

OPEN MEETING
ORIGINAL
MEMORANDUM
RECEIVED



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TO: THE COMMISSION 2007 FEB 23 A 10:30
FROM: Utilities Division AZ CORP COMMISSION DOCUMENT CONTROL
DATE: February 23, 2007
RE: IN THE MATTER OF THE APPLICATION OF ABRA WATER COMPANY, INC.
FOR REVIEW AND APPROVAL OF PROPOSED ARSENIC IMPACT HOOK-UP FEE
TARIFF (DOCKET NO. W-01782A-07-0063)

Introduction

On January 29, 2007, Abra Water Company, Inc. ("Abra" or the "Company") filed an Arsenic Impact Hook-up Fee Tariff. On February 8, 2007, Abra filed a letter waiving the 30-day time clock to allow Staff sufficient time to complete its review of the filing. On February 9, 2007, Abra filed revisions to the proposed tariff filed on January 29, 2007. In Decision No. 68693 (dated May 5, 2006), the Commission authorized Abra to borrow an amount not to exceed \$250,000 to construct an arsenic treatment facility to comply with the Environmental Protection Agency's new arsenic standard. According to Abra, the cost to construct the arsenic treatment facility has increased to \$320,000 (rounded).¹ Abra plans to use proceeds from the proposed Arsenic Impact Hook-up Fee Tariff to assist in constructing the arsenic treatment facilities.

Abra's Water System

Abra serves an area which is approximately 25 miles north of the Town of Prescott in Yavapai County. The water system consists of two wells, one storage tank and booster system serving approximately 580 customers. The arsenic levels at the wells are as follows; Well #1 (DWR # 55-619178) at 16 parts per billion ("ppb") and Well #2 (DWR #55-561786) at 30 ppb. The Company plans to use a combination of blending and centralized treatment at one well site which it expects will enable it to deliver water that meets the new arsenic standard.

Company's Proposed Arsenic Impact Fee

The proposed Arsenic Impact Hook-up Fee Tariff will be used to assist in funding the construction of arsenic treatment facilities, which according to current cost estimates will total \$318,799. The Company calculated its proposed fee by dividing the current cost estimate of \$318,799 by its existing customer base of 576. Abra seeks approval of an Arsenic Impact Hook-up Fee of \$553 for all new 5/8- x 3/4-inch service connections, graduated for larger meter sizes using American Water Works Association equivalent meter conversion factors ("AWWA multipliers").

¹ The scope of work remained substantially the same treatment plant and building costs have increased.

Staff's Analysis and Proposed Arsenic Impact Fee

Staff has reviewed the Company's proposed tariff and supporting data. Staff recommends an Arsenic Impact Hook-Up Fee of \$400 for all new 5/8- x 3/4-inch service connections, graduated for larger meter sizes using the AWWA multipliers. Staff calculated its proposed fee by dividing the total capital cost of \$320,000 (rounded) by 800 customers. This customer count includes existing customers plus approximately five years of growth.²

Existing Off-Site Facilities Hook-Up Fee and Proposed Arsenic Impact Fee

Abra has an approved Off-Site Facilities Hook-Up Fee Tariff granted by Decision No. 60419 (dated September 26, 1997). This Arsenic Impact Hook-Up Fee will be in addition to the Company's existing Off-Site Facilities Hook-Up Fee.

Staff's Recommendation

Staff recommends approval of Abra's Arsenic Impact Hook-up Fee Tariff as modified by Staff and reflected in the attached Tariff Schedule



Ernest G. Johnson
Director
Utilities Division

EGJ:DMH:lhmc/CH

ORIGINATOR: Dorothy Hains

² Historical growth has been 30 - 40 customers per year Staff used 40 for its calculation.

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF ABRA WATER COMPANY, INC., FOR)
REVIEW AND APPROVAL OF PROPOSED)
ARSENIC IMPACT HOOK-UP FEE TARIFF)
_____)

DOCKET NO. W-01782A-07-0063
DECISION NO. _____
ORDER

Open Meeting
March 13 and 14, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On January 29, 2007, Abra Water Company, Inc. ("Abra" or the "Company") filed an Arsenic Impact Hook-up Fee Tariff.
2. On February 8, 2007, Abra filed a letter waiving the 30-day time clock to allow staff sufficient time to complete its review of the filing.
3. On February 9, 2007, Abra filed revisions to the proposed tariff filed on January 29, 2007.
4. In Decision No. 68693 (dated May 5, 2006), the Commission authorized Abra to borrow an amount not to exceed \$250,000 to construct an arsenic treatment facility to comply with the Environmental Protection Agency's new arsenic standard.
5. Abra now estimates a total of \$318,799 of capital cost to complete the arsenic treatment plant. The scope of work remained substantially the same; however, treatment plant and building costs have increased. Abra is undertaking the construction of treatment facilities to

1 reduce the level of arsenic concentration in its water supply so it can meet the new arsenic
2 standard. Abra plans to use proceeds from the proposed Arsenic Impact Hook-up Fee Tariff to
3 assist in constructing the arsenic treatment facilities. Abra is undertaking the construction of
4 treatment facilities to reduce the level of arsenic concentration in its water supply so it can meet
5 the new arsenic standard. Abra plans to use proceeds from the proposed Arsenic Impact Hook-up
6 Fee Tariff to assist in constructing the arsenic treatment facilities.

7 6. Abra serves an area which is approximately 25 miles north of the City of Prescott,
8 near the Town of Paulden in Yavapai County. The water system consists of two wells, one storage
9 tank and booster systems serving approximately 580 customers. The arsenic levels at the wells are
10 as follows; Well #55-561786 at 16 parts per billion ("ppb"), and Well #55-619178 at 30 ppb.

11 7. The proposed Arsenic Impact Hook-up Fee Tariff will be used to assist in funding
12 the construction of arsenic treatment facilities. Abra seeks approval of an Arsenic Impact Hook-up
13 Fee of \$553 for all new 5/8- x 3/4-inch service connections, graduated for larger meter sizes using
14 American Water Works Association equivalent meter conversion factors ("AWWA multipliers").
15 The Company calculated its proposed fee by applying the total capital cost of \$318,799 and
16 dividing by a projected customer count of 576.

17 8. Staff has reviewed the Company's proposed tariff and supporting data. Staff has
18 recommended an Arsenic Impact Hook-Up Fee of \$400 for all new 5/8- x 3/4-inch service
19 connections, graduated for larger meter sizes using the AWWA multipliers. Staff calculated its
20 proposed fee by applying the total capital cost of \$320,000 and dividing by 800 customers. This
21 customer count includes existing customers plus approximately five years of growth. Historical
22 growth has been 30 - 40 customers per year; therefore, Staff used 40 for its calculation.

23 9. Abra has an approved Off-Site Facilities Hook-Up Fee Tariff granted by Decision
24 No. 60419 (dated September 26, 1997) and arsenic financing by Decision No. 68693. This
25 Arsenic Impact Hook-Up Fee will be in addition to the Company's existing Off-Site Facilities
26 Hook-Up Fee.

27 10. Staff has recommended approval of Abra's Arsenic Impact Hook-up Fee Tariff as
28 modified by Staff and reflected in the attached Tariff Schedule.

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CONCLUSIONS OF LAW

1. Abra is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Abra and over the subject matter of the application.

3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated February 23, 2007, concludes that the Arsenic Impact Hook-up Fee Tariff, as amended by Staff, is reasonable, fair and equitable and therefore is in the public interest.

ORDER

IT IS THEREFORE ORDERED that Abra Water Co.'s application for a tariff schedule to implement an Arsenic Impact Hook-up Fee, as amended by Staff, be and hereby is approved.

IT IS FURTHER ORDERED that Abra Water Co. file with Docket Control by January 31st of each year, an annual calendar year status report, until the Arsenic Impact Hook-Up Fee Tariff is no longer in effect. This status report shall contain a list of all customers that have paid the Arsenic Impact Hook-Up Fee Tariff, the amount of money spent from the account, and list of the facilities that have been installed with funds from the Arsenic Impact Hook-Up Fee Tariff for arsenic during the 12-month period.

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IT IS FURTHER ORDERED that Abra Water Co. shall docket, within 30 days, a copy of the Arsenic Impact Hook-up Fee Tariff approved herein.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:DMH:lm\CH

1 SERVICE LIST FOR: Abra Water Co.
2 DOCKET NO. W-01782A-07-0063

3 Mr. Kevan Larson
4 President
5 Abra Water Company, Inc.
6 Post Office Box 515
7 Paulden, Arizona 86334

8 Mr. Ernest G. Johnson
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 Mr. Christopher C. Kempley
14 Chief Counsel
15 Arizona Corporation Commission
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TARIFF SCHEDULE

Docket No. W-01782A-07-0063

Utility: Abra Water Co.
Docket No: W-01782A-07-0063
Phone No. 928-636-2557

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

ARSENIC IMPACT HOOK-UP FEE TARIFF

I. Purpose and Applicability

The purpose of the Arsenic Impact Fee Tariff, payable to Abra Water Co. ("the Company") pursuant to this tariff, is to equitably apportion the costs of constructing water treatment plant facilities to treat and remove arsenic. These charges are applicable to all new service connections established on or after the effective date of the 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 ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of water facilities to serve new service connections.

"Arsenic Treatment Facilities" means treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion ("ppb") arsenic standards.

"Company" means **Abra Water Co.**, 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 Commission's Utilities Division (same as line extension agreements).

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

III. Arsenic Impact Hook-Up Fee Tariff Charges

Each new service connection shall pay the Arsenic Impact Hook-Up Fee Tariff derived from the following table:

TARIFF SCHEDULE

Docket No. W-01782A-07-0063

Utility: Abra Water Co.
 Docket No: W-01782A-07-0063
 Phone No. 928-636-2557

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

ARSENIC IMPACT HOOK-UP FEE TARIFF TABLE		
Meter Size	Meter Factor	Fee
5/8" X 3/4"	1	\$400
3/4"	1½	\$600
1"	2½	\$1,000
1 ½"	5	\$2,000
2"	8	\$3,200
3"	16	\$6,400
4"	25	\$10,000
6"	50	\$20,000

IV. Terms and Conditions

- (A) Assessment of One-Time Arsenic Impact Hook-Up Fee: The Arsenic Impact Hook-Up Fee may be assessed only once per service connection (similar to service line and meter installation charges), or lot within a platted subdivision (similar to OFF-SITE FACILITIES HOOK-UP FEES). This provision does not exempt from the tariff, 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 Arsenic Impact Hook-Up Fee Funds: Arsenic Impact Fee may only be used to pay for capital items of arsenic treatment facilities (including engineering and design costs for such facilities), or for repayment of loans obtained for installation or arsenic treatment facilities. Arsenic Impact Fee shall not be used for expenses, maintenance, or operational purposes.

- (C) Time of Payment:
 - i. 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, as to service connections to be served through such facilities and improvements, shall be made by the Applicant within fifteen (15) calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the main extension agreement in accordance with R-14-2-406(M).

 - ii. In the event the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.

TARIFF SCHEDULE

Docket No. W-01782A-07-0063

Utility: Abra Water Co.
Docket No: W-01782A-07-0063
Phone No. 928-636-2557

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

- (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 tariff.
- (E) Arsenic Impact Hook-Up Fee Tariff Non-Refundable: The amounts collected by the Company pursuant to the tariff shall be non-refundable advances in aid of construction.
- (F) Arsenic Impact Hook-Up Fee in Addition to Other Charges: The Arsenic Impact Hook-Up Fee shall be in addition to any costs associated with a main extension agreement otherwise required for on-site facilities, and is in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (G) Disposition of Excess Funds: After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the tariff has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (H) Distinguished from Off-site Hookup Fee: The Arsenic Impact Hook-Up Fee which is the subject of this tariff is separate and to be distinguished from the Off-site Hookup Fee which was authorized as a part of the Company's charges for water service in Commission Decision No. 60419.
- (I) Status Reporting Requirement to the Commission: The Company shall file with Docket Control by January 31st of each year, an annual calendar year status report, until the Arsenic Impact Hook-Up Fee Tariff is no longer in effect. This status report shall contain a list of all customers that have paid the Arsenic Impact Hook-Up Fee Tariff, the amount of money spent from the account, and a list of the facilities that have been installed with funds from the Arsenic Impact Hook-Up Fee Tariff for arsenic during the 12-month period.