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ORIGINAL

OPEN MEETING ITEM RECEIVED

BRIAN C. McNEIL
EXECUTIVE SECRETARY

COMMISSIONER

ARIZONA CORPORATION COMMISSION

2002 DEC 31 A 11: 47

DATE: December 31, 2002

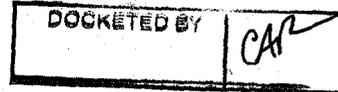
Arizona Corporation Commission

DOCKETED

DOCKET NOS: W-01408A-02-0595

DEC 31 2002

TO ALL PARTIES:



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

MT. LEMMON COOPERATIVE WATER COMPANY, INC.
(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 thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JANUARY 9, 2003

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:

JANUARY 14 AND 15, 2003

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

BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 8. On August 2, 2002, the Company mailed notice of its rate application to its customers.

2 9. The Commission received eight responses concerning the proposed rate increase,
3 including five opposed, and three in favor.

4 10. On November 18, 2002, Staff filed its Staff Report, recommending approval of the
5 financing request and approval of Staff's recommended rates and charges without a hearing.

6 11. In the Test Year (December 31, 2001), as adjusted by Staff, Mt. Lemmon realized
7 total revenue of \$172,159, producing an operating loss of \$31,005, for no rate of return on an
8 Original Cost Rate Base ("OCRB") of \$435,097.

9 12. The Company proposed rates, as filed, produce a revenue level of \$215,563, and an
10 operating income of \$10,409, for a 1.87 percent rate of return on its proposed OCRB of \$557,877.
11 The Company's requested revenue results in an increase of \$46,404, or 26.95 percent over Test Year
12 revenue.

13 13. Staff recommends a revenue level of \$234,239, resulting in operating income of
14 \$31,075, a 7.14 percent rate of return on an OCRB of \$435,097. Staff's recommended revenue
15 represents a 36 percent increase over Test Year revenues.

16 14. Staff notes that the Company has stated it needs the rate increase to service the
17 proposed WIFA loan. However, Staff determined the Company's proposed revenues, with the
18 proposed WIFA loan, result in a Debt Service Coverage ("DSC") ratio of 0.85 which is below
19 WIFA's requirement. Staff concurs with the Company that it needs to increase rates, however, Staff
20 is recommending higher rates to allow the Company to maintain its water system and provide
21 coverage for the proposed WIFA loan.

22 15. Mt. Lemmon's present and proposed rates and charges, as well as Staff's proposed
23 rates and charges are as follows:

	<u>Present</u> <u>Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
26 5/8" x 3/4" Meter	\$31.85	\$40.00	\$41.85
27 3/4" Meter	35.00	45.00	45.00
1" Meter	43.00	53.00	53.00
28 1 1/2" Meter	50.00	60.00	60.00

1	2" Meter	70.00	80.00	80.00
	3" Meter	110.00	120.00	120.00
2	4" Meter	200.00	210.00	210.00
	6" Meter	350.00	360.00	360.00

3				
4	Gallons included in minimum	0	0	0

5	Commodity Charge – per 1,000 Gallons			
	From 0 to 4,000 Gallons	\$4.50	\$5.00	\$6.00
6	From 4,001 to 10,000 Gallons	\$4.00	\$5.00	\$9.00
	From 10,001 to 20,000 Gallons	\$7.00	\$8.00	\$15.00
7	In excess of 20,000 Gallons	\$10.00	\$12.00	\$20.00
8	Set aside per bill per month	0	0	\$7.88

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10 SERVICE LINE AND METER INSTALLATION CHARGES:

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

12	5/8" x 3/4" Meter	\$345.00	\$400.00	\$400.00
13	3/4" Meter	380.00	435.00	435.00
	1" Meter	430.00	485.00	485.00
14	1 1/2" Meter	625.00	680.00	680.00
	2" Meter	1,025.00	1,080.00	1,080.00
15	3" Meter	1,405.00	1,460.00	1,460.00
	4" Meter	2,260.00	2,315.00	2,315.00
16	6" Meter	4,270.00	4,325.00	4,325.00

17				
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18 SERVICE CHARGE:

19	Establishment	\$30.00	\$45.00	\$30.00
20	Establishment (After Hours)	40.00	80.00	40.00
	Reconnection (Delinquent)	30.00	45.00	30.00
21	Meter Test (If Correct)	15.00	25.00	20.00
	Deposit	*	*	*
22	Deposit Interest	*	*	*
	Reestablishment (Within 12 Months)	**	**	**
23	NSF Check	15.00	25.00	15.00
	Deferred Payment	1.5%	1.5%	1.5%
24	Meter Reread (If Correct)	20.00	30.00	20.00
25	Late Payment Penalty (per month)	1.5%	2.5%	1.5%
	Leak detection (per Hour Charge)	N/A	***	***

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

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

3 *** Tariff to be filed shall have a maximum hourly charge of \$65.00, and a total maximum of \$260.00.

4 16. The Company's application proposed an OCRB of \$557,877. Staff's adjustments
5 decreased the OCRB by \$122,781 to \$435,097. Staff increased Accumulated Depreciation by
6 \$124,235, as a result of adding the depreciation expense since the last rate case to the Commission-
7 approved ending plant balances as of December 31, 1993. In addition, Staff increased working capital
8 by \$1,454, based on Staff's adjustments to operating expenses and an increase in the inventory rate
9 base account.

10 17. Staff's adjustments to rate base, as reflected in the Staff Report, are reasonable and
11 should be adopted. Thus, we find the Company's Fair Value Rate Base ("FVRB") to be \$435,097,
12 which is the same as its OCRB.

13 18. Staff increased Metered Water revenues by \$2,852, from \$168,596 to \$171,448, to
14 reflect revenues from water sales not recorded in the general ledger.

15 19. Staff decreased Operating Expenses by a net of \$1,990, from \$205,154 to \$203,164.
16 Staff reclassified \$1,790 from Repairs and Maintenance Expense to Plant Equipment Inventory for
17 additional tools and supplies; increased Water Testing by \$274 to reflect Staff's recommended
18 expense level of \$2,365; decreased Rents by \$150 to accurately reflect the Company's 2001 rental
19 agreement; decreased Miscellaneous Expense by \$1,021 to reflect Staff's disallowance of an annual
20 director's dinner; and increased Depreciation Expense by \$697 consistent with Commission approved
21 depreciation rates.

22 20. Staff recommends Mt. Lemmon use specific depreciation rates by plant category as set
23 forth in Exhibit A attached hereto and incorporated herein by reference.

24 21. Staff's recommended adjustments to Operating Expenses, as reflected in the Staff
25 Report, are reasonable, and should be adopted.

26 22. Mt. Lemmon had 402 customers in the TY, with an average usage of 916 gallons.

27 23. The Company's proposed rates would increase the average customer's bill by \$9.07,
28 25.5 percent, from \$35.51 to \$44.58.

1 24. Staff's recommended rates would increase the average bill by \$11.84, or 32.5 percent,
2 from \$35.51 to \$47.35.

3 25. Because of the recent drought and continued growth, the Company's water production
4 and storage capacity is marginal. The Company is requesting to borrow \$540,000 from WIFA at a
5 combined interest and fee rate of 3.50 percent for a period of 20 years. The loan proceeds would
6 fund the following projects to meet current and future demands:

7 (a) Replace the 30,000 gallon Carter Canyon Tank with a 140,000 gallon bolted steel
8 tank and install 1,000 feet of new 6-inch ductile iron pipe from the new tank to Carter Canyon Road.

9 (b) Install a new 1,000,000 gallon tank in upper Sabino Canyon to store filtered water.

10 (c) Install two filter systems as required by the reclassification of source water to be in
11 compliance with Arizona Department of Environmental Quality ("ADEQ") regulations.

12 The projects are estimated to cost a total of \$570,000, with \$30,000 of the cost being funded by the
13 Company.

14 26. Staff reviewed the proposed projects and determined that the proposed improvements
15 are appropriate and the estimated costs are reasonable. Staff noted that its review does not imply a
16 specific treatment for rate base or rate making purposes.

17 27. Staff recommends approval of the proposed WFIA loan.

18 28. Staff recommends the improvements be completed as soon as possible but no later
19 than 48 months from the effective date of the final order in this rate case. Staff recommends that the
20 Company file a report each September 30th detailing the progress of installing the plant
21 improvements.

22 29. Staff recognizes there will be a lag between the rates approved as a result of this rate
23 increase application and repayment of the WIFA loan, and thus, believes that a set aside of \$7.88 per
24 bill per month is appropriate until the WIFA loan proceeds are drawn. Staff believes the set aside
25 would allow the Company to have funds available to make the first payment which is usually the
26 interest accumulated for the principal drawn throughout the construction phase of the project. If the
27 set aside account is more than the interest accrued, then Staff recommends the excess should be
28

1 applied to the principal.¹ Staff recommends that the set aside account should terminate when the first
2 loan payment is made.

3 30. Staff's proposed rates result in an overall Times Interest Earned Ratio ("TIER") of
4 0.91, a DSC of 1.15 and Cash Coverage Ratio of 2.11.

5 31. Mt. Lemmon is in compliance with Commission Orders and regulations.

6 32. Mt. Lemmon is current with its property and sales taxes.

7 33. Mt. Lemmon is in compliance with Arizona Department of Water Resources'
8 ("ADWR") requirements.

9 34. ADEQ reported that the Company is not in compliance with its regulations, and it can
10 not determine if the Company is currently delivering water that meets water quality standards.
11 ADEQ does not have evidence this water system completed nitrate monitoring during 2001. ADEQ
12 requires nitrate monitoring annually. The Company did not provide ADEQ with test samples showing
13 evidence of completing the initial lead and copper monitoring.

14 35. Staff recommends that new rates go into effect only after the Company submits, to the
15 Director of the Utilities Division, notification from ADEQ stating that the water system has no
16 Maximum Contaminant Level ("MCL") violations and is delivering water that meets the quality
17 standards of the Safe Drinking Water Act.

18 36. The most recent tests show arsenic concentration levels not exceeding the new MCL
19 of ten parts of billion.

20 37. The Company requests an Off-Site Facility Hook-up Fee of \$950 per connection. Staff
21 supports the concept of a hook-up fee and recommends adopting the specific language set forth in
22 Exhibit B hereto. The Company based its hook-up fee on the cost to build the filtered storage tank
23 water treatment systems, and new transmission main from the filtered water tank at a cost of
24 \$570,000. The Company estimates these improvements will serve the 400 existing customers as well
25 as approximately 180 future customers. The cost for connection would therefore be \$980, and the
26 Company is seeking a hook-up fee of \$950 per connection. Staff believes the request for \$950 per
27

28 ¹ Staff calculated the set aside account by dividing the annual proposed WIFA loan principal and interest (\$37,908) by the number of customers (402), then dividing this by 12 equaling \$7.88 per month per bill.

1 connection is reasonable. For larger meter sizes, Staff recommends that the hook-up fee be
2 proportional to the NARUC meter multiplier, as set forth in Exhibit B.

3 38. Staff further recommends with respect to the hook-up fee:

4 (a) The Company open a separate interest bearing account for the purpose of
5 depositing the Off-site Facilities Hook-up Fee.

6 (b) The Company file a report on the activities on the Off-site Facilities Hook-up Fee
7 account on April 15th each year. The following items should be included in this report:

8 (i) Name and amount of each person/entity paying a hook-up fee.

9 (ii) Bank balance in Off-site Facilities Hook-up Fee account, including interest.

10 (iii) Amount spent from Off-site Facilities Hook-up Fee account.

11 (iv) Enumeration of plant items purchased from the Off-site Facilities Hook-up Fee
12 account. If, as an alternative, the hook-up fees were used for the repayment of
13 loans obtained for the installation of off-site facilities, then this should be
14 indicated.

15 (v) Any other pertinent information required by Staff.

16 39. The Company submitted the Pressure Regulating Valve Tariff attached hereto as
17 Exhibit C. The Pressure Regulating Valve Tariff requires all customers to install a pressure regulator
18 valve at all services. Because of the elevations of the tanks, the system experiences high pressures.
19 Staff recommends approving the Pressure Regulating Valve Tariff submitted with the following
20 addition:

21 If a customer believes he/she has been disconnected in error, the customer
22 may contact the Commission's Consumer Services Section at 1-800-222-
7000 to initiate an investigation.

23 40. A leak detection tariff provides for the recovery of the costs associated with detecting
24 leaks on the customer's property, which, if not corrected, have the potential to cause low pressure,
25 drain the storage tanks and cause damage to the Company's equipment. Staff recommends that the
26 Company file a leak detection tariff within 90 days after the effective date of this Decision, for the
27 review and certification of the Director of the Utilities Division. Staff recommends that the tariff
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1 shall include language and conditions consistent with the language set forth on page 12 of the
2 Engineering Report attached to the Staff Report

3 41. The Company submitted a Cross Connection and Backflow Prevention Tariff attached
4 as Exhibit D, hereto. Staff recommends approval of this tariff.

5 42. Staff further recommends that in addition to the collection of the Company's regular
6 rates and charges, Mt. Lemmon shall collect from its customers their proportionate share of any
7 Privilege, Sales or Use Tax as provided for in A.A.C. R14-2-409(D).

8 CONCLUSIONS OF LAW

9 1. Mt. Lemmon is a public service corporation within the meaning of Article XV of the
10 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-252 and 40-281 and 40-282.

11 2. The Commission has jurisdiction over Mt. Lemmon and of the subject matter of the
12 application.

13 3. Notice of the application was given in accordance with the law.

14 4. The Staff's recommended rates and charges are reasonable and should be approved
15 without a hearing.

16 5. The financing approved herein is for lawful purposes within the Company's corporate
17 powers, is compatible with the public interest, with sound financial practices, and with the proper
18 performance by Mt. Lemmon of service as a public service corporation, and will not impair Mt.
19 Lemmon's ability to perform the service.

20 6. The financing approved herein is for the purposes stated in the application and is
21 reasonable necessary for those purposes, and such purposes are not, wholly or in part, reasonably
22 chargeable to operating expenses or to income.

23 7. The recommendations set forth in Findings of Fact Nos. 20, 27 through 29, 35, and 37
24 through 42 are reasonable.

25 ORDER

26 IT IS THEREFORE ORDERED that Mt. Lemmon Cooperative Water Company, Inc. is
27 hereby authorized and directed to file with the Commission on or before January 31, 2003, a new
28 schedule of rates and charges as set forth below:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$41.85
3/4" Meter	45.00
1" Meter	53.00
1 1/2" Meter	60.00
2" Meter	80.00
3" Meter	120.00
4" Meter	210.00
6" Meter	360.00

Commodity Charge – per 1,000 Gallons

From 0 to 4,000 gallons	\$6.00
From 4,001 to 10,000 gallons	9.00
From 10,001 to 20,000 gallons	15.00
In excess of 20,000 gallons	20.00

Set aside per bill per month \$7.88

5/8" x 3/4" Meter	\$400.00
3/4" Meter	435.00
1" Meter	485.00
1 1/2" Meter	680.00
2" Meter	1,080.00
3" Meter	1,460.00
4" Meter	2,315.00
6" Meter	4,325.00

SERVICE CHARGE:

Establishment	\$30.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	30.00
Meter Test	20.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	15.00
Deferred Payment	1.5%
Meter Reread (If Correct)	20.00
Late Payment Penalty (per month)	1.5%
Leak detection (per hour Charge)	***

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

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

2 *** Tariff to be filed shall have a maximum hourly charge of \$65.00, and a total maximum of \$260.00.

3 IT IS FURTHER ORDERED that the new rates and charges shall be effective for all service
4 provided on and after the first of the month after the Company submits, to the Director of the Utilities
5 Division, notification from ADEQ stating that the water system has no MCL violations and is
6 delivering water that meets the quality standards of the Safe Drinking Water Act.

7 IT IS FURTHER ORDERED that Mt. Lemmon Cooperative Water Company, Inc. shall
8 notify its customers of the rates and charges authorized herein and the effective date of same by
9 means of an insert in its regular monthly bill following submission of evidence of ADEQ compliance.

10 IT IS FURTHER ORDERED that Mt. Lemmon Cooperative Water Company, Inc. shall file
11 with the Commission within 30 days from the date mailed to customers, a copy of the notice it
12 provides its customers of the new rates and charges.

13 IT IS FURTHER ORDERED that Mt. Lemmon Cooperative Water Company, Inc. is
14 authorized to borrow \$540,000 from the Water Infrastructure Finance Authority for a term of twenty
15 years, at the then prevailing interest rate, such rate not to exceed 5.0 percent.

16 IT IS FURTHER ORDERED that such finance authority shall be expressly contingent upon
17 Mt. Lemmon Cooperative Water Company, Inc.'s use of the proceeds for the purposes approved
18 herein.

19 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
20 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
21 proceeds derived thereby for purposes of establishing just and reasonable rates.

22 IT IS FURTHER ORDERED that the Cross Connection and Backflow Prevention Tariff
23 attached hereto as Exhibit D is approved.

24 IT IS FURTHER ORDERED that the Off-site Facilities Hook-up Fee Tariff attached hereto
25 as Exhibit B is approved.

26 IT IS FURTHER ORDERED that Mt. Lemmon Cooperative Water Company, Inc.'s Pressure
27 Regulatory Valve Tariff attached as Exhibit C is approved as modified by Staff's recommendation in
28

1 Findings of Fact No. 39.

2 IT IS FURTHER ORDERED that Mt. Lemmon Cooperative Water Company, Inc. shall
3 comply with the recommendations set forth in Findings of Fact Nos. 20, 28, 29, 38, 40 and 42.

4 IT IS FURTHER ORDERED that the WIFA aside described in Findings of Fact No. 29 shall
5 be deposited in a separate interest-bearing account until the first loan payment is made and the set
6 aside terminates.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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11 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 _____, 2003.

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

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DISSENT _____
JR:dap

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1 SERVICE LIST FOR: MT. LEMMON COOPERATIVE WATER
2 COMPANY, INC.

3 DOCKET NO.: W-01408A-02-0595
4

5 Michael Stanley
6 Mt. Lemmon Cooperative Water Co., Inc.
7 P.O. Box 31703
8 Tucson, Arizona 85751

9 Christopher Kempley, Chief Counsel
10 Legal Division
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Ernest Johnson, Director
15 Utilities Division
16 ARIZONA CORPORATION COMMISSION
17 1200 West Washington Street
18 Phoenix, Arizona 85007
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TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Miscellaneous Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

TARIFF SCHEDULE

Utility: Mt Lemmon Co-operative Water Co., Inc.
Docket No.: W-01408A-02-0595
Phone No.: (520)576-1538

Tariff Sheet No.: Page 1 of 3
Decision No.: _____
Effective: _____

OFF-SITE WATER FACILITIES HOOK-UP FEE**I. Purpose and Applicability**

The purpose of the hook-up fees payable to Mt. Lemmon Co-operative Water Co. Inc. ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure, transmission and fire flow 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 the 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 rules and regulations governing water utilities shall apply in 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.

"Company" means Mt. Lemmon Co-operative Water Co., Inc., an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an Applicant 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 Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site 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 these facilities will benefit the entire water system.

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

TARIFF SCHEDULE

Utility: **Mt Lemmon Co-operative Water Co., Inc.**
 Docket No.: **W-01408A-02-0595**
 Phone No.: (520)576-1538

Tariff Sheet No.: Page 2 of 3
 Decision No.: _____
 Effective: _____

III. Off-Site Hook-Up Charges

Each new service connection shall pay the total off-site facilities hookup fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE		
Meter Size	NARUC Meter Factor	Total Fee
5/8" x 3/4"	1	\$950
3/4"	1.5	\$1,425
1"	2.5	\$2,375
1- 1/2 "	5	\$4,750
2"	8	\$7,600
3"	16	\$15,200
4"	25	\$23,750
6" or larger	50	\$47,500

IV. Terms and Conditions

- (A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per service connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Off-Site Hook-Up Fee: Hook-Up fees may only be used to pay for the 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, plant replacements, or operational purposes.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant 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 charges required hereunder shall be made by the Applicant 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 R14-2-406(M).

DECISION NO. _____

TARIFF SCHEDULE

Utility: Mt Lemmon Co-operative Water Co., Inc.
 Docket No.: W-01408A-02-0595
 Phone No.: (520)576-1538

Tariff Sheet No.: Page 3 of 3
 Decision No.: _____
 Effective: _____

- (2) In the event that the Applicant 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) Failure to Pay Charges; Delinquent Payments: - Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this off-site hook-up fee tariff.
- (E) Off-Site Hook-Up Fee Non-refundable: - The amounts collected by the Company pursuant to the off-site hook-up fee shall be non-refundable contributions in aid of construction.
- (F) Use of Charges 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.
- (G) Off-Site Hook-Up Fees In Addition to Other Charges: The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff
- (H) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fee or the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission (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.
- (I) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were generally provided 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.

Effective Date: _____

Approved for Filing in Compliance with

Decision No. _____

DECISION NO. _____

M LEMMON CO-OP WATER CO., C.
P.O. BOX 706
12701 N. AJO AVE.
MT. LEMMON, AZ. 85619
520.576.1538

DOCKET NO. W-01408A-02-0595

PRESSURE REGULATING VALVE TARIFF

PURPOSE:

The purpose of this tariff is to protect the MT. LEMMON CO-OP WATER COMPANY (COMPANY) gravity operated system from the possibility of a high-pressure leak on the customers premise. This valve allows even distribution of pressure to all customers in different pressure zones and prevents damage to the customers plumbing devices.

REQUIREMENTS:

In compliance with the Rules and Regulations of the MT. LEMMON CO-OP WATER COMPANY, at # 11.

1. The Company requires a customer to pay for, have installed and maintain a Pressure Regulating Valve at each meter service connection. This applies to all service connections on the COMPANY water system.
2. The type of Pressure Regulating Valve that is required to be installed by the customer under Paragraph 1 of this tariff shall have an inlet rating of 300psi or better. This device shall be installed as close to the meter service connection as possible and shall allow provisions for visual inspection. This device may be installed along with the required DOUBLE CHECK VALVE and required customer shut off valve. (See backflow tariff)
3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with paragraphs 1 of this tariff, the Company may terminate service or may deny service to a customer who fails to install, maintain or provide provisions for visual inspection of a Pressure Regulating Valve as required by this tariff.
4. The Company shall give all existing customers written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is NOT applicable, the customer shall be given NINTY (90) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why the device cannot be installed within the NINTY ((90) days, the COMPANY or COMMISSION STAFF may suspend this requirement for a reasonable period of time.
5. Periodical testing shall be in conformance as to not allow excessive water pressure from the COMPANY'S main lines on to the customers premise.

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6. In the event the Pressure Regulating Valve does not function properly or fails and causes an excessive pressure condition, the Pressure Regulating Valve shall be replaced (repaired) by the customer within FIFTEEN (15) days of the initial discovery of the deficiency. The replaced assembly must be accessible for visual inspection by the COMPANY.
7. Failure to remedy the deficiency shall be grounds for termination of water service in accordance with A.A.C R14-2-410.

**** FOR OFFICIAL USE ONLY ****

Effective Date: _____

DECISION NO. _____

CROSS-CONNECTION AND BACKFLOW TARIFF

PURPOSE:

The purpose of this tariff is to protect the MT. LEMMON CO-OP WATER COMPANY (COMPANY) water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation, maintenance and testing of backflow prevention assemblies pursuant to the provisions of the Arizona Administration Code (A.A.C.) R14-2405.B.6 AND A.A.C. R18-4-115.

REQUIREMENTS:

In compliance with the Rules of the Arizona Corporation Commission (Commission) and the Arizona Department of Environmental Quality (ADEQ), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

1. The Company requires a customer to pay for, have installed and maintain a backflow prevention assembly (double check valve) since A.A.C. R18-4-115C applies to all service connections on the COMPANY water system.
2. The type of backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall be a double check valve (DC) assembly as stated in R18-4-115.E. This device shall be installed as close to the meter service connection as possible and shall allow provisions for visual inspection. This device may be installed along with the required Pressure Regulating Valve and required customer shut off valve. (See pressure regulating tariff)
3. Subject to the provisions of A.A.C R14-2-407 and 410, and in accordance with paragraphs 1 of this tariff, the Company may terminate service or may deny service to a customer who fails to install or maintain or provide provisions for visual inspection of a backflow-prevention assembly as required by this tariff.
4. The Company shall give all existing customers written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is NOT applicable, the customer shall be given NINTY (90) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why the device cannot be installed within the NINTY ((90) days, the COMPANY or COMMISSION STAFF may suspend this requirement for a reasonable period of time.

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5. Periodical testing shall be in conformance as to not allow water from the customers premise to flow back into the COMPANY'S distribution system. (Since only a double-check valve is required by this tariff R18-4-115.F. does not apply.)
6. In the event the double check valve does not function properly or fails and causes a backflow condition, the backflow assembly shall be replaced (repaired) by the customer within FIFTEEN (15) days of the initial discovery of the deficiency. The replaced assembly must be accessible for visual inspection by the COMPANY.
7. Failure to remedy the deficiency shall be grounds for termination of water service in accordance with A.A.C R14-2-410.

**** FOR OFFICIAL USE ONLY ****

Effective Date: _____

DECISION NO. _____