

OPEN MEETING ITEM



0000072934

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

ORIGINAL



22

ARIZONA CORPORATION COMMISSION

DATE: JUNE 12, 2007

DOCKET NO: W-02126A-06-0234

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:

AVRA WATER CO-OP, 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 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:

JUNE 21, 2007

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:

JUNE 26, 2007 and JUNE 27, 2007

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

RECEIVED
2007 JUN 12 P 4:10
AZ CORP COMMISSION
DOCKET CONTROL

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
DOCKETED
JUN 12 2007

DOCKETED BY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
AVRA WATER CO-OP, INC. FOR A RATE
INCREASE.

DOCKET NO. W-02126A-06-0234

DECISION NO. _____

OPINION AND ORDER

DATE OF HEARING:

March 15, 2007

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

APPEARANCES:

Richard L. Sallquist, Sallquist,
Drummond & O'Connor, PC, on behalf
of Avra Water Co-op, Inc.; and

Kevin O. Torrey, Staff Attorney, Legal
Division, on behalf of the Utilities
Division of the Arizona Corporation
Commission.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On April 7, 2006, Avra Water Co-op, Inc. ("Avra" or "Co-op") filed with the Commission an application for a rate increase.
2. On May 8, 2006, and June 16, 2006, Commission Utilities Division Staff ("Staff") notified the Co-op that its application was not sufficient under the requirements outlined in A.A.C. R14-2-103.
3. Avra filed supplemental material on June 1, 2006, and June 27, 2006.

1 4. On July 7, 2006, Staff notified the Co-op that its application was sufficient under
2 Commission rules, and classified the Co-op as a Class B utility.

3 5. By Procedural Order dated July 17, 2006, the Commission set the matter for hearing
4 on March 15, 2007, and established other procedural guidelines.

5 6. Pursuant to the requirements of the July 17, 2006, Procedural Order, Avra mailed
6 notice of the hearing to its customers on September 1, 2006.

7 7. On January 3, 2007, Staff filed the Direct Testimonies of Charles Myhlhousen and
8 Dorothy Hains.

9 8. On January 31, 2007, Avra filed the Rebuttal Testimonies of Chris Ward and Thomas
10 Bourassa.

11 9. On February 28, 2007, Staff filed the Surrebuttal Testimony of Mr. Myhlhousen.

12 10. On March 9, 2007, Avra filed the Rejoinder Testimony of Mr. Bourassa.

13 11. On March 13, 2007, Staff filed a revised rate design and other schedules reflecting
14 changes that resulted from Staff's revision of the debt service requirement.

15 12. The hearing convened as scheduled on March 15, 2007, before a duly authorized
16 Administrative Law Judge at the Commission's Tucson offices. Mr. Ward, the Co-op's General
17 Manager, and Mr. Bourassa, its rate consultant, testified on behalf of Avra. Mr. Myhlhousen and Ms.
18 Hains testified for Staff.

19 13. Avra's President of the Board made the only public comment in this matter. He
20 spoke in support of the requested increase, and described the Co-op's efforts to inform its members
21 about construction plans and the requested rate increase. No other comments were received in
22 connection with the application.

23 14. Avra is a member owned non-profit cooperative that provides water utility service to
24 approximately 2,529 member/customers in an area northwest of Tucson, on the west side of the
25 Tucson Mountains, adjacent to the Saguaro National Park. The Co-op's service area is comprised of
26 12.48 square miles and consists primarily of one to five acre lots with mobile homes.

27 15. The Co-op's current rates were approved in Decision No. 64008 (September 4, 2001).
28 In Decision No. 64008, the Commission also approved Avra's request for authority to borrow up to

1 \$1,179,443 from the United States Department of Agriculture Rural Development ("Rural
2 Development") and \$1,946,750 from the Arizona Water Infrastructure Finance Authority ("WIFA")
3 to fund phase 1 of the Co-op's master plan.

4 16. In the test year ended August 31, 2005, Avra had Operating Income of \$88,731, on
5 revenues of \$1,347,170, a 6.6 percent Operating Margin.

6 17. The Co-op is seeking a revenue increase of \$317,588, or an increase of 23.57 percent
7 over test year revenues. The requested increase would produce total revenues of \$1,664,758.

8 18. Staff recommends total revenues of \$1,643,070, a revenue increase of \$295,900, or
9 21.9 percent over test year revenues.

10 19. Because it is a non-profit cooperative, both the Co-op and Staff believe that Operating
11 Margin and cash flow are more relevant to the determination of an appropriate revenue requirement
12 than a calculated return on rate base.

13 20. Avra's present and proposed rates and charges, and Staff's recommended rates and
14 charges are as follows:

	<u>Present Rates</u>	<u>Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$22.90	\$28.29	\$28.29
3/4" Meter	22.90	42.44	42.44
1" Meter	57.25	70.73	70.73
1 1/2" Meter	114.50	141.46	141.46
2" Meter	183.20	226.34	226.34
3" Meter	366.40	452.69	452.69
4" Meter	572.50	707.32	707.32
6" Meter	1,145.00	1,414.65	1,414.65

23 **COMMODITY RATES:**

24 Per 1,000 gallons

All meter sizes

0 to 10,000 gallons	\$1.73	N/A	N/A
10,001 to 18,000 gallons	1.87	N/A	N/A
Over 18,000 gallons	1.94	N/A	N/A

27 **5/8 x 3/4 inch meter**

From 1 to 8,500 gallons	N/A	\$2.20	N/A
-------------------------	-----	--------	-----

1	8,501 to 16,500 gallons	N/A	\$2.35	N/A
	Over 16,500 gallons	N/A	\$2.50	N/A
2	From 1 to 6,000 gallons	N/A	N/A	\$1.50
	From 6,001 to 12,000 gallons	N/A	N/A	2.35
3	Over 12,000 gallons	N/A	N/A	3.65
4	¾ inch meter			
	From 1 to 8,500 gallons	N/A	\$2.20	N/A
5	8,501 to 16,500 gallons	N/A	\$2.35	N/A
6	Over 16,500 gallons	N/A	\$2.50	N/A
	From 1 to 6,000 gallons	N/A	N/A	\$1.50
7	From 6,001 to 12,000 gallons	N/A	N/A	2.35
8	Over 12,000 gallons	N/A	N/A	3.65
9	1 inch meter			
	1 to 20,000 gallons	N/A	2.20	N/A
10	20,000 to 40,000 gallons	N/A	2.35	N/A
	Over 40,000 gallons	N/A	2.50	N/A
11	1 to 50,000 gallons	N/A	N/A	2.35
12	Over 50,000 gallons	N/A	N/A	3.65
13	1 ½ inch meter			
	1 to 20,000 gallons	N/A	2.20	N/A
14	20,000 to 40,000 gallons	N/A	2.35	N/A
	Over 40,000 gallons	N/A	2.50	N/A
15	1 to 15,000 gallons	N/A	N/A	2.35
16	Over 15,000 gallons	N/A	N/A	3.65
17	2 inch meter			
	1 to 20,000 gallons	N/A	2.20	N/A
18	20,000 to 40,000 gallons	N/A	2.35	N/A
	Over 40,000 gallons	N/A	2.50	N/A
19	1 to 80,000 gallons	N/A	N/A	2.35
20	Over 80,000 gallons	N/A	N/A	3.65
21	3 inch meter			
	1 to 20,000 gallons	N/A	2.20	N/A
22	20,000 to 40,000 gallons	N/A	2.35	N/A
	Over 40,000 gallons	N/A	2.50	N/A
23	1 to 150,000 gallons	N/A	N/A	2.35
24	Over 150,000 gallons	N/A	N/A	3.65
25	4 inch meter			
	1 to 20,000 gallons	N/A	2.20	N/A
26	20,000 to 40,000 gallons	N/A	2.35	N/A
	Over 40,000 gallons	N/A	2.50	N/A
27	1 to 250,000 gallons	N/A	N/A	2.35
28	Over 250,000 gallons	N/A	N/A	3.65

1	6 inch meter			
2	1 to 20,000 gallons	N/A	2.20	N/A
3	20,000 to 40,000 gallons	N/A	2.35	N/A
4	Over 40,000 gallons	N/A	2.50	N/A
5	1 to 500,000 gallons	N/A	N/A	2.35
6	Over 500,000 gallons	N/A	N/A	3.65
7	Standpipe	N/A	4.00	3.65
8				
9	<u>SERVICE LINE AND METER</u>			
10	<u>INSTALLATION CHARGES:</u>			
11	(Refundable pursuant to A.A.C. R14-2-			
12	405)			
13	5/8" x 3/4" Meter	\$410.00	\$410.00	\$410.00
14	3/4" Meter	455.00	455.00	455.00
15	1" Meter	520.00	520.00	520.00
16	1 1/2" Meter	740.00	740.00	740.00
17	2" Turbine Meter	1,235.00	1,235.00	1,235.00
18	2" Compound Meter	1,800.00	1,800.00	1,800.00
19	3" Turbine Meter	1,705.00	1,705.00	1,705.00
20	3" Compound Meter	2,340.00	2,340.00	2,340.00
21	4" Turbine Meter	2,700.00	2,700.00	2,700.00
22	4" Compound Meter	3,405.00	3,405.00	3,405.00
23	6" Turbine Meter	5,035.00	5,035.00	5,035.00
24	6" Compound Meter	6,510.00	6,510.00	6,510.00
25				
26	<u>SERVICE CHARGES:</u>			
27	Establishment	\$25.00	\$25.00	\$25.00
28	Establishment (After Hours)	50.00	50.00	50.00
29	Reconnection (Delinquent)	50.00	50.00	50.00
30	Reconnection (After Hours)	75.00	75.00	75.00
31	Disconnection (Requested)	N/A	N/A	N/A
32	Meter Test (calibration or leak	50.00	50.00	50.00
33	detection)			
34	Mater Test - Remove Meter & Test	35.00	35.00	35.00
35	(Customer requested)			
36	Meter Test (If Correct)	--	--	--
37	Deposit Requirement	(a)	(a)	(a)
38	Deposit Interest	6.0%	6.0%	6.0%
39	Reestablishment (Within 12 Months)	(b)	(b)	(b)
40	NSF Check	25.00	25.00	25.00
41	Deferred Payment per month	1.5%	1.5%	1.5%
42	Meter Reread (If Correct)	--	--	--

28

1	Charge for moving meter – customer Request	Cost	Cost	Cost
2	Late Charge per month	(c)	(c)	(c)
3	Hourly charge for after hour service	N/A	Cost	Cost
4	Water Line crossing paved road	N/A	(d)	(d)
5	Charges for emergency service not caused by Company	N/A	Cost	Cost
6	Line Extension Agreement	Cost	Cost	Cost
7	Sprinkler Rate	N/A	(e)	(e)
8	Master metering	(f)	(g)	(g)
9	Meter Installation tampering (cutting lock or angle meter stops)	N/A	Cost	Cost
10	Offsite Hook-up Fee			
11	5/8" x 3/4" Meter	\$1,875.00	\$1,875.00	\$1,875.00
12	3/4" Meter	2,250.00	2,250.00	2,250.00
13	1" Meter	3,750.00	3,750.00	3,750.00
14	1 1/2" Meter	7,500.00	7,500.00	7,500.00
15	2" Meter	12,000.00	12,000.00	12,000.00
16	3" Meter	22,500.00	22,500.00	22,500.00
17	4" Meter	37,500.00	37,500.00	37,500.00
18	6" Meter	75,000.00	75,000.00	75,000.00

- (a) Per Commission rule A.A.C. R14-2-403.B.
- (b) Per Rule R14-2-403.D. Monthly Minimum times the number of months off the system.
- (c) Greater of \$5.00 or 1.5 % of unpaid balance.
- (d) Customer Expense to be done via contractor with no responsibility to the Co-op
- (e) 1 % of Monthly Minimum for a comparable Meter Connection, but no less than \$7.00 per month.
- (f) Multiple Dwellings on one meter. All dwellings, beyond direct connection which cross property lines, will be charged 100% of monthly minimum, and/or are required to have their own meter. If meter serves more than one dwelling property, second connection and each additional connection each pay 50 % of monthly minimum for 5/8 inch meter. Responsibility for payment remains with master meter customer.
- (g) Multiple Dwellings on one meter. All dwellings, beyond direct connection which cross property lines, will be charged 100 % of monthly minimum, and/or are required to have their own meter. If meter services more than one dwelling on property, second and each additional connection each pay 50 % of monthly minimum for the size meter. Responsibility for payment remains with master meter customer.

Rate Base

21. Since its last rate case, Avra has been engaged in a substantial capital improvement program to improve its supply and distribution system to comply with the arsenic rules. Six of the

1 Co-op's existing wells exceed the recently implemented maximum arsenic MCL. Under its master
2 plan, Avra will drill two new wells to replace older high arsenic wells. The Co-op will also install a
3 new 500,000 gallon storage tank to assist in meeting the Co-op's peak day demands and to maintain
4 pressures. In addition to the new wells and 500,000 gallon storage tank, Avra is also installing a
5 300,000 gallon storage tank and 24,000 feet of new pipeline. Avra financed the construction of this
6 plant with a combination of the WIFA and Rural Development loans approved in Decision No. 64008
7 as well as with \$1.36 million in grant monies from Rural Development.

8 22. The Co-op proposed a rate base totaling \$6,228,341, and seeks to include in rate base
9 a total of \$3,819,700 of plant that was placed into service post-test year. (Ex A-6, Bourassa
10 Rejoinder) The post test year plant includes the 500,000 gallon Rudasil Reservoir (\$329,479),
11 Rudasil 12 inch main (\$613,111), 12 inch main from Sandario to Sanders (\$691,129), the 8 inch and
12 16 inch Orange Grove main (\$2,066,202), and Noel Booster Station upgrade (\$110,779).

13 23. Staff and the Co-op disagree whether post-test year plant should be included in rate
14 base. When Engineering Staff visited the Co-op in July, 2006, Ms. Hains verified that the Rudasil
15 Reservoir, Rudasil Main and Noel Booster Station upgrade were in service and being used to provide
16 service to existing customers. At the hearing, the Co-op submitted engineers' certificates of
17 completion for the remainder of the post test year plant,¹ which indicated this plant too was in use and
18 serving current customers.² Avra argued that including the post test year plant in rate base would not
19 distort the test year because this plant is revenue neutral and serving existing customers rather than
20 growth, and is needed to provide for the health and safety of its members. The Co-op argued that it
21 needs the post test year plant to be recognized so that it can begin collecting revenue sufficient to
22 cover the Depreciation Expense and debt service costs associated with that plant in its new rates.

23 24. Staff removed the post year plant from rate base, and made corresponding adjustments
24 to Accumulated Depreciation. Staff argued that including post test year plant distorts the concept of
25 the historic test year. Staff also stated that it was not able to verify the cost of the post test year plant
26

27 ¹ The 12 inch main from Sandario to Sanders and the Orange Grove Main.

28 ² On April 4, 2007, Avra submitted the Pima County Department of Environmental Quality Approvals of Construction for these facilities.

1 from the documentation provided by the Co-op. Consequently, Staff recommends an Original Cost
2 Rate Base ("OCRB") totaling \$2,417,645.

3 25. Avra asserts that if the Commission does not include the post test year plant in rate
4 base, the Co-op would require a higher Operating Margin in order to provide sufficient cash flow to
5 meet debt service obligations and provide a cushion for unexpected expenses.

6 26. Because return on rate base is not as important to determining an appropriate revenue
7 requirement for Avra as is cash flow and Operating Margin, the controversy over the inclusion of
8 post-test year assets in rate base is somewhat academic. A determination of the issue affects the
9 amount of Depreciation Expense that must be supported by rates. Staff argued that it would not be
10 appropriate to include the post year plant in rate base, even though it was used and useful at the time
11 of the hearing, because Staff could not verify the cost of that plant, and believed that approving a
12 value for that plant in this Order would preserve the value claimed by the Company as the starting
13 plant value in future rate cases. While we do not believe that this problem is insurmountable, and
14 could be addressed by verifying past plant values in a future rate case, we believe the better course of
15 action is to avoid confusion and possible valuation errors, and not include the post test year plant in
16 this proceeding. We note however that the post test year plant is in use and serving existing
17 customers and that the Co-op will be required to depreciate that plant and will be incurring debt
18 service costs associated with the plant.

19 27. We adopt Staff's recommended OCRB of \$2,417,645 for Avra.

20 28. The Co-op did not propose a Reconstruction Cost New less Depreciation Rate Base, as
21 is allowed by A.A.C. R14-2-103. Therefore, the Co-op's Fair Value Rate Base ("FVRB") is the same
22 as its OCRB, or \$2,417,645.

23 Operating Margin

24 29. Avra seeks total revenue of \$1,664,758, and after including Depreciation Expense
25 associated with the post test year plant, its adjusted Operating Expenses totals \$1,348,454, yielding
26 Operating Income of \$318,304, a 19 percent Operating Margin. The Co-op reports Interest Income
27 of \$6,674 and Interest Expense associated with its WIFA and Rural Development loans of \$213,741,
28 resulting an a Net Profit of \$109,237.

1 30. Staff recommends Total Revenues of \$1,643,070 and adjusted Operating Expenses
2 totaling \$1,259,669, yielding Operating Income of \$383,401, an Operating Margin of 23.3 percent.

3 31. The only expense items that Staff and the Co-op do not agree on are Depreciation
4 Expense and Property Tax Expense, and the differences in these items are traced to the decision
5 whether to include post test year plant in rate base.

6 32. Avra asserts that in the event the Commission does not allow post test year plant and
7 the related Depreciation Expense, it would require Operating Income of \$405,089, or an Operating
8 Margin of 24.3 percent, to meet its cash flow needs. Avra believes that the available cash flow from
9 operations under Staff's proposed revenue requirement is inadequate. Avra notes that as a
10 cooperative, there are no shareholders to contribute equity to cover an unanticipated repair. The Co-
11 op also states that it is self-insured and is required to maintain a bank balance of at least \$290,000.

12 33. Avra's loan repayments commence in 2007 and result in a debt service requirement
13 (including its loan reserve requirement) of \$383,332 annually. In addition, commencing in January
14 of 2008, the Co-op will be required to make annual payment of \$115,000 for five years for the
15 acquisition of its Central Arizona Project ("CAP") allocation. Further, the Co-op estimates that it
16 will be required to repay approximately \$40,000 associated with refunds on Advances in Aid of
17 Construction.

18 34. By the time of the hearing, the difference in the recommended revenue requirements
19 advanced by Staff and the Co-op had narrowed significantly to a difference of only \$21,688. The
20 effect of the difference on ratepayers is minimal. We believe that the Co-op has demonstrated that it
21 is a well-managed entity with a pro-active philosophy of working to ensure a safe and adequate water
22 supply for its members. The Co-op is in the midst of a major capital improvement project, and faces
23 some uncertainty about arsenic levels in its new supply source. We find that the Co-op's requested
24 revenue increase of \$317,588, resulting in total revenue of \$1,664,758, is reasonable and should be
25 approved.

26 **Rate Design**

27 35. Staff and Avra also disagree on the appropriate rate design to implement the rate
28 increase.

1 36. Avra currently has a three tier inverted block rate structure. The break points for the
2 tiers are currently the same for all meter sizes.

3 37. Avra proposes a rate structure that would retain three tiers for all meter sizes, however
4 it proposes new tier break-over points that increase with meter size. For the 5/8 inch meter the first
5 tier currently encompasses usage up to 10,000 gallons. The Co-op proposes to lower the top of this
6 tier to 8,500 gallons.

7 38. Staff proposes a three tier design for the 5/8 inch and 3/4 inch meters, but only two tiers
8 for the larger meters. Staff's design varies and also increases the tier break-over points as the meter
9 size increases. Staff's first tier for the 5/8 inch meter would include usage up to 6,000 gallons, a
10 reduction from the existing first tier that includes 10,000 gallons of use.

11 39. Avra argues that Staff's proposed design places a greater share of the rate increase on
12 the 2 inch meter customers than is justified or prudent. The Co-op expressed concerns that the 2 inch
13 meter customer, a commercial nursery, could drill its own well or move operations.³ The one
14 commercial customer accounts for two percent of the Co-op's annual revenues, or between \$30,000
15 to \$35,000 a year. Avra states that it would need between 60 and 80 new residential customers to
16 make up for the loss of this one commercial customer. Avra believes that with its 1 percent growth
17 rate over the last 3 years, counting on growth to recover from the potential loss of this customer
18 would be unlikely. The Co-op also argues that Staff's recommended rates that lower the commodity
19 charge for the first tier of the residential meters below the current first tier charge sends the wrong
20 pricing signal. In addition, Avra notes that its service area is relatively rural, with large lot sizes and
21 many customer/members with livestock, with the result that there may not be as much room for
22 customers to reduce consumption in response to price signals as might exist in a more urban setting.
23 Thus, Avra advocates gradualism in rate design to allow the Co-op to see how consumption is
24 affected by the new rates before making larger changes in the tier structure.

25 40. Avra's average 5/8 inch meter customer uses 9,825 gallons per month, and its median
26 5/8 inch customer uses 6,500 gallons per month.

27 _____
28 ³ Under Staff's proposed rates the average 5/8 inch customer bill would increase 16 percent, while the average 1 1/2 inch
meter bill would increase 54 percent, and the average 2 inch meter bill would increase 59 percent. (Ex A-7)

1 41. The rates recommended by Staff would increase the average 5/8 inch bill by \$6.18, or
2 15.4 percent, from \$39.90 to \$46.28; and increase the median 5/8 inch meter bill by \$4.32, or 12.6
3 percent, from \$34.15 to \$38.47.

4 42. Avra's recommended rates would increase the average 5/8 inch bill by \$10.01, or 25.1
5 percent, from \$39.90 to \$49.91; and increase the median 5/8 inch meter bill by \$8.44, or 24.7 percent,
6 from \$34.15 to \$42.59.

7 43. We find that the Co-op's proposed rates are designed to yield the revenue level
8 approved herein, and equitably spread the increase among the various rate classes. The inverted tier
9 design encourages conservation and adheres to the rate design principal of gradualism.

10 Compliance Issues

11 44. The Arizona Department of Environmental Quality ("ADEQ") has determined that the
12 Avra system has no deficiencies and is currently delivering water than meets water quality standards
13 required by the Arizona Administrative Code, Title 18, chapter 4.

14 45. The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic
15 maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb.
16 Of the Co-op's existing wells, only Well No. 4 meets the new standards. The Co-op has drilled two
17 new wells, but they were not in service at the time of the hearing. The Co-op does not yet know if it
18 will have to construct an arsenic treatment plant. If it does have to construct a treatment plant, it
19 estimates a cost of \$1.2 million. Staff believes that the Co-op's estimated cost is reasonable, but
20 cautions it is not recommending any particular treatment of this plant in a future rate case. Avra
21 states that if an arsenic treatment plant is necessary, it would seek to recover the costs of such plant in
22 the form of a surcharge.

23 46. Avra is located in the Tucson Active Management Area ("AMA") and is subject to
24 AMA reporting and conservation requirements. The Arizona Department of Water Resources
25 ("ADWR") reports that the Co-op is in compliance with its water use and monitoring requirements.

26 47. There are no outstanding Commission compliance issues.

27 48. In Decision No. 64008, the Commission approved an Off-Site Hook-up Fee Tariff.
28 Revenues from this tariff are to be used for the purchase and installation of new production, storage,

1 pressure and fire flow improvements. As approved, however, the tariff did not include a reporting
 2 requirement. Thus, Staff recommends that the Co-op file an annual Off-Site Hook-up Fee Status
 3 Report. Such status report would be filed as a compliance item in this docket, each January 31st for
 4 the prior 12 month period, beginning January 31, 2008, and continuing thereafter until the Hook-up
 5 Fee Tariff is no longer in effect. Each status report shall contain a list of all customers that have paid
 6 the hook-up fee, the amount each has paid, the amount of money spent from the account, and a list of
 7 all facilities that have been installed with the tariff funds during the 12 month period. Staff further
 8 recommends that the Company's existing Off-Site Facilities Hook-up Fee Tariff be amended to
 9 include the status reporting requirement. Staff recommends an amended tariff be filed as a
 10 compliance item in this docket within 45 days of the effective date of this Order.

11 49. Because an allowance for the Property Tax Expense of Avra is included in the Co-op's
 12 rates and will be collected from its customers, the Commission seeks assurances from the Co-op that
 13 any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has
 14 come to the Commission's attention that a number of water companies have been unwilling or unable
 15 to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as
 16 twenty years. It is reasonable, therefore, that as a preventative measure Avra annually file, as part of
 17 its annual report, an affidavit with the Utilities Division attesting that the Co-op is current in paying
 18 its property taxes in Arizona.

CONCLUSIONS OF LAW

20 1. Avra is a public service corporation pursuant to Article XV of the Arizona
 21 Constitution and A.R.S. §§ 40-250 and 40-251.

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

23 3. Notice of the proceeding was provided in conformance with law.

24 4. The rates and charges approved herein are reasonable.

25 5. Staff's recommendations set forth in Findings of Fact No. 48 are reasonable and
 26 should be adopted.

ORDER

28 IT IS THEREFORE ORDERED that the rates and charges set forth below are approved and

1 Avra Water Co-op, Inc. shall file on or before June 29, 2007, a tariff that complies with the rates and
 2 charges approved herein:

3
 4 **MONTHLY USAGE CHARGE:**

5	5/8" x 3/4" Meter	\$28.29
6	3/4" Meter	42.44
7	1" Meter	70.73
8	1 1/2" Meter	141.46
9	2" Meter	226.34
	3" Meter	452.69
	4" Meter	707.32
	6" Meter	1,414.65

10 **COMMODITY RATES:**

11	5/8 x 3/4 inch meter	
12	From 1 to 8,500 gallons	\$2.20
13	8,501 to 16,500 gallons	\$2.35
14	Over 16,500 gallons	\$2.50
15	3/4 inch meter	
16	From 1 to 8,500 gallons	\$2.20
17	8,501 to 16,500 gallons	\$2.35
18	Over 16,500 gallons	\$2.50
19	1 inch meter	
20	1 to 20,000 gallons	2.20
21	20,000 to 40,000 gallons	2.35
22	Over 40,000 gallons	2.50
23	1 1/2 inch meter	
24	1 to 20,000 gallons	2.20
25	20,000 to 40,000 gallons	2.35
26	Over 40,000 gallons	2.50
27	2 inch meter	
28	1 to 20,000 gallons	2.20
	20,000 to 40,000 gallons	2.35
	Over 40,000 gallons	2.50
	3 inch meter	
	1 to 20,000 gallons	2.20
	20,000 to 40,000 gallons	2.35
	Over 40,000 gallons	2.50

1	4 inch meter	
	1 to 20,000 gallons	2.20
2	20,000 to 40,000 gallons	2.35
	Over 40,000 gallons	2.50

3		
4	6 inch meter	
	1 to 20,000 gallons	2.20
5	20,000 to 40,000 gallons	2.35
	Over 40,000 gallons	2.50
6		
	Standpipe	4.00

7

8 **SERVICE LINE AND METER**9 **INSTALLATION CHARGES:**

10 (Refundable pursuant to A.A.C. R14-2-405)

11	5/8" x 3/4" Meter	\$410.00
	3/4" Meter	455.00
12	1" Meter	520.00
	1 1/2" Meter	740.00
13	2" Turbine Meter	1,235.00
	2" Compound Meter	1,800.00
14	3" Turbine Meter	1,705.00
	3" Compound Meter	2,340.00
15	4" Turbine Meter	2,700.00
	4" Compound Meter	3,405.00
16	6" Turbine Meter	5,035.00
	6" Compound Meter	6,510.00

18

19 **SERVICE CHARGES:**

20	Establishment	\$25.00
	Establishment (After Hours)	50.00
21	Reconnection (Delinquent)	50.00
	Reconnection (After Hours)	75.00
22	Disconnection (Requested)	N/A
	Meter Test (calibration or leak detection)	50.00
23	Mater Test - Remove Meter & Test (Customer requested)	35.00
24	Meter Test (If Correct)	--
25	Deposit Requirement	(a)
26	Deposit Interest	6.0%
	Reestablishment (Within 12 Months)	(b)
27	NSF Check	25.00
28	Deferred Payment per month	1.5%

1	Meter Reread (If Correct)	--
	Charge for moving meter – customer	Cost
2	Request	
	Late Charge per month	(c)
3	Hourly charge for after hour service	Cost
	Water Line crossing paved road	(d)
4	Charges for emergency service not	Cost
	caused by Company	
5	Line Extension Agreement	Cost
6	Sprinkler Rate	(e)
	Master metering	(f)
7	Meter Installation tampering (cutting	Cost
	lock or angle meter stops)	
8		
9	Offsite Hook-up Fee	
	Meter size	
10	5/8" x 3/4" Meter	\$1,875.00
	3/4" Meter	2,250.00
11	1" Meter	3,750.00
	1 1/2" Meter	7,500.00
12	2" Meter	12,000.00
	3" Meter	22,500.00
13	4" Meter	37,500.00
14	6" Meter	75,000.00

- 15
- 16 (a) Per Commission rule A.A.C. R14-2-403.B.
- 17 (b) Per Rule R14-2-403.D. Monthly Minimum times the number of months off the
- 18 system.
- 19 (c) Greater of \$5.00 or 1.5 % of unpaid balance.
- 20 (d) Customer Expense to be done via contractor with no responsibility to the Co-op
- 21 (e) 1 % of Monthly Minimum for a comparable Meter Connection, but no less than \$7.00
- 22 per month.
- 23 (f) Multiple Dwelling on one meter. All dwellings, beyond direct connection which cross
- 24 property lines, will be charged 100 % of monthly minimum, and/or are required to
- 25 have their own meter. If meter services more than one dwelling on property, second
- 26 and each additional connection each pay 50 % of monthly minimum for the size meter.
- 27 Responsibility for payment remains with master meter customer.
- 28

IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for all service provided on and after July 1, 2007.

IT IS FURTHER ORDERED that within 15 days of the effective date of this Order, Avra Water Co-op, Inc. shall notify its customers of the rates and the effective dates approved herein, in a form and manner acceptable to the Commission's Utilities Division Staff.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS FURTHER ORDERED that Avra Water Co-op, Inc. shall file as a compliance item in this docket, an annual Hook-up Fee Tariff Status Report as discussed herein, and shall amend its tariff in compliance with Staff's recommended language within 45 days of the effective date of this Order.

IT IS FURTHER ORDERED that Avra Water Co-op, Inc. shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

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

BY 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 the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2007.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

JR:

1 SERVICE LIST FOR: AVRA WATER CO-OP, INC.

2 DOCKET NO.: W-02126A-06-0234

3
4 Mr. Richard Sallquist
5 Sallquist, Drummond & O'Connor, PC
6 4500 South Lakeshore Drive, Suite 339
7 Tempe, Arizona 85282
8 Attorneys for Applicant

9
10 Christopher Kempsey, Chief Counsel
11 Legal Division
12 Arizona Corporation Commission
13 1200 W. Washington Street
14 Phoenix, Arizona 85007

15
16 Ernest Johnson, Director
17 Utilities Division
18 Arizona Corporation Commission
19 1200 W. Washington Street
20 Phoenix, Arizona 85007

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36