

OPEN MEETING ITEM



COMMISSIONERS
MARC SPITZER - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES



ORIG

Executive Secretary
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ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DATE: DECEMBER 24, 2003

DOCKETED

DOCKET NO: W-02195B-03-0293

DEC 24 2003

TO ALL PARTIES:

DOCKETED BY

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Opinion and Order on:

BONITA CREEK LAND AND HOMEOWNERS' ASSOCIATION
(RATE INCREASE)

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:

JANUARY 8, 2004

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 13, 2004 and JANUARY 14, 2004

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MARC SPITZER, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF
9 BONITA CREEK LAND AND HOMEOWNERS'
10 ASSOCIATION FOR A PERMANENT RATE
11 INCREASE.

DOCKET NO. W-02195B-03-0293

DECISION NO. _____

ORDER

9 Open Meeting
10 January 13 and 14, 2004
11 Phoenix, Arizona

12 **BY THE COMMISSION:**

13 On May 8, 2003, Bonita Creek Land and Homeowners' Association ("Applicant" or
14 "Company") filed with the Arizona Corporation Commission ("Commission") an application for a
15 permanent rate increase in its water rates and charges.

16 On June 9, 2003, the Commission's Utilities Division ("Staff") issued a notice of
17 insufficiency.

18 On August 25, 2003, Applicant filed an amended application and provided notice to its
19 customers. In response thereto, the Commission has not received any protests concerning
20 Applicant's proposed rate increase.

21 On September 24, 2003, Staff filed notice that Applicant's application had met the sufficiency
22 requirements of A.A.C. R14-2-103. Based on its application, Staff classified the Company as a Class
23 E utility.

24 On November 24, 2003, Staff filed a Staff Report, recommending that the rates proposed by
25 Staff be approved.

26 * * * * *

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

FINDINGS OF FACT

1
2 1. Pursuant to authority granted by the Commission, Applicant is an Arizona non-profit
3 corporation engaged in the business of providing water to an area approximately 15 miles northeast
4 of Payson, Gila County, Arizona.

5 2. Applicant's present rates and charges for water were approved in Decision No. 59548
6 (March 13, 1996).

7 3. On May 8, 2003, the Company filed an application requesting authority to increase its
8 rates and charges for water service.

9 4. On June 9, 2003, Staff issued a notice of insufficiency to Applicant.

10 5. On August 25, 2003, Applicant filed an amended application and provided notice to its
11 customers of its proposed rates and charges by first class U.S. mail and, in response thereto, no
12 protests have been received by the Commission opposing Applicant's proposed increase.

13 6. On September 24, 2003, Staff filed notice that the Company's application had met the
14 Commission's sufficiency requirements under A.A.C. R14-2-103.

15 7. During the test year ended December 31, 2002 ("TY"), Applicant served 38 metered
16 customers all of whom are residential users who are served by 5/8" x 3/4" meters.

17 8. Average and median meter usage on the 5/8" x 3/4" meters during the TY were 1,685
18 and 756 gallons per month, respectively.

19 9. Staff conducted an investigation of Applicant's proposed rates and charges for water
20 service and filed its Staff Report on the Company's rate application request on November 24, 2003,
21 and recommended that the Commission issue a Decision approving Staff's proposed rates.

22 10. The water rates and charges for Applicant at present, as proposed in the Application
23 and as recommended by Staff are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Applicant</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$19.75	\$29.75	\$35.00
3/4" Meter	19.75	29.75	60.00

1	1" Meter	49.38	69.00	100.00
	1 1/2" Meter	98.75	109.00	200.00
2	2" Meter	158.00	169.00	320.00
	3" Meter	296.25	306.00	600.00
3	4" Meter	493.75	569.00	1,000.00
	5" Meter	740.63	0.00	0.00
4	6" Meter	987.50	1,069.00	0.00
5	Gallons Included In Minimum	0	0	0
6	Excess of Minimum – per 1,000 Gallons			
7	From Zero gallons to 3,000 gallons	\$4.25	\$4.25	n/a
	From 3,001 gallons to 10,000 gallons	4.75	4.75	n/a
8	Over 10,000 gallons	5.75	5.75	n/a
9	From zero gallons to 2,000 gallons	n/a	n/a	\$6.25
	From 2,001 gallons to 8,000 gallons	n/a	n/a	7.00
10	Over 8,000 gallons	n/a	n/a	7.75
11	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u>			
12	(Refundable pursuant to A.A.C. R14-2-405)			
13	5/8" x 3/4" Meter	\$365.00	\$515.00	\$515.00
14	3/4" Meter	405.00	575.00	575.00
	1" Meter	455.00	660.00	660.00
15	1 1/2" Meter	668.00	900.00	900.00
16	2" Meter	1,080.00	1,525.00	1,525.00
	3" Meter	1,460.00	2,165.00	2,165.00
17	4" Meter	2,350.00	3,360.00	3,360.00
	5" Meter	3,400.00	0.00	0.00
18	6" Meter	4,450.00	6,035.00	6,035.00
19	<u>SERVICE CHARGES:</u>			
20	Establishment	\$30.00	\$30.00	\$30.00
21	Establishment (After Hours)	35.00	35.00	35.00
	Reconnection (Delinquent)	30.00	30.00	30.00
22	Meter Test (If Correct)	40.00	40.00	40.00
	Deposit	*	*	*
23	Deposit Interest	6.00%	3.00%	*
24	Reestablishment (Within 12 Months)	**	**	**
	NSF Check	15.00	25.00	15.00
25	Deferred Payment (per Month)	***	***	***
	Meter Reread (If Correct)	10.00	25.00	10.00
26	Late Payment Charge (per month)	n/a	25.00	1.5%
27				
28				

1 MONTHLY SERVICE CHARGE FOR
 2 FIRE SPRINKLERS:

3	4" or Small	\$0.00	\$0.00	****
4	6"	0.00	0.00	****
5	8"	0.00	0.00	****
6	10"	0.00	0.00	****
7	Larger than 10"	0.00	0.00	****

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

9 ** Number of months off system times the monthly minimum per Commission rule
 10 A.A.C. R14-2-403(D).

11 *** Per Commission Rule A.A.C. R14-2-409(G).

12 **** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less
 13 than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for
 14 service lines separate and distinct from the primary water service line.

15 11. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined
 16 to be \$5,921 which is the same as its original cost rate base. The Company's FVRB reflects a \$4,921
 17 reduction by Staff of Applicant's proposed FVRB due in large part to adjustments to Applicant's
 18 contributed plant account and the amortization of CIAC.

19 12. Staff decreased Applicant's operating expenses by \$690 due to several minor
 20 adjustments to expenses.

21 13. Applicant's present water rates and charges produced operating revenues of \$12,280
 22 and adjusted operating expenses of \$18,135 which resulted in an operating loss of \$5,855 during the
 23 TY for no return on FVRB.

24 14. The water rates and charges Applicant proposed would produce operating revenues of
 25 \$16,963 and adjusted operating expenses of \$18,755 resulting in no return on FVRB.

26 15. The water rates and charges Staff recommended would produce adjusted operating
 27 revenues of \$21,000 and adjusted operating expenses of \$18,755, resulting in net operating income of
 28 \$2,245 or a 37.92 percent rate of return on FVRB.

16 16. Applicant's proposed rate schedule would increase the average monthly customer
 17 water bill by 37.2 percent, from \$26.91 to \$36.91, and the median monthly customer water bill by
 18 43.5 percent, from \$22.97 to \$32.97.

19 17. Staff's recommended rates would increase the average monthly customer water bill by

1 69.2 percent, from \$26.91 to \$45.53, and increase the median monthly customer water bill by 73
2 percent, from \$22.97 to \$39.73.

3 18. According to the Staff Report, Applicant is in compliance with its Commission
4 compliance action filings and prior Commission Orders. Additionally, Applicant is current on the
5 payment of property taxes, sales taxes, and is providing water which meets the requirements of the
6 Safe Drinking Water Act and the requirements of the new arsenic maximum contaminant level.

7 19. During Staff's review of the water rate request, Staff found that Applicant's utility
8 plant is experiencing a water loss of 24 percent on water pumped. Staff believes that water losses in
9 excess of ten percent are not prudent for the Company and that Applicant's water losses should be
10 reduced unless said reduction would not be cost effective.

11 20. Staff additionally recommended:

- 12 • that Applicant notify its customers of the water rates and charges approved
13 hereinafter and their effective date by means of an insert in its next monthly billing
14 and file a copy of the notice sent to its customers with the Compliance Section of
the Utilities Division ("Compliance Section");
- 15 • that Applicant file, within 45 days after the effective date of this Decision, with
16 Docket Control a curtailment tariff for approval by the Director ("Director") of the
Utilities Division. Applicant's curtailment tariff shall generally conform to the
17 sample tariff found on the Commission's website or available upon request from
Commission Staff;
- 18 • that Applicant shall notify, no later than sixty (60) days after the filing of this
19 tariff, its customers of this new curtailment tariff in its next regularly scheduled
billing;
- 20 • that Applicant provide a copy of its curtailment tariff to any customer, upon
request;
- 21 • that Applicant, following the effective date of this Decision, file, within 30 days of
22 the end of each subsequent calendar year, a yearly report with Docket Control for
review by the Director demonstrating the amount of water pumped and sold each
23 year along with the efforts made to reduce water loss to less than 10 percent.
Applicant shall submit this report until it achieves two consecutive years of less
24 than 10 percent loss or until further Order by the Commission;
- 25 • that Applicant file, within 30 days of the effective date of this Decision, with the
Commission, a copy of the schedule of its approved rates and charges;
- 26 • that Applicant adopt the depreciation rate table as set forth in Exhibit 4 to the
27 Engineering Report attached to the Staff Report;
- 28 • that Applicant adopt the off-site water facilities Hook-up Fee tariff as set forth in
Exhibit 5 of the Engineering Report attached to the Staff Report;

- 1 • that all funds collected by Applicant as off-site facilities Hook-up Fees shall be
- 2 deposited into a separate interest bearing trust account and used solely for the
- 3 purposes of paying for the cost of off-site facilities, for the replacement of
- 4 undersized mains and associated valves and appurtenances, and repayment of
- 5 loans obtained for the installation of off-site facilities;
- 6 • that Applicant, following the effective date of this Decision, file, by April 15th of
- 7 each following year, with Docket Control, annual reports on the water Hook-up
- 8 Fee account disclosing the following:
 - 9 1. the name of each entity paying a Hook-up Fee;
 - 10 2. the amount of Hook-Up Fee paid by each entity;
 - 11 3. the description of utility plant constructed with Hook-Up Fee funds;
 - 12 4. the balance in the Hook-Up Fee account;
 - 13 5. the interest earned on the Hook-Up Fee account; and
 - 14 6. any other pertinent information that may be required by Staff; and
- 15 • that Applicant, in addition to the collection of its regular rates and charges, collect
- 16 from its customers their proportionate share of any privilege, sales or use tax as
- 17 provided for in A.A.C. R14-2-409(D).

18 21. As a non-profit corporation homeowners' association, Applicant must charge rates that

19 allow it to operate in a viable fashion. We agree with Staff's recommendations and find that Staff's

20 proposed rates are just and reasonable under the circumstances described herein.

21 **CONCLUSIONS OF LAW**

- 22 1. Applicant is a public service corporation within the meaning of Article XV of the
- 23 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.
- 24 2. The Commission has jurisdiction over Applicant and the subject matter of the
- 25 application.
- 26 3. Notice of the application was provided in the manner prescribed by law.
- 27 4. Under the circumstances discussed herein, the rates and charges for Applicant as
- 28 authorized hereinafter are just and reasonable and should be approved without a hearing.
5. Staff's recommendations, as set forth in Findings of Fact No. 20 are reasonable and
- should be adopted.

ORDER

IT IS THEREFORE ORDERED that Bonita Creek Land and Homeowners' Association is hereby directed to file on or before January 30, 2004, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$35.00
3/4" Meter	60.00
1" Meter	100.00
1 1/2" Meter	200.00
2" Meter	320.00
3" Meter	600.00
4" Meter	1,000.00

Gallonage Charge per 1,000 Gallons

From 0 gallons to 2,000 gallons	\$6.25
From 2,001 gallons to 8,000 gallons	7.00
Over 8,000 gallons	7.75

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refunded pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	\$515.00
3/4" Meter	575.00
1" Meter	660.00
1 1/2" Meter	900.00
2" Meter	1,525.00
3" Meter	2,165.00
4" Meter	3,360.00
5" Meter	0.00
6" Meter	6,035.00

SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	35.00
Reconnection (Delinquent)	30.00
Meter Test (If Correct)	40.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	15.00
Deferred Payment (per Month)	***
Meter Reread (If Correct)	10.00
Late Payment Charge (per Month)	1.5%

MONTHLY SERVICE CHARGE FOR
FIRE SPRINKLERS:

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

- * Per Commission rule A.A.C. R-14-2-403(B).
- ** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
- *** Per Commission Rule A.A.C. R14-2-409(G).
- **** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that Bonita Creek Land and Homeowners' Association notify its customers of the water rates and charges approved hereinafter and their effective date by means of an insert in its next monthly billing and file a copy of the notice when sent to its customers with the Compliance Section of the Utilities Division.

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1 IT IS FURTHER ORDERED that Bonita Creek Land and Homeowners' Association shall
2 comply with Staff's recommendations as set forth in Findings of Fact No. 20.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5
6
7 CHAIRMAN COMMISSIONER COMMISSIONER

8
9 COMMISSIONER COMMISSIONER

10
11
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this ____ day of _____, 2004.

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18 _____
19 BRIAN C. McNEIL
20 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR: BONITA CREEK LAND AND HOMEOWNER'S ASSOCIATION

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