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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

Arizona Corporation Commission

DOCKETED

FEB 02 2006

DOCKETED BY *cm*

IN THE MATTER OF THE APPLICATION
OF MOUNTAIN GLEN WATER SERVICE,
INC. FOR A PERMANENT RATE
INCREASE

DOCKET NO. W-03875A-03-0737

IN THE MATTER OF THE APPLICATION
OF MOUNTAIN GLEN WATER SERVICE,
INC. FOR FINANCING APPROVAL

DOCKET NO. W-03875A-03-0870

DECISION NO. 68446

ARSENIC REMOVAL SURCHARGE
TARIFF

Open Meeting
January 24 and 25, 2006
Phoenix, Arizona

BY THE COMMISSION:

Pursuant to Decision No. 67163, Mountain Glen Water Service, Inc. ("Mountain Glen" or "Company") was ordered to file an amended request for financing of a new well source and for approval of an arsenic removal surcharge tariff within 30 days after receiving preliminary approval of a loan from WIFA.

On October 21, 2005, the Company filed with the Arizona Corporation Commission ("Commission") an application for approval of financing and permanent rate increase in Docket No. W-03875A-03-0737.

The Company has applied the arsenic surcharge mechanism methodology approved in Decision No. 67163 in its calculation of the arsenic removal surcharge tariff.

* * * * *

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

3 FINDINGS OF FACT

4 1. Mountain Glen is a Class-D regulated water utility which serves approximately 299
5 Arizona customers in Navajo pursuant to its Certificates of Convenience and Necessity granted by
6 the Commission to the Company.

7 2. The Company seeks an arsenic removal surcharge tariff in this proceeding
8 authorizing a monthly surcharge per customer of \$4.82 to aid the Company in its efforts to comply
9 with the Environmental Protection Agency's ("EPA") new arsenic maximum contaminant level of
10 10 particles per billion ("ppb") which goes into effect on January 23, 2006.

11 3. The Company has received preliminary approval of a loan for a new well source
12 from Water Infrastructure Finance Authority ("WIFA") in the amount of \$182,993 at an interest
13 rate of 6.125 percent over a twenty-year term.

14 4. Pursuant to Decision No. 67163, the Company is required to file a new rate case
15 application which shall address necessary and appropriate ratemaking treatment for arsenic
16 facilities within 48 months of August 10, 2004, the date of Decision No. 67163.

17 5. Pursuant to Decision No. 67163, in the event that the Company fails to file a new
18 rate case application within 60 months of August 10, 2004, the arsenic treatment surcharge then in
19 place shall be discontinued.

20 CONCLUSIONS OF LAW

21 1. The Company is a public water service corporation within the meaning of Article
22 XV of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

23 2. The Commission has jurisdiction over the Company and of the subject matter of the
24 application.

25 3. Approval of an arsenic surcharge mechanism is consistent with the Commission's
26 authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

27 4. It is in the public interest to approve the Company's request for financing and for
28 approval of an arsenic removal surcharge tariff.

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ORDER

IT IS THEREFORE ORDERED that the application by Mountain Glen for financing of a new well source in the amount of \$182,993 from WIFA is approved.

IT IS FURTHER ORDERED that the application by Mountain Glen for approval of an arsenic removal surcharge tariff of \$4.82 per customer per month to service the debt necessary to complete the arsenic treatment investment is approved.

IT IS FURTHER ORDERED that Mountain Glen shall notify its customers of the arsenic removal surcharge tariff approved herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Mountain Glen shall file a new rate case application which shall address necessary and appropriate ratemaking treatment for arsenic facilities no later than August 10, 2008, as per Decision No. 67163.

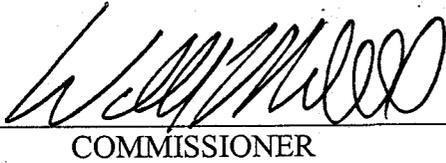
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1 IT IS FURTHER ORDERED that in the event that Mountain Glen fails to file a new rate
2 case application by August 10, 2009, the arsenic treatment surcharge then in place shall be
3 automatically discontinued.

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

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 
9 CHAIRMAN

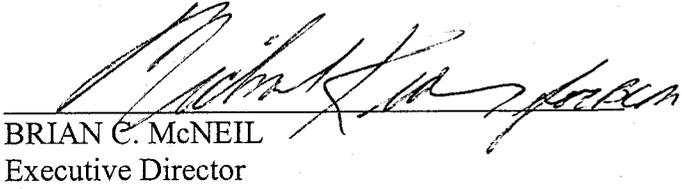

COMMISSIONER

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12 COMMISSIONER


COMMISSIONER


COMMISSIONER

13 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 2nd day of February, 2006.

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19 
20 BRIAN C. McNEIL
21 Executive Director

22 DISSENT: _____

23
24 DISSENT: _____

25 EGJ:JRM:lh\DR
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1 SERVICE LIST FOR: Mountain Glen Water Service, Inc.
2 DOCKET NOS. W-03875A-03-0737, et al.

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