

OPEN MEETING ITEM



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

ORIGINAL 

ARIZONA CORPORATION COMMISSION

22

DATE: FEBRUARY 25, 2008

DOCKET NO: SW-03067A-06-0397

TO ALL PARTIES:

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

BEAVER DAM WATER COMPANY, INC.  
(CC&N)

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:

MARCH 5, 2008

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:

MARCH 11, 2008 and MARCH 12, 2008

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 DIRECTOR

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON - Chairman  
4 WILLIAM A. MUNDELL  
5 JEFF HATCH-MILLER  
6 KRISTIN K. MAYES  
7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION OF  
9 BEAVER DAM WATER COMPANY, INC. FOR A  
10 CERTIFICATE OF CONVENIENCE AND  
11 NECESSITY TO PROVIDE WASTEWATER  
12 SERVICE IN MOHAVE COUNTY, ARIZONA.

DOCKET NO. SW-03067A-06-0397

DECISION NO. \_\_\_\_\_

OPINION AND ORDER

10 DATE OF HEARING: October 3, 2007  
11 PLACE OF HEARING: Phoenix, Arizona  
12 ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey  
13 APPEARANCES: Mr. Bob Frisby on behalf of the Applicant; and  
14 Ms. Robin Mitchell, Staff Attorney, Legal Division, on  
15 behalf of the Utilities Division of the Arizona  
16 Corporation Commission.

17 **BY THE COMMISSION:**

18 On June 14, 2006, Beaver Dam Water Company, Inc. ("Beaver Dam" or "Company") filed  
19 with the Arizona Corporation Commission ("Commission") an application for a Certificate of  
20 Convenience and Necessity ("CC&N") to provide wastewater service in Mohave County, Arizona.

21 On July 14, 2006, the Commission's Utilities Division ("Staff") filed an Insufficiency Letter  
22 in this matter.

23 On August 21, 2006, Beaver Dam filed its Affidavit of Publication and an Amended Legal  
24 Description.

25 On September 15, 2006, Staff filed its second Insufficiency Letter.

26 On January 8, 2007, Beaver Dam filed its response to Staff's second Insufficiency Letter.

27 On April 25, 2007, Beaver Dam filed an amended Sewer Tariff Schedule, Request for  
28 Service, and an Amended Legal Description.

1 On May 23, 2007, Staff filed its third Insufficiency Letter.

2 On June 25, 2007, Beaver Dam filed its response to Staff's third Insufficiency Letter.

3 On July 10, 2007, Staff filed a Sufficiency Letter in this docket indicating that Beaver Dam  
4 met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C").

5 On August 3, 2007, a Procedural Order was issued setting the hearing in this matter to begin  
6 on October 3, 2007, as well as establishing other procedural deadlines.

7 On August 30, 2007, Staff filed a Motion to Extend Time to file its Staff Report and stating  
8 that the Applicant was agreeable to the extension of time.

9 On August 30, 2007, by Procedural Order, Staff's Motion to Extend Time was granted.

10 On September 6, 2007, Beaver Dam docketed its Certification of Mailing and Newspaper  
11 Notice.

12 On September 7, 2007, Staff filed its Staff Report, recommending approval of Beaver Dam's  
13 application, subject to conditions.

14 On October 2, 2007, Beaver Dam filed its Objections to the Staff Report.

15 On October 3, 2007, a full public hearing was held before a duly authorized Administrative  
16 Law Judge of the Commission at its offices in Phoenix, Arizona. Mr. Bob Frisby appeared on behalf  
17 of Beaver Dam and presented testimony. Staff appeared through counsel and presented evidence and  
18 testimony. No members of the public appeared to give public comment. At the conclusion of the  
19 hearing, the parties were instructed to file late-filed exhibits related to the testimony given at the  
20 hearing and the time clock in this matter was extended.

21 On October 10, 2007, by Procedural Order, the timeframes governing late-filed exhibits were  
22 established.

23 On October 15, 2007, Staff filed as a Late-Filed Exhibit its comments related to Beaver  
24 Dam's Revised Pro-Forma Income Statement.

25 On October 26, 2007, Beaver Dam filed its response to Staff's Late-Filed Exhibit and a copy  
26 of the Franchise Agreement from Mohave County.

27 On February 4, 2008, Beaver Dam informed the Hearing Division that it would be filing an  
28 amended legal description in this matter.

1 On February 5, 2008, Staff docketed a fourth Amended Legal Description.

2 After the filing of the Late-Filed Exhibits, the matter was taken under advisement, pending  
3 submission of a Recommended Opinion and Order to the Commission.

4 \* \* \* \* \*

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

7 **FINDINGS OF FACT**

8 1. Beaver Dam is an Arizona public service corporation, in good standing with the  
9 Commission's Corporation Division. Beaver Dam is authorized to provide water utility services in  
10 the extreme northwest corner of Arizona in Mohave County, and is less than 10 miles from both the  
11 Nevada and Utah borders.

12 2. Beaver Dam initially received authority to provide water utility service in Commission  
13 Decision No. 55788 (December 1, 1987).

14 3. Beaver Dam has authority to serve a service area covering approximately 8,792 acres  
15 or 13.74 square miles.

16 4. Statewide, Beaver Dam currently has approximately 655 service connections and  
17 operates six individual water systems.

18 5. On June 14, 2006, Beaver Dam filed an application with the Commission seeking  
19 authority for an initial CC&N to provide wastewater service for a development known as Shadow  
20 Ridge, which is more fully described in Exhibit A, attached hereto and incorporated herein.

21 6. Beaver Dam has received a request for service to provide wastewater service for the  
22 Shadow Ridge development from Millennia Investment Corporation.

23 7. The Shadow Ridge development will be built in phases with a total of 392 lots at build  
24 out on a 160 acre parcel.

25 8. Phase 1 of the Shadow Ridge development will consist of 67 residential lots, and  
26 Phase II will contain 325 lots.

27 9. The developer, Millennia Investment Corporation ("Developer"), proposes to build the  
28

1 necessary wastewater infrastructure needed for the proposed Certificated area, which will be  
2 conveyed to Beaver Dam in the future.

3 10. In addition to constructing the wastewater facility, the Developer was required by  
4 Mohave County to build a fire station to provide fire protection for the Shadow Ridge development.  
5 (Tr. Pg. 11, lines 16-20)

6 11. Beaver Dam testified that there is a five acre parcel included in the requested CC&N  
7 area legal description that is owned by Beaver Dam, but is not a part of the Shadow Ridge  
8 development. Staff recommends that the five acre parcel located in Section 21, be deleted from the  
9 CC&N area because there is no request for service for the area. Beaver Dam testified that it did not  
10 oppose having the area deleted from the CC&N area and Staff was directed to file an updated map  
11 and amended legal description as a late-filed exhibit.

12 12. On February 5, 2008, Staff docketed a Fourth Amended Legal Description, which  
13 deletes the five acre parcel in Section 21.

14 13. Staff recommends approval of Beaver Dam's application, subject to the following  
15 conditions:

- 16 1) That Beaver Dam file with Docket Control, in this docket, a copy of its  
17 Aquifer Protection Permit ("APP") from the Arizona Department of  
18 Environmental Quality ("ADEQ") within two years of a decision in this  
19 matter.
- 20 2) That Beaver Dam file with Docket Control, in this docket, a copy of its  
21 Franchise Agreement from Mohave County, within two years of the effective  
22 date of a decision in this matter.
- 23 3) That Beaver Dam maintain its books and records separately for water and  
24 wastewater.
- 25 4) That Beaver Dam utilize a capital structure of approximately 70 percent equity  
26 and 30 percent advances in aid of construction ("AIAC").
- 27 5) That Beaver Dam charge the rates shown in Schedule DRE-WW-5 for the  
28 proposed Certificated area.

- 1           6)     That Beaver Dam be allowed to collect from its customers a proportionate  
2           share of the privilege, sales or use tax.
- 3           7)     That Beaver Dam notify the Commission within 15 days of providing service  
4           to its first customer.
- 5           8)     That Beaver Dam be required to file a rate application no later than three  
6           months following the fifth anniversary of the date Beaver Dams begins  
7           providing service to its first customer.
- 8           9)     That Beaver Dam maintain its books and records in accordance with the  
9           National Association of Regulatory Utility Commissioners ("NARUC")  
10          Uniform System of Accounts for Water and Wastewater Utilities.
- 11          10)    That Beaver Dam use the depreciation rates recommended by Staff for  
12          wastewater utilities.
- 13          11)    That Beaver Dam file in its next rate application, a rate design that includes  
14          some type of volumetric charge to encourage water conservation.

15          14.    Staff further recommends that the Commission's decision granting Beaver Dam a  
16    CC&N to provide wastewater service be considered null and void, after due process, if Beaver Dam  
17    fails to meet the timeframes outlined in the above recommendations.

18          15.    According to Staff's Report, the proposed wastewater system will be an AdvanTex  
19    Treatment System, which is a package system that uses engineered textile for the treatment media.

20          16.    The system includes onsite septic tanks with offsite treatment.

21          17.    During the hearing, Beaver Dam's witness<sup>1</sup> testified that there will be a septic tank  
22    constructed on each individual lot, and the Company will do on-site sludge removal on each tank.  
23    The witness further testified that the secondary water will be drained off the septic tanks into a  
24    gravity system that goes to a treatment facility where the secondary water will be treated.  
25    Additionally, he stated the use of this wastewater system helps to reduce the level of nitrates in the  
26    water and it separates out the sludge. (Tr. Pg. 22, lines 7-21)

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28   <sup>1</sup> Mr. Bob Frisby is President and General Manager of Beaver Dam Water Company, Inc.

1           18.     The witness also explained that the Company will need to inspect the septic tanks to  
2 determine when the grease that forms in the septic tanks needs to be removed and the Company is  
3 requesting a tariff for the sludge or grease removal. Further, he stated that Beaver Dam plans to use  
4 the effluent created for drip irrigation for shrubs and trees in the common areas throughout the  
5 subdivision. (Tr. Pg. 23, lines 1-14)

6           19.     Beaver Dam's proposed tariff includes a rate for the maintenance of customer's on-  
7 site septic tanks. Beaver Dam's tariff seeks to bill homeowners \$450.00 to remove the sludge levels  
8 in the septic tanks. Beaver Dam proposes to annually check each customer's septic tank to determine  
9 if it requires maintenance of sludge levels and when necessary to have the tanks pumped. Staff had  
10 no objection to including the sludge removal rate in Beaver Dam's tariff as long as customers are  
11 notified of their right to choose Beaver Dam or an outside service for the pumping of their septic  
12 tanks.

13           20.     According to Staff's Report, the sludge from the septic tanks will have to be removed  
14 every three to seven years, depending on wastewater flows.

15           21.     The witness stated he believed that the proposed wastewater system was an  
16 improvement over people putting in individual septic tanks and individual wells, which results in a  
17 lot of unorganized withdrawal of water and a high density of nitrates from the septic tanks. (Tr. Pg.  
18 10, lines 3-19)

19           22.     In its data response, docketed January 8, 2007, Beaver Dam stated that the sewer  
20 collection system had been approved by ADEQ for the first phase of the Shadow Ridge development.

21           23.     The Developer is proposing to construct the wastewater facilities needed in the  
22 proposed Certificated area in two phases. Phase I will have a design flow of 24,200 gallons per day  
23 ("GPD") and Phase II will have a design flow of 117, 000 GPD to provide wastewater service to 67  
24 lots and 325 lots respectively.

25           24.     Staff concluded the proposed wastewater system will have adequate infrastructure to  
26 serve the proposed Certificated sewer area.

27           25.     In its application, Beaver Dam submitted plant-in-service cost for the AdvanTex  
28 system as follows:

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Cost per gallon to treat wastewater	\$6.55
Cost per connection (assume 360 gpd)	\$2,358
Total (for 392 lots)	\$924,336

26. Staff concluded that the proposed plant-in-service costs were reasonable, but that no “used and useful” determination had been made and no conclusions should be inferred for rate base purposes.

27. Beaver Dam has hired a Certified Operator to manage the wastewater facility.

28. According to the Utilities Division Compliance Section, as of August 2007, Beaver Dam had no outstanding compliance issues for its existing water systems.

29. ADEQ has determined that Beaver Dam is currently delivering water that meets water quality standards as required by the A.A.C.

30. Because Beaver Dam does not have any wastewater plant facilities at this time, there is no ADEQ compliance information.

31. Beaver Dam has obtained the ADEQ Certificate of Approval to Construct (“ATC”) for construction of the proposed Phase I wastewater facilities.

32. Beaver Dam has an approved 208 Plan Amendment.

33. Beaver Dam does not have an APP representing authority for the designation of a wastewater service area and a wastewater provider.

34. Beaver Dam submitted as a part of its application, data showing its proposed plant-in-service, revenues, expenses and capital structure for the requested Certificated area.

35. Staff reviewed Beaver Dam’s proposed plant-in-service, revenues, expenses and capital structure for the requested Certificated area and recommended several adjustments.

36. Beaver Dam’s application included five year projections for plant values, operating revenues, operating expenses, and the number of customers to be served.

37. According to Staff, projections and assumptions are necessary to establish a fair value rate of return and initial rates due to the lack of historical information.

38. Staff has concluded that the original cost rate base is the fair value rate base.

39. Staff reviewed Beaver Dam’s proposed plant-in-service and recommends several

1 adjustments.

2 40. Beaver Dam proposes to acquire the entire wastewater infrastructure for the requested  
3 CC&N area by AIAC through a Line Extension Agreement ("LXA") with the Developer.

4 41. Staff testified that in new CC&Ns, Staff prefers a capital structure of 100 percent  
5 equity infusion by the utility. However, Staff does recognize that Beaver Dam has experience  
6 operating water utility systems and therefore Staff made an exception to its general recommendation.  
7 (Tr. Pg. 34, lines 10-20) In this matter, Staff recommended a capital structure of approximately 70  
8 percent equity and 30 percent AIAC, which capital structure would be achieved by an infusion of  
9 equity capital by the company.

10 42. Staff's witness explained that when a company's capital structure is made up solely of  
11 advances or contributions, the problem is two-fold. First, the company's rate base will be zero. And  
12 second, when the company has not invested any capital there is no incentive for the company to  
13 operate efficiently. (Tr. Pg. 35, lines 5-15)

14 43. Staff's witness explained that even though the Commission's rule states that advances  
15 be returned at a rate of 10 percent per year, oftentimes companies can only partially return the  
16 advances and the rate base on which the companies should be earning becomes diminished or zero.  
17 The witness also explained that over time if that investment or the plant becomes depreciated and it is  
18 not replaced with either more contributions or advances, the system will become dilapidated and less  
19 secure for providing service. (Tr. Pg. 39, lines 1-24)

20 44. Mr. Dan Jones, President of Millennia Investment Corporation and developer for the  
21 Shadow Ridge development, testified in support of Beaver Dam's application and stated that  
22 Millennia was willing to deed over to Beaver Dam the wastewater system and that Beaver Dam's  
23 capital was being given in the form of its 20-year history as a water company. (Tr. Pg. 26, lines 13-  
24 25) He further testified that Millennia has also deeded over to Beaver Dam everything pertaining to  
25 the water system built for the development, which totals over \$1 million, and that the company had  
26 done so freely and willingly because the company cannot do the development without Beaver Dam.  
27 (Tr. Pg. 27, lines 1-6)

28 45. Mr. Jones testified that if the Commission does not approve Beaver Dam's application

1 there is only one other water provider about three miles away, but that Millennia has not received any  
2 support from them. (Tr. Pg. 27, lines 18-25)

3 46. Beaver Dam proposes to fund the wastewater facilities through 100 percent AIAC,  
4 with a 10 percent per year refund rate to be paid to the developer, beginning at year five, over 10  
5 years.

6 47. Beaver Dam argued that under Staff's recommendation it would have to put forward a  
7 contribution of \$700,000. Beaver Dam testified that under the LXA it will have to increase its staff  
8 by one employee (Certified Operator), and add a vehicle for that employee to use to take care of the  
9 wastewater system and that should be its capital contribution. (Tr. Pg. 19, lines 2-10 and Tr. Pg. 20,  
10 lines 1-12 )

11 48. In its objection to the Staff Report, Beaver Dam stated that since the Commission had  
12 approved the LXA for the water system for the Shadow Ridge development with 100 percent AIAC,  
13 it should also approve Beaver Dam's request to have the same capital structure for the wastewater  
14 system.

15 49. Beaver Dam also stated in its late-filed exhibit that it believed there were other  
16 wastewater utilities that had received an initial CC&N with no experience in the wastewater business,  
17 and that they were required by Staff to have a capital structure of 70 percent equity and 30 percent  
18 AIAC and therefore Staff was not making an exception for Beaver Dam due to its 20 years  
19 experience in the water business. Beaver Dam requested that the percentage of equity contribution be  
20 lowered if not completely removed.

21 50. Staff reviewed the Revised Pro-Forma Income Statement submitted by Beaver Dam  
22 with its objection to the Staff Report. Staff stated that there were errors in the proposed operating  
23 expenses in which Beaver Dam failed to account for any depreciation expense. Staff stated that  
24 Beaver Dam seemed to be accounting for AIAC as if it was contribution in aid of construction  
25 ("CIAC"), however depreciation should be taken on AIAC. Staff also noted that under Beaver  
26 Dam's proposed 100 percent AIAC capital structure, it would not be refunding advances until year  
27 five on the investment. Staff stated that during the first five years if Beaver Dam does not refund  
28 advances, depreciation expenses would be applied to the advanced plant-in-service; which will

1 further degrade Beaver Dam's equity investment.

2       51. Staff reasoned that the adjustments Staff made to Beaver Dam's proposed capital  
3 structure reflects the goal of ensuring a strong economic foundation for Beaver Dam and to secure  
4 wastewater service for customers in the CC&N area.

5       52. Staff reviewed Beaver Dam's proposed revenue and expenses projections which Staff  
6 found to be generally reasonable with a few adjustments.

7       53. In Schedule DRE-WW-1, Staff adjusted Beaver Dam's depreciation expenses to  
8 reflect Staff's proposed changes in the capital structure and adjusted the proposed income taxes to  
9 reflect changes in proposed income tax liability.

10       54. Beaver Dam proposes no depreciation expense based on a 100 percent AIAC capital  
11 structure. Staff adjustments are reflected in DRE-WW-3, an approximately 70 percent equity to 30  
12 percent advance capital structure for plant-in-service.

13       55. Beaver Dam proposes that the service line connection charge be collected from  
14 customers as a CIAC. Staff stated that if the service line charge is allowed as a CIAC it is in essence  
15 a hook up fee and Staff's policy is that hook up fees should not be allowed in initial CC&N  
16 applications. Staff recommends that the service line charge be collected as an AIAC and that it be  
17 refunded at 10 percent of the collected balance annually.

18       56. Staff determined the projected rate base for the wastewater plant-in-service to be \$521,  
19 281 at the end of five years.

20       57. Beaver Dam estimated its revenue and expenses to determine its initial rates.

21       58. Staff proposes that the revenue estimates be adjusted (through adjustment of the  
22 recommended rates discussed below) in order to obtain a return on investment of 8.10 percent in year  
23 five.

24       59. Beaver Dam proposed a flat fee rate of \$40 per month for residential customers and  
25 Staff proposed rates of \$45 per month.

26       60. Staff concurred with Beaver Dam's residential initial monthly flat fee rate design as  
27 well as Beaver Dam's proposed monthly flat fee rate for commercial customers. However, Staff does  
28 recommend that Beaver Dam at its next rate case file a rate design that uses a volumetric rate to

1 encourage water conservation.

2         61. Staff also recommends that Beaver Dam's proposed re-establishment of service charge  
3 (within 12 months) be adjusted to months off the system multiplied by the flat monthly fee to reflect  
4 Commission Rule A.A.C. R14-2-603(D).

5         62. In regards to the late payment penalty, Staff recommends a 1.50 percent of the unpaid  
6 monthly balance per month.

7         63. Staff concluded that the other service charges proposed by Beaver Dam are reasonable  
8 and recommended that they be adopted.

9 **Analysis and Discussion**

10         64. Beaver Dam has a twenty-year track record as a water utility provider, but no  
11 experience as a wastewater provider.

12         65. As testified to by Staff, Beaver Dam has been a good operator in the water business in  
13 the State of Arizona, Beaver Dam is a fit and proper entity to have a wastewater CC&N, and there is  
14 a public need for the wastewater service requested in this application. (Tr. Pg; 37, lines 1-5) (Tr. Pg.  
15 53, lines 1-9)

16         66. Although Beaver Dam has no experience in the wastewater business, it has hired a  
17 Certified Operator to manage the wastewater facility.

18         67. We find that under the circumstances of this case, Staff's recommendation for a  
19 capital structure of 70 percent equity and 30 percent advances should be modified to require Beaver  
20 Dam to attain a capital structure comprised of 40 percent equity and 60 percent advances. Therefore,  
21 the company shall be required to infuse sufficient equity to achieve a 40 percent equity capital  
22 structure as a condition of approval.

23         68. In addition, Beaver Dam shall be required to implement Staff's proposed initial flat  
24 fee rate of \$45 per month for residential sewer customers and \$60 per month for commercial  
25 customers, as set forth in Exhibit B. Beaver Dam should also be required to file with Docket Control,  
26 as a compliance item in this docket, a revised tariff reflecting the modifications set forth herein, for  
27 review and approval by Staff, within 30 days of the effective date of a decision in this matter.

28         69. Further, Staff's recommendation that Beaver Dam file a rate case no later than three

1 months after the fifth anniversary when it serves its first customer, should be modified to require  
2 Beaver Dam to file a rate case within three months of its third anniversary of serving its first  
3 customer. By requiring an earlier rate case filing, we will have an opportunity to review the ongoing  
4 appropriateness of the initial rates based on the modified capital structure required herein.

5 70. Lastly, Staff's recommendations which require Beaver Dam to meet specific  
6 conditions within a certain timeframe should be modified to state that Beaver Dam shall file those  
7 conditions with Docket Control as a compliance item in this docket.

8 71. On October 26, 2007, Beaver Dam docketed a copy of its Franchise Agreement from  
9 Mohave County and therefore has satisfied Staff's condition on that matter.

10 72. Staff recommendations as modified herein are reasonable and should be adopted.

11 73. Because an allowance for property tax expense will be included in Beaver Dam's rates  
12 and will be collected from its customers, the Commission seeks assurances from Beaver Dam 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 and wastewater companies have been  
15 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,  
16 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure Beaver  
17 Dam shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting  
18 that the Company is current in paying its property taxes in Arizona.

19 **CONCLUSIONS OF LAW**

20 1. Applicant is a public service corporation within the meaning of Article XV of the  
21 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

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

24 3. Notice of the application and the hearing thereon was given in accordance with the  
25 law.

26 4. There is a public need and necessity for wastewater utility service in the proposed  
27 Certificated area.

28 5. Applicant is a fit and proper entity to receive a CC&N to provide wastewater utility

1 service in the proposed Certificated area.

2 6. Staff's recommendations as modified herein are reasonable and should be adopted.

3 7. The rates and charges authorized herein are just and reasonable.

4 **ORDER**

5 IT IS THEREFORE ORDERED that Beaver Dam Water Company, Inc.'s application for a  
6 Certificate of Convenience and Necessity to provide wastewater utility service to the area described  
7 herein as Exhibit A, is hereby granted subject to Beaver Dam Water Company, Inc.'s compliance  
8 with the following Ordering paragraphs.

9 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file, with Docket  
10 Control, as a compliance item in this docket, for review and approval by Staff, a revised tariff  
11 reflecting the modifications set forth herein, within 30 days of the effective date of this Decision.

12 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file with Docket  
13 Control, as a compliance item in this docket, a copy of its Aquifer Protection Permit from the Arizona  
14 Department of Environmental Quality, within two years of the effective date of this Decision.

15 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file with Docket  
16 Control, as a compliance item in this docket, a Notice to the Commission within 15 days of providing  
17 service to its first customer.

18 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file with Docket  
19 Control, as a compliance item in this docket, a rate application no later than three months following  
20 the third anniversary of the date Beaver Dam Water Company, Inc., begins to serve its first  
21 wastewater customer.

22 IT IS FURTHER ORDERED that if Beaver Dam Water Company, Inc., fails to comply with  
23 the timeframes outlined in the above Ordering Paragraphs, the Certificate of Convenience and  
24 Necessity granted herein shall be considered null and void after due process.

25 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall maintain its books  
26 and records separately for water and wastewater.

27 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall utilize a capital  
28 structure of approximately 40 percent equity and 60 percent advances in aid of construction, and shall

1 infuse sufficient equity to achieve a 40 percent equity capital structure as a condition of approval.

2 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall charge Staff's  
3 proposed rates as set forth below:

<b><u>Minimum Monthly Flat Charge</u></b>	
4 Residential	\$45.00
5 Commercial	\$60.00
<b><u>Effluent Sales</u></b>	
6 Treated Effluent per 1,000 gallons	\$0.25
7 Service Line Connection Charges	\$400.00
<b><u>Service Charges</u></b>	
8 Establishment of Service	\$25.00
9 Reconnection/Delinquent	\$50.00
10 Deposit	0.00
11 Deposit Interest	0%
12 Re-establishment of Service (within 12 months)	*
13 NSF Check	\$15.00
14 Late Payment Penalty (per month on unpaid balance)	1.50%

15 \* Number of months off system times the monthly minimum, per Commission Rules  
16 A.A.C. R14-2-603(D).

17 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall notify its  
18 customers of the wastewater rates and charges approved herein and their effective date by means of  
19 an insert in its monthly billing in a form acceptable to the Staff of the Utilities Division.

20 IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective  
21 for all service provided on or after April 1, 2008.

22 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall notify each  
23 customer in the Certificated area of its right to annually inspect customer's septic tanks to determine  
24 if maintenance is necessary.

25 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall provide  
26 homeowners with seven days notice of its intent to inspect the septic tanks prior to entering the  
27 homeowner's property.

28 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall notify customers  
in the Certificated area, that Beaver Dam will charge a rate of \$450 each time it is necessary for the  
company to pump the customer's septic tank.

1 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall notify  
2 homeowners in the Certificated area of their right to choose either Beaver Dam or another entity to  
3 perform the pumping on their septic tanks, 30 days prior to the time the work needs to be performed.

4 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall collect from its  
5 customers a proportionate share of the privilege, sales or use tax.

6 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall maintain its books  
7 and records in accordance with the National Association of Regulatory Utility Commissioners  
8 Uniform System of Accounts for Water and Wastewater Utilities.

9 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall use the  
10 depreciation rates recommended by Staff for wastewater utilities.

11 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file in its next rate  
12 application, a rate design that includes some type of volumetric rate to encourage water conservation.

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1 IT IS FURTHER ORDERED that Beaver Dam Water Company, Inc., shall file, as a part of  
2 its annual report, an affidavit with the Utilities Division attesting that it is current on its property  
3 taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
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8 CHAIRMAN \_\_\_\_\_ COMMISSIONER

9  
10 COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_ COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim  
13 Executive Director of the Arizona Corporation Commission,  
14 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 \_\_\_\_\_, 2008.

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16 \_\_\_\_\_  
DEAN S. MILLER  
INTERIM EXECUTIVE DIRECTOR

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18 DISSENT \_\_\_\_\_

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20 DISSENT \_\_\_\_\_

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1 SERVICE LIST FOR:

BEAVER DAM WATER COMPANY, INC.

2 DOCKET NO.:

SW-03067A-06-0397

3 Bob Frisby  
4 BEAVER DAM WATER CO., INC.  
5 P.O. Box 559  
6 Beaver Dam, AZ 86432

7 Christopher Kempley, Chief Counsel  
8 Legal Division  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Ernest G. Johnson, Director  
13 Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington  
16 Phoenix, Arizona 85007  
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**EXHIBIT "A"**  
**SHADOW RIDGE SUBDIVISION**  
**WASTEWATER SERVICE AREA**  
**PROPERTY DESCRIPTION**

A Parcel of Land situated in portions of Sections 17 and 21, Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

All of the West Half of the North Half of the Northeast Quarter of the Northeast Quarter (W1/2 N1/2 NE1/4 NE1/4) and the West Half of the South Half of the Northeast Quarter of the Northeast Quarter (W1/2 S1/2 NE1/4 NE1/4) of Section 17, Township 39 North, Range 16 West, Gila and Salt River Base Meridian, Mohave County, Arizona (Parcel 402-84-012 and 402-84-013, Fee#2003040864, Book 4505, Page 564)

All of the Southwest Quarter of the Southeast Quarter of the Northeast Quarter (SW1/4 SE1/4 NE1/4) and the South Half of the Northwest Quarter of the Southeast Quarter of the Northeast Quarter (S1/2 NW1/4 SE1/4 NE1/4) and the North Half of the North Half of the East Half of the Southeast Quarter of the Northeast Quarter (N1/2 N1/2 E1/2 SE1/4 NE1/4) and the North Half of the North Half of the West Half of the Southeast Quarter of the Northeast Quarter (N1/2 N1/2 W1/2 SE1/4 NE1/4) and the Southeast Quarter of the Southeast Quarter of the Northeast Quarter (SE1/4 SE1/4 NE1/4) and the South Half of the Northeast Quarter of the Southeast Quarter of the Northeast Quarter (S1/2 NE1/4 SE1/4 NE1/4) of Section 17, Township 39 North, Range 16 West, Gila and Salt River Base Meridian, Mohave County, Arizona, (Parcel 402-84-001,002,005 and 006, Fee# 2003026459, Book 4439, Page 485), subject to a 20 foot Access Easement and Utility Easement along the East Boundary Line (Fee# 91-19036, Book 1878, Page 462)

All of the Northeast Quarter of the Southeast Quarter (NE1/4 SE1/4) and the East Half of the Southeast Quarter of the Southeast Quarter (E1/2 SE1/4 SE1/4) of Section 17, Township 39 North, Range 16 West, Gila and Salt River Base Meridian, Mohave County, Arizona (Parcel 402-84-019), subject to a 20 foot Access Easement and Utility Easement along the East Boundary Line (Fee# 90-45221, Book 1749, Page 652) EXCEPT the South 42 feet for a Mohave County Road Right-of-Way (Book 5217, Page 241)

All of the Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4) of Section 21, Township 39 North, Range 16 West, Gila and Salt River Base Meridian, Mohave County, Arizona, (Parcel 402-25-142, Fee# 2002004987, Book 3973 Page 119), EXCEPT the North 42 feet for a Mohave County Road Right-of-Way (Book 3099, Page 663), the West 42 feet and the East 25 feet (Book 2298, Page 247) for Mohave County Road Right-of-Ways

Containing 160 Acres more or less.

## EXHIBIT B

Beaver Dam Water Company, Inc.  
Docket Number SW-03067A-06-0397

Schedule DRE-WW-5

## RATE DESIGN-WASTEWATER

	Company Proposed Rates	Staff Recommended Rates
<b><u>Minimum Monthly Flat Charge</u></b>		
Residential	\$40.00	\$45.00
Commercial	60.00	60.00
<b><u>Effluent Sales</u></b>		
Treated Effluent per 1,000 gallons	\$ 0.25	0.25
Service Line Connection Charges	\$ 400.00	400.00
<b><u>Service Charges</u></b>		
Establishment of Service	25.00	25.00
Reconnection/Delinquent	50.00	50.00
Deposit	0.00	0.00
Deposit Interest	0%	0%
Re-establishment of Service (Within 12 months)	25.00	*
NSF Check	15.00	15.00
Late Payment Penalty (per month on unpaid balance)	10.00	1.50%

\* Per Commission Rules A.A.C. R14-2-603(D).

EXHIBIT "B"

DECISION NO. \_\_\_\_\_