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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission
DOCKETED

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IN THE MATTER OF THE APPLICATION OF RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC. FOR APPROVAL OF RATE APPLICATION FOR WATER COMPANIES WITH ANNUAL GROSS OPERATING REVENUES OF LESS THAN \$250,000 PER ARIZONA ADMINISTRATIVE CODE R14-2-103

DOCKET NO. W-02102B-07-0273

IN THE MATTER OF THE APPLICATION OF RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC. FOR APPROVAL OF DEBT DUE TO RANCHO CONEJO COMMUNITY WATER CO-OP INC.'S NEED TO BORROW FUNDS TO INSTALL ARSENIC REMOVAL EQUIPMENT

DOCKET NO. W-02102B-07-0163

DECISION NO. 70311

OPINION AND ORDER

Open Meeting
April 8 and 9, 2008
Phoenix, Arizona

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

Procedural History

1. On March 20, 2007, Rancho Del Conejo Community Water Co-op, Inc. ("Rancho del Conejo" or "Company") filed a Financing Application. The Company sought authority to borrow \$200,000 from the Arizona Water Infrastructure Finance Authority ("WIFA") to install arsenic treatment facilities and for other system upgrades.

2. Rancho del Conejo mailed notice of its finance request to its members/customers on March 19, 2007.

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1 three booster pump stations. Staff finds that the system has adequate production and storage capacity
2 to serve its existing customer base and projected foreseeable growth.

3 17. The Company received its Certificate of Convenience and Necessity ("CC&N") in
4 Decision No. 41164 (February 23, 1971).

5 18. Rancho del Conejo's current rates were approved in Decision No. 59881 (December 1,
6 1996).

7 19. In the Test Year ended September 30, 2006, as adjusted by Staff, the Company had
8 total operating revenues of \$128,334, and an operating income of \$10,176, or a 7.93 percent
9 operating margin. Based on Staff's adjusted original cost rate base ("OCRB") of \$185,221, the
10 Company had a 5.49 percent rate of return on OCRB in the Test Year.

11 20. The Company requested total operating revenues of \$192,308 and operating income of
12 \$85,996, a 46.4 percent rate of return on rate base, or a 44.72 percent operating margin. The
13 Company's requested increase is \$63,974, or 49.8 percent over Test Year revenues.

14 21. Staff recommends rates that would produce operating revenues of \$143,942 and
15 operating income of \$25,784, a 13.9 rate of return on rate base, or a 17.92 percent operating margin.
16 Staff's recommended revenue level is an increase of \$15,608, or 12.2 percent, over Test Year
17 revenues.

18 22. Rancho Del Conejo reports that its Well #3 has an arsenic level of 18 parts per billion
19 which exceeds the Environmental Protection Agency ("EPA") standard of 10 parts per billion.

20 23. Staff reports Rancho Del Conejo is in compliance with Arizona Department of
21 Environmental ("ADEQ") requirements and is delivering water that meets water quality standards
22 required by the Arizona Administrative Code, Title 18, Chapter 4.

23 24. When the Company was granted its CC&N, the Commission authorized it to charge a
24 membership fee of \$60.¹ In Decision No. 53110 (July 13, 1982) the Commission determined that the
25 membership fee was entirely discretionary and declared it "null and void." In the Company's 1996
26 rate case, the Company disclosed that it had continued to collect the membership fees. In Decision
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28 ¹ Decision No. 41164 (February 23, 1971).

1 No. 59881, the Commission ordered that the membership fees charged during the test year not be
2 subject to refund and treated as additional paid in capital, and ordered the Company to accept only
3 membership fees that were offered on a "voluntary basis." In the current proceeding, the Company
4 reported that it collected \$1,920 in membership dues which it included in "Other Water Revenues."
5 Staff now recommends that the Commission order the Company to cease collecting membership fees
6 and that the membership fees collected during the Test Year not be subject to refund but be treated as
7 paid in capital.

8 25. In its Response to the Staff Report, the Company agrees to cease collecting
9 membership dues.

10 26. The Company has an approved Curtailment Tariff and Cross Connection tariff.

11 27. Staff reports the Company is current on its Utilities and Corporations Divisions'
12 annual reports and is current on its sales and property tax payments.

13 28. Rancho del Conejo is located in the Arizona Department of Water Resources
14 ("ADWR") Tucson Active Management Area. ADWR reported that the Company is in compliance
15 with its monitoring and reporting requirements.

16 Rate Base

17 29. Staff's adjustments decreased the Company's proposed rate base by \$105,811, from
18 \$291,032 to \$185,221. Staff decreased Plant in Service by \$53,034 and increased Accumulated
19 Depreciation by \$78,542 to account for plant additions, retirements and reclassifications. Staff
20 increased the Services account by \$29,637 to reflect the authorized non-refundable service line and
21 meter installation charges. Staff concurs with the Company's reported Contributions in Aid of
22 Construction ("CIAC") of \$460,116. The major sources of CIAC were the \$275,000 grant that was
23 authorized in Decision No. 61733, advances in aid of construction ("AIAC") that are no longer
24 subject to refund, non-refundable main line agreements and non-refundable service line and meter
25 installation charges. The Company did not claim any Cash Working Capital Allowance, but Staff
26 utilized the formula method to calculate an allowance, and recommends increasing rate base by
27 \$8,201 to reflect Staff's calculation.

28 30. The Company did not object to any of Staff's adjustments to rate base.

1 return on FVRB.

2 37. In its Response to the Staff Report, the Company asserts that Staff's recommended
3 operating income is not adequate, as it does not provide sufficient funds to maintain a reserve fund
4 for repairs and maintenance. The Company argues that having such a fund for emergencies is
5 particularly important because the system is aging and costs for labor, insurance and equipment
6 continue to rise. In addition, the Company argues that Staff did not include the expense of operating
7 the arsenic remediation system.

8 Rate Design

9 38. The rates and charges for Rancho Del Conejo, as proposed in the application, and as
10 recommended by Staff are as follows:

11	Present	Proposed	Proposed
	<u>Rates</u>	<u>Company</u>	<u>Staff</u>
12 <u>MONTHLY USAGE CHARGE:</u>			
13 5/8" x 3/4" Meter	13.00	\$16.50	\$13.00
14 3/4" Meter	15.00	17.00	15.00
15 1" Meter	19.00	23.00	19.00
16 1 1/2" Meter	30.00	42.00	65.00
17 2" Meter (Turbo)	45.00	57.00	104.00
18 3" Meter (Turbo)	70.00	85.00	208.00
19 4" Meter (Turbo)	100.00	115.00	325.00
20 5" Meter	N/A	N/A	N/A
21 6" Meter	200.00	310.00	650.00

22 **COMMODITY CHARGE**

23 Per 1,000 gallons

24 Gallons included in minimum 5/8" meter	0	0	0
25 5/8, 3/4, and 1 inch residential meters:			
26 0 to 7,000 gallons	\$1.65		
27 7,001 gallons and up	2.00		
28 0 to 4,000 gallons		\$2.50	
4,001 to 12,000 gallons		3.25	
12,001 gallons and up		4.50	
0 to 3,000 gallons			\$1.40
3,001 to 10,000 gallons			2.10
10,001 gallons and up			3.00

1	1 ½ inch and larger meters:			
	0 to 25,000 gallons	N/A	N/A	2.10
2	25,001 gallons and up	N/A	N/A	3.00
3	Bulk Water – per 1,000 gallons	N/A	\$6.50	\$4.50

SERVICE LINE AND METER INSTALLATION CHARGES:

4	Non-Refundable					
5		Current	Company's	Staff	Staff	Staff
6		Charges	Proposed	Recommended	Recommended	Recommended
			Charges	Service Line	Meter Charges	Total Charges
				Charges		
7	5/8" x ¾" Meter	\$315.00	\$450.00	\$355.00	\$85.00	\$440.00
	¾" Meter	350.00	475.00	355.00	165.00	520.00
8	1" Meter	400.00	550.00	405.00	205.00	610.00
	1 ½" Meter	600.00	775.00	440.00	415.00	855.00
9	2" Meter Turbo	1,000.00	1,375.00	600.00	915.00	1,515.00
	2" Meter Compound	1,500.00	N/A	N/A	N/A	N/A
10	3" Meter Turbo	1,380.00	1,975.00	775.00	1,420.00	2,195.00
	3" Meter Compound	1,935.00	N/A	N/A	N/A	N/A
11	4" Meter	2,380.00	3,040.00	1,110.00	2,250.00	3,360.00
	6" Meter	4,655.00	5,635.00	1,670.00	4,445.00	6,115.00

SERVICE CHARGES:

14	Establishment	\$10.00	\$35.00	\$35.00
15	Establishment (After Hours)	15.00	40.00	40.00
	Reconnection (Delinquent)	5.00	40.00	40.00
16	Meter Test (If Correct)	25.00	45.00	45.00
17	Deposit	per rule*	per rule*	per rule*
	Deposit Interest	per rule*	per rule*	0.5% /mo.
18	Reestablishment (Within 12 Months)	per rule**	per rule**	per rule**
	NSF Check	10.00	25.00	25.00
19	Deferred Payment	Per rule***	Per rule***	Per rule***
	Meter Reread (If Correct)	5.00	15.00	15.00
20	Late Fee	N/A	10.00	1.5% /mo.

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

22	4" or Smaller	****	****	****
23	6"	****	****	****
	8"	****	****	****
24	10"	****	****	****
25	Larger than 10"	****	****	****

3 Per Commission rule A.A.C. R-14-2-403(B).
 ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
 *** Per Commission Rules R14-2-409(G)

1 **** 1.00% of monthly minimum for a comparable sized meter connection, but no less than
2 \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service
3 lines separate and distinct from the primary water service line.

4 39. In Decisions Nos. 54631, 53110, 56768 and 59881, the Commission allowed the
5 Company to continue a variance from A.A.C. R14-2-405(B)(2) to not refund service line and meter
6 installation charges.

7 40. Staff recommends continuing the variance because it would be unfair to current
8 customers for new customers to receive a refund of these charges.

9 41. The Company believes that the monthly minimum charge should be increased, and
10 that the first tier, for usage up to 3,000 gallons, should not be decreased, as recommended by Staff.
11 This objection appears primarily motivated by the Company's assertion Staff's recommended
12 revenue is inadequate. The Company's objections to the Staff Report do not contest any specific
13 Staff adjustment to Operating Expenses, but rather object to the recommended operating margin.
14 Furthermore, it does not specifically reference the additional revenues that the Company would
15 collect from the arsenic remediation surcharge (discussed below). The arsenic remediation surcharge
16 would provide additional revenues of approximately \$15,919 for debt service related to the arsenic
17 treatment plant.

18 42. The Company's Response to the Staff Report does not offer sufficient detail to allow
19 us to make a pro forma adjustment to include operating expenses associated with the arsenic
20 treatment plant. Because the arsenic treatment plant has not been in operation, its operating expenses
21 are not known and measurable and it would be improper rate making to include these speculative
22 expenses in rates at this time.

23 43. The Company appears to have included the cost of the future arsenic treatment plant in
24 base rates, however, because this plant has not yet been installed, Staff's recommendation for a
25 surcharge to be determined later based on actual costs is more appropriate.

26 44. Staff recommends an operating margin of 17.91 percent, however, there is a range of
27 operating income that can be considered reasonable under the circumstances. Because the Company
28 is a non-profit entity, its facilities are aging, it will face increased risk from the need to treat arsenic

1 and because it will experience increased operating expenses, we will approve a greater revenue
 2 requirement than recommended by Staff. Thus, we adjust Staff's recommended rates by \$1.00 a
 3 month for each meter size. Based on 322 Test Year customers, this will provide an additional \$3,864
 4 annually, to produce operating income of \$29,648, a 16.0 percent rate of return on FVRB, and a 20.0
 5 percent operating margin.

6 45. The Company's last rate case was in 1996, and because of the arsenic remediation
 7 system, it may need to file rate case applications more often than in the past. Once the operating
 8 expenses associated with the arsenic treatment are known, Rancho del Conejo will need to file
 9 another rate case to capture those expenses.

10 46. The average Rancho Del Conejo 5/8 inch meter customer uses 9,768 gallons a month
 11 and the median 5/8 inch meter customer utilizes 6,622 gallons per month. Under current rates, the
 12 monthly bill for a 5/8 inch meter customer using the average gallons is \$30.09, and the median bill is
 13 \$23.93.

14 47. Under the Company's proposed rates, the monthly bill for an average 5/8 inch meter
 15 customer would increase \$15.16, or 50.4 percent, from \$30.09 to \$45.25, and the monthly bill for the
 16 median 5/8 inch meter customer would increase \$11.09, or 46.3 percent, from \$23.93 to \$35.02.²

17 48. Under Staff's recommended rates, the monthly bill for the average 5/8 inch meter
 18 customer would increase by \$1.32, or 4.4 percent, from \$30.09 to \$31.41, and the median bill would
 19 increase \$0.88, or 3.7 percent, from \$23.93 to \$24.81.³ Under Staff's recommended rates, the bill for
 20 customers who use less than 4,000 gallons a month would be slightly lower than under current rates.

21 49. Pursuant to the rates approved herein, the monthly bill for the average 5/8 inch meter
 22 customer would increase by \$2.32, or 7.7 percent, from \$30.09 to \$32.41, and the median bill would
 23 increase \$1.88, or 7.8 percent, from \$23.93 to \$25.81.⁴

24 Finance Application and Arsenic Surcharge

25 50. The Company has requested approval for authority to borrow \$200,000 from WIFA to
 26 finance arsenic remediation equipment for Well # 3 and other system improvements. The proposed

27 ² The bill analysis does not include the effect of the arsenic surcharge discussed later.

28 ³ This bill analysis does not include the effect of the arsenic surcharge discussed later.

⁴ This bill analysis does not include the effect of the arsenic surcharge discussed later.

1 WIFA loan would have a term of 20 years.

2 51. Although only Well # 3 contains arsenic above the federal standards, arsenic
3 remediation using blending was determined not to be economically viable because the additional
4 lines and the booster system needed to facilitate blending would be too expensive. The Company
5 plans to purchase an Aquacell Water, Inc. manufactured Met-sorb titanium media arsenic absorption
6 system to reduce the level of arsenic.

7 52. Staff concludes that the Company will need \$168,806 to install an arsenic treatment
8 plant at Well # 3.

9 53. In addition, the Company seeks authority to borrow an additional \$33,000 from WIFA
10 to finance the replacement of 2,517 feet of 3 inch water lines. Staff states that because the water line
11 was not installed properly it has become exposed to the surface and there is potential that the line
12 could be damaged by traffic and UV light.

13 54. Staff examined the construction plans and estimated costs for Rancho del Conejo's
14 two proposed projects and found them to be fair and reasonable. Staff states, however that it has not
15 made a determination of the proposed capital improvements as "used and useful" at this time, but
16 defers this determination until the Company files its next rate application.

17 55. Staff concludes that a \$200,000 WIFA loan is appropriate for the completion of the
18 two projects. Staff recommends approval of a WIFA loan not to exceed \$200,000, at an interest rate
19 not to exceed the prime rate plus 200 basis points, for the purchase and installation of arsenic
20 remediation equipment and to implement system improvements as described herein.

21 56. Staff recommends that the Commission authorize the implementation of an arsenic
22 remediation surcharge mechanism ("ARSM") to pay for the principal and interest of the portion of
23 the WIFA loan used to finance the arsenic treatment equipment. Staff recommends that the portion
24 of the WIFA loan associated with the line replacement project be repaid through funds generated
25 from rates.

26 57. Staff states that the ARSM will establish the methodology that will detail how the
27 surcharge to repay the WIFA loan associated with the arsenic treatment equipment will be calculated.
28 Staff states that Rancho del Conejo can submit an ARSM application under this Docket to obtain

1 approval of the specific surcharge amount pursuant to Staff's recommended methodology.

2 58. In the Staff Report, Staff sets forth a methodology for determining the surcharge
3 amount once the Company knows the final loan amount and terms. Staff's methodology involves: 1)
4 finding the annual payment on the loan; 2) finding the annual interest payment amount; 3) finding the
5 annual principal payment amount; 4) calculating the total annual surcharge revenue requirement,
6 which is the sum of the annual interest and principal payments; 5) determining the yearly total
7 number of customers, by multiplying the total monthly number of bills for all meter sizes by 12; and
8 6) determining the monthly surcharge for each customer by dividing the annual surcharge revenue by
9 the number of customer bills.

10 59. Staff's financial analysis indicates that in the Test Year, Rancho del Conejo had a
11 Times Interest Earned Ratio ("TIER") of 0.80 and a Debt Service Coverage ("DSC") ratio of 2.38.⁵
12 Pursuant to Staff's methodology of analyzing the effect of the proposed \$200,000 loan, with the rates
13 and operating income approved herein, and using Staff's estimated ARSM, the Company would have
14 a TIER of 1.69 and DSC of 2.10. The pro forma TIER and DSC show that with the revenue increase
15 we approve, Rancho del Conejo would have adequate cash flow to meet the obligations of the
16 proposed debt as well as funds for contingencies.

17 60. Assuming an arsenic portion of the WIFA loan of \$168,806, with a 20 year term and
18 an interest rate of 7.18 percent, Staff estimates that the Company would need an additional \$3,934 for
19 principal and \$11,984 for interest for a total ARSM revenue requirement of \$15,918. Based on total
20 annual bills of 3,852, Staff estimates a surcharge amount of \$4.13 per meter.⁶

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25 ⁵ TIER represents the number of times earnings before income taxes covers interest expense on debt. A TIER greater
26 than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long
27 term but does not necessarily mean that debt obligations cannot be met in the short term.
28 DSC represents the number of times internally generated cash (i.e., earnings before interest, income tax, depreciation and
amortization expenses) covers required principal and interest payments on debt. A DSC greater than 1.0 means operating
cash flow is sufficient to cover debt obligations.
⁶ Schedule FBM-7.

1 Engineering Report attached to the Staff Report.

2 (g) The Company file an arsenic remediation surcharge application for the arsenic
3 portion of the \$200,000 WIFA loan, as well as any loan documentation for agreements, within 60
4 days after securing the loan.

5 (h) The arsenic surcharge be a separate line item charge on customers' monthly bill
6 labeled as "arsenic surcharge."

7 (i) The Company be required to file a new rate case by no later than June 1, 2011,
8 using a test year ending December 31, 2010.

9 (j) If the Company fails to file the above rate case, the arsenic surcharge should
10 automatically cease.

11 64. We find Staff's recommendations to be reasonable and we will adopt them, except that
12 we approve rates that will allow a return on FVRB of 16.0 percent and an operating margin of 20
13 percent as discussed herein.

14 65. Because an allowance for the property tax expense of Rancho del Conejo is included
15 in the Company's rates and will be collected from its customers, the Commission seeks assurances
16 from the Company that any taxes collected from ratepayers have been remitted to the appropriate
17 taxing authority. It has come to the Commission's attention that a number of water companies have
18 been unwilling or unable to fulfill their obligation to pay the taxes that were collected from
19 ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventive
20 measure Rancho del Conejo should annually file, as part of its annual report, an affidavit with the
21 Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

22 **CONCLUSIONS OF LAW**

23 1. Rancho del Conejo is a public service corporation pursuant to Article XV of the
24 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

25 2. The Commission has jurisdiction over Rancho del Conejo and the subject matter of the
26 applications.

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

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

5. Staff's recommendations are reasonable and should be adopted, except that a 16.0 percent rate of return on FVRB and an operating margin of 20 percent are reasonable as discussed herein.

6. The financing approved herein is for lawful purposes within Rancho del Conejo's corporate powers, is compatible with the public interest, with sound financial practices, and with the proper performance by the Company of service as a public service corporation, and will not impair Rancho del Conejo's ability to perform the service.

7. The financing approved herein is for the purposes stated herein, is reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably chargeable to operating expenses or to income.

ORDER

IT IS THEREFORE ORDERED that the rates and charges set forth below are approved and Rancho del Conejo Community Water Co-op, Inc. shall file on or before April 30, 2008, a tariff that complies with the rates and charges approved herein:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$14.00
3/4" Meter	16.00
1" Meter	20.00
1 1/2" Meter	66.00
2" Meter (Turbo)	105.00
3" Meter (Turbo)	209.00
4" Meter (Turbo)	325.00
5" Meter	N/A
6" Meter	650.00

COMMODITY CHARGE

Per 1,000 gallons

SERVICE LINE AND METER INSTALLATION CHARGES:

(Non-refundable)

5/8, 3/4, and 1 inch residential meters:

0 to 3,000 gallons	1.40
3,001 to 10,000 gallons	2.10
10,001 gallons and up	3.00

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1 ½ inch and larger meters:

0 to 25,000 gallons	2.10
25,001 gallons and up	3.00
Bulk Water – per 1,000 gallons	\$4.50

SERVICE LINE AND METER INSTALLATION CHARGES:

Non-Refundable

	Line Charges	Meter Charges	Total Charges
5/8" x ¾" Meter	\$355.00	\$85.00	\$440.00
¾" Meter	355.00	165.00	520.00
1" Meter	405.00	205.00	610.00
1 ½" Meter	440.00	415.00	855.00
2" Meter	600.00	915.00	1,515.00
3" Meter	775.00	1,420.00	2,195.00
4" Meter	1,110.00	2,250.00	3,360.00
6" Meter	1,670.00	4,445.00	6,115.00

SERVICE CHARGES:

Establishment	\$35.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	40.00
Meter Test (If Correct)	45.00
Deposit	per rule*
Deposit Interest	0.5% /mo.
Reestablishment (Within 12 Months)	per rule**
NSF Check	25.00
Deferred Payment	Per rule***
Meter Reread (If Correct)	15.00
Late Fee	1.5% /mo.

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

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

* Per Commission rule A.A.C. R-14-2-403(B).
 ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
 *** Per Commission Rules 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.

1 IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for
2 all service provided on and after May 1, 2008.

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

6 IT IS FURTHER ORDERED that in addition to the collection of its regular rates and charges,
7 Rancho del Conejo Community Water Co-op, Inc. shall collect from its customers their proportionate
8 share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

9 IT IS FURTHER ORDERED that the variance from the requirements of R14-2-405(B)(2)
10 shall continue, and Rancho del Conejo Community Water Co-op, Inc. shall not refund service line
11 and meter installation charges.

12 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall
13 account for non-refundable service line and meter installation charges as contributions.

14 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall
15 cease from collecting membership fees.

16 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall file
17 with its Annual Report, a detailed summary of transactions comprising its other water revenues and
18 non-utility income accounts to ensure that no membership dues are being collected.

19 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall
20 account for plant additions in accordance with National Association of Regulatory Utility
21 Commissioners Uniform System of Accounts for a Class C water utility.

22 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall use
23 Staff's depreciation rates delineated in Table B of the Engineering Report attached to the Staff Report
24 in this matter.

25 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall file
26 with Docket Control, as a compliance item in this docket, documentation demonstrating that the
27 check valve has been installed on the bypass line at the wellhead on well # 2 within 45 days of the
28 effective date of this Decision, as discussed in the Engineering Report.

1 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. is
2 hereby authorized to borrow up to \$200,000 from the Arizona Water Infrastructure Finance Authority
3 for a term of 20 years and on such terms and interest rates as are prevailing at the time the Water
4 infrastructure Finance Authority approves the loan.

5 IT IS FURTHER ORDERED that such finance authority shall be expressly contingent upon
6 Rancho del Conejo Community Water Co-op, Inc.'s use of the proceeds for the purposes stated in its
7 application and approved herein.

8 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. is
9 authorized to execute any documents necessary to effectuate the authorizations granted.

10 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall file
11 with Docket Control, as a compliance item in this docket, copies of any executed financing
12 documents related to this authority within 120 days after the effective date of this Decision.

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

16 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall file
17 an arsenic remediation surcharge application for the arsenic related portion of the \$200,000 WIFA
18 loan.

19 IT IS FURTHER ORDERED that the arsenic surcharge shall be a separate line item charge on
20 customers' monthly bill labeled as "arsenic surcharge."

21 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall file
22 a new rate case by no later than June 1, 2011, using a test year ending December 31, 2010.

23 IT IS FURTHER ORDERED that if Rancho del Conejo Community Water Co-op, Inc. fails
24 to file the above rate case, the arsenic surcharge shall automatically cease.

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1 IT IS FURTHER ORDERED that Rancho del Conejo Community Water Co-op, Inc. shall
2 file, as part of its annual report, affidavits with the Utilities Division attesting that it is current on
3 payment of its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7 *Lawrence Gleason* *William M. Melb*
8 CHAIRMAN COMMISSIONER
9 *Jeffrey W. Hatch Miller* *R. Ryan* *Gary D. Price*
10 COMMISSIONER COMMISSIONER COMMISSIONER
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Director 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 24th day of April, 2008.

17 *Brian C. McNeil*
18 BRIAN C. McNEIL
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____

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SERVICE LIST FOR:

RANCHO DEL CONEJO COMMUNITY WATER
CO-OP, INC.

DOCKET NOS.:

W-02102B-07-0273 and W-02102B-07-0163

Ms. Bonnie O. Connor
Southwest Utility Management, Inc.
13130 West Rudasill Road
Tucson, Arizona 85743

Christopher Kempley, Chief Counsel
LEGAL DIVISION
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 8500

