonable and should be adopted. Consequently, Bradshaw's Fair Value Rate Base ("FVRB") is
3 determined to be \$480,519. The Company's FVRB is the same as its OCRB.

4 12. Staff made five adjustments to operating expenses, resulting in a net decrease of
5 \$18,493. Staff's adjustments include decreasing repairs and maintenance by \$7,507, reducing
6 depreciation expense in the amount of \$4,254 and reclassifying salaries and wages, for a net decrease
7 of approximately \$7,000. Staff's adjustments to operating expenses as reflected in the Staff Report
8 are reasonable and should be adopted.

9 13. The bill counts submitted with the instant application match the metered water
10 revenues, therefore, no adjustment to revenues was necessary.

11 14. During the Test Year, the Company's customers had a median water usage of 5,317
12 gallons.

13 15. The Company's proposed rates would increase the median 5/8 x 3/4 inch meter monthly
14 bill by 2 percent from \$65.70 to \$67.00.

15 16. Staff's recommended rates would decrease the median 5/8 x 3/4 inch meter monthly bill
16 by 10.8 percent, from \$65.70 to \$58.57.

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

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

19 19. The Arizona Department of Environmental Quality ("ADEQ") stated that it could not
20 determine if the system is currently delivering water that meets the water quality standards required
21 by the Safe Drinking Water Act. ADEQ further stated that the Company failed to provide annual
22 lead and copper tests.

23 20. Bradshaw is in the Prescott Active Management Area. Since the Company pumps less
24 than 250 acre-feet per year and is considered a small provider, it is not subject to conservation rules
25 or gallons per capita per day limits. Bradshaw is only required to monitor and report water usage and
26 is in compliance with those reporting compliance.

27 21. In Decision No. 60708 (February 27, 1998), the Commission ordered the Company to
28 file a rate increase application on or before March 1, 2001. The instant application was filed 15

1 months late.

2 22. The Company's books and records reflect that the National Association of Regulatory
3 Utility Commissioner's ("NARUC") system of accounts adopted by this Commission has not been
4 implemented. Arizona Corporation Commission Rule R14-2-411(D)(2) states "each utility shall
5 maintain its books and records in conformity with the NARUC Uniform Systems of Accounts for
6 Class A, B, C and D Water Utilities."

7 23. Bradshaw is managed by its parent company, Professional Brokers. Staff indicates it
8 was informed there is no written agreement for the management fee between Bradshaw and
9 Professional Brokers.

10 24. Staff further recommends that:

- 11
- 12 (a) Bradshaw implement depreciation rates consistent with those found in Table IV of
the Engineering Report for Bradshaw which is attached to the Staff Report;
- 13 (b) Bradshaw shall accurately describe its plant in service in the 2001 Utilities
14 Division Annual Report and each Annual Report thereafter;
- 15 (c) Bradshaw shall comply with future Commission orders regarding timely filings as
16 required;
- 17 (d) The Company shall implement and maintain its books and records in conformity
with NARUC Uniform System of Accounts in compliance with Rule R14-2-
18 411(D)(2) within 60 days of the Decision in this case. The Company shall file an
affidavit within 30 days of complying with this Decision, certifying that the
19 Company is in compliance with the Rule. Such conformity and affidavit shall
occur no later than 90 days from the effective date of this Decision;
- 20
- 21 (e) The Company shall maintain a separate bank account for utility purposes only, and
maintain utility records separate from personal, parent company and/or other non-
22 utility purposes;
- 23 (f) That the proposed rate decrease in this case be implemented at this time and that
the Company shall file with the Director of the Utilities Division within 90 days of
24 the effective date of this Decision, written documentation from ADEQ stating that
the water company is in compliance with the water quality standards of the Safe
25 Drinking Water Act; and that
- 26 (g) In addition to the collection of its regular rates and charges, Bradshaw shall collect
27 from its customers their proportionate share of any Privilege Sales or Use Taxes
provided for in A.A.C. R14-2-409(D).

28

CONCLUSIONS OF LAW

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

3 2. The Commission has jurisdiction over Bradshaw and the subject matter of the
4 Application.

5 3. Notice of the Application was provided in the manner prescribed by law.

6 4. The rates and charges authorized herein are just and reasonable and should be
7 approved without hearing.

8 5. Staff's recommendations as set forth in Findings of Facts No. 10, 11, 12, 17 and 24,
9 are reasonable and should be adopted.

ORDER

11 IT IS THEREFORE ORDERED that Bradshaw Water Company shall file on or before
12 December 1, 2001 the following rates and charges:

MONTHLY USAGE CHARGE:

15	5/8" x 3/4" Meter	\$33.00
16	3/4" Meter	33.00
17	1" Meter	82.50
18	1 1/2" Meter	165.00
19	2" Meter	264.00
20	3" Meter	495.00
21	4" Meter	825.00
22	6" Meter	1,650.00

Commodity Rates (per 1,000 Gallons)

23	From 0 to 4,000 Gallons	\$4.50
24	From 4,001 to 6,000 Gallons	5.75
25	In excess of 6,000 Gallons	6.75

Service Line and Meter Installation Charges

26	5/8" x 3/4" Meter	\$350.00
27	3/4" Meter	400.00
28	1" Meter	500.00
29	1 1/2" Meter	750.00
30	2" Meter	1,500.00
31	3" Meter	1,975.00
32	4" Meter	3,040.00
33	6" Meter	7,290.00

SERVICE CHARGE:

Establishment	\$60.00
Establishment (After Hours)	90.00
Reconnection (Delinquent)	60.00
Meter Test (If Correct)	50.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	25.00
Deferred Payment	1.50%
Meter Reread (If Correct)	20.00
Late Payment Penalty	****

Monthly Service Charge for Fire Sprinkler

4" or Smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

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

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

*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month.

**** 1.5 Percent of monthly unpaid balance.

IT IS FURTHER ORDERED that the above rates and charges shall be become effective for all service provided on and after December 1, 2001.

IT IS FURTHER ORDERED that Bradshaw Water Company shall notify its customers of the rates and charges authorized herein and the effective date of same by means of an insert in its next regular monthly billing.

IT IS FURTHER ORDERED that Bradshaw Water company shall file a copy of the notice it sends to its customers with the Commission within 60 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Bradshaw Water Company shall comply with Staff's recommendations as set forth in Findings of Fact No. 24.

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IT IS FURTHER ORDERED that Bradshaw Water Company shall file a permanent curtailment tariff no later than 120 days from the effective date of the Decision in this matter.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

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.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
PJD:mlj

1 SERVICE LIST FOR: BRADSHAW WATER COMPANY, INC.

2 DOCKET NO. W-02476A-01-0502

3
4 Don Lovell
4 LYNX CREEK RANCH, INC.
5 112 Grove Avenue
5 Prescott, Arizona 86301

6 Christopher Kempley, Chief Counsel
7 ARIZONA CORPORATION COMMISSION
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