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BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

DOCKETED

DEC 28 2001

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED BY	<i>VL</i>
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IN THE MATTER OF THE APPLICATION OF
BRADSHAW WATER COMPANY FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-02476A-01-0502

DECISION NO. 64286

ORDER

Open Meeting
December 18 and 19, 2001
Phoenix, Arizona

BY THE COMMISSION:

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 22, 2001, Bradshaw Water Company ("Bradshaw" or "Company") filed with the Arizona Corporation Commission ("Commission") an Application for a Permanent Rate Increase.
2. On July 23, 2001, the Commission's Utilities Division Staff ("Staff") filed its Sufficiency Letter and classified Bradshaw as a Class D utility.
3. On October 5, 2001, Staff filed its Staff Report recommending approval of its recommended rates and charges without a hearing.
4. Bradshaw provides water utility service to approximately 87 customers in an area near Prescott within Yavapai County, Arizona. The Company's system produced less than 30 percent of the water sold to its customers. More than 70 percent of the water sold is purchased from the Prescott Valley Water District.
5. The Commission authorized Bradshaw's current permanent rates in Decision No. 60708 (February 27, 1998).
6. The Company mailed notice of its rate application to its customers on June 25, 2001. 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. On November 14, 2001, the Company filed objections to the Staff Report.

5 8. On November 19, 2001, the Company filed exceptions to the Recommended Order.

6 9. On November 21, 2001, the Company asked that the Recommended Order, which was
7 scheduled for the November 27 and 28, 2001 Open Meeting, be postponed so the Administrative Law
8 Judge and Staff would have time to review and consider the objections. The Company waived all
9 time clock rules as they apply to the Company's application so that the objections and exceptions
10 could be fully considered. Staff had no objection to the Company's request and the application was
11 pulled from the November 27 and 28, 2001 Open Meeting.

12 10. On December 3, 2001, Staff filed its response to Bradshaw Water Company's
13 objections to the Staff Report and exceptions to the Recommended Order in which Staff agreed in
14 part and disagreed in part with the Company's objections and exceptions.

15 11. On December 4, 2001, Applicant filed a letter that analyzed the expenses paid by
16 Applicant and those paid by Professional Brokers on behalf of Applicant.

17 12. On December 6, 2001, Applicant filed a letter addressing Staff's response to
18 Applicant's exceptions.

19 13. Based on Test Year results for the year ended December 31, 2000, as adjusted by
20 Staff, Bradshaw realized an operating loss of \$14,707 on an original cost rate base ("OCRB") of
21 \$480,519, for no rate of return.

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

24 15. Staff recommended a revenue level of \$76,237 and an operating income of \$1,983 on
25 an OCRB \$480,519, resulting in a 0.14 percent rate of return. Staff's proposed rates would produce
26 positive cash flow of \$70,000.

27 16. Bradshaw's present and proposed rates and charges, as well as Staff's recommended
28 rates and charges, are as follows:

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	<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
7			
<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
<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (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
<u>SERVICE CHARGE:</u>			
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:

1	4" or Smaller	0.00	0.00	***
2	6"	0.00	0.00	***
	8"	0.00	0.00	***
3	10"	0.00	0.00	***
4	Larger than 10"	0.00	0.00	***

5

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

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

8 *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month.

9 **** 1.5 Percent of monthly unpaid balance

10 17. In its Staff Report, Staff made adjustments that increased the Company's proposed
11 rate base of \$305,991 to \$480,519. The increase of \$174,528 is mainly attributable to an adjustment
12 in accumulated depreciation. Staff's adjustments to rate base, as reflected in the Staff Report, are
13 reasonable and should be adopted. Consequently, Bradshaw's Fair Value Rate Base ("FVRB") is
14 determined to be \$480,519. The Company's FVRB is the same as its OCRB.

15 18. Staff made five adjustments to operating expenses, resulting in a net decrease of
16 \$18,493. Staff's adjustments include decreasing repairs and maintenance by \$7,507, reducing
17 depreciation expense in the amount of \$4,254 and reclassifying salaries and wages, for a net decrease
18 of approximately \$7,000. In Staff's response to Bradshaw Water Company's Exceptions, Staff
19 explained that it had reclassified salaries and wages because the Company's books and records
20 indicate that no associated payroll taxes were charged or paid and generally accepted accounting and
21 rate-making principals would not permit Staff to classify such in the salaries and wages account.
22 Staff's recommendation is to reclassify the expense, not to disallow it, and therefore the Company
23 would be allowed to recover those sums. Staff's adjustments to operating expenses as reflected in the
24 Staff Report are reasonable and should be adopted.

25 19. The bill counts submitted with the instant application match the metered water
26 revenues, therefore, no adjustment to revenues was necessary.

27 20. During the Test Year, the Company's customers had a median water usage of 5,317
28 gallons.

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

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

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

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

7 25. The Company is in compliance with Arizona Department of Environmental Quality
8 ("ADEQ") and is currently delivering water that meets the water standards required by the Safe
9 Drinking Water Act.

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

14 27. In Decision No. 60708 (February 27, 1998), the Commission ordered the Company to
15 file a rate increase application on or before March 1, 2000. Subsequently, the Hearing Division
16 issued a Procedural Order that granted an extension of the filing to December 31, 2000. The instant
17 application was filed six months late.

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

23 29. Staff states that Bradshaw is managed by Professional Brokers. Staff indicates it was
24 informed there is no written agreement for the management fee between Bradshaw and Professional
25 Brokers. Lynx Creek Ranch, Inc. is the parent company of Bradshaw.

26 30. Staff further recommends that:

27
28 (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;

- (b) Bradshaw shall accurately describe its plant in service in the 2001 Utilities Division Annual Report and each Annual Report thereafter;
- (c) Bradshaw shall comply with future Commission orders regarding timely filings as required;
- (d) The Company shall implement and maintain its books and records in conformity with NARUC Uniform System of Accounts in compliance with Rule R14-2-411(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 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;
- (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-utility purposes;
- (f) In addition to the collection of its regular rates and charges, Bradshaw shall collect from its customers their proportionate share of any Privilege Sales or Use Taxes provided for in A.A.C. R14-2-409(D).

CONCLUSIONS OF LAW

- 1. Bradshaw is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-250, 40-251, 40-301 and 40-302.
- 2. The Commission has jurisdiction over Bradshaw 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 hearing.
- 5. Staff's recommendations as set forth in Findings of Facts No. 10, 11, 12, 17 and 24, are reasonable and should be adopted.

ORDER

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

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$33.00
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1	3/4" Meter	33.00
	1" Meter	82.50
2	1 1/2" Meter	165.00
	2" Meter	264.00
3	3" Meter	495.00
	4" Meter	825.00
4	6" Meter	1,650.00

5 Commodity Rates (per 1,000 Gallons)

6	From 0 to 4,000 Gallons	\$4.50
7	From 4,001 to 6,000 Gallons	5.75
8	In excess of 6,000 Gallons	6.75

9 Service Line and Meter Installation Charges

	5/8" x 3/4" Meter	\$350.00
10	3/4" Meter	400.00
	1" Meter	500.00
11	1 1/2" Meter	750.00
12	2" Meter	1,500.00
	3" Meter	1,975.00
13	4" Meter	3,040.00
	6" Meter	7,290.00

14 SERVICE CHARGE:

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

22 Monthly Service Charge for Fire Sprinkler

23	4" or Smaller	***
24	6"	***
	8"	***
25	10"	***
26	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 January 1, 2002.

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.

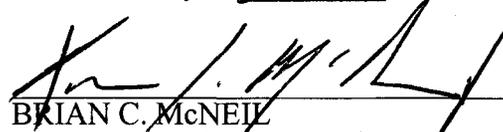
IT IS FURTHER ORDERED that Bradshaw Water Company shall file a permanent curtailment tariff no later than 120 days from the effective date of the Decision in this matter.

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 28th day of December, 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
LYNX CREEK RANCH, INC.
112 Grove Avenue
5 Prescott, Arizona 86301

6 Christopher Kempsey, Chief Counsel
ARIZONA CORPORATION COMMISSION
7 1200 West Washington Street
Phoenix, Arizona 85007

8 Ernest G. Johnson, Director
9 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
10 Phoenix, Arizona 85007

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