



0000088190

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**

COMMISSIONERS

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

Arizona Corporation Commission

**DOCKETED**

SEP - 3 2008

DOCKETED BY *mm*

IN THE MATTER OF THE APPLICATION  
OF BELLEMONT WATER COMPANY FOR  
APPROVAL OF A PERMANENT RATE  
INCREASE.

DOCKET NO. W-02526A-08-0078

DECISION NO. 70482

**ORDER**

Open Meeting  
August 26 and 27, 2008  
Phoenix, Arizona

**BY THE COMMISSION:**

On February 8, 2008, Bellemont Water Company ("Applicant" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On March 7, 2008, pursuant to A.A.C. R14-2-103, the Commission's Utilities Division ("Staff") issued a Notice of Insufficiency to the Company.

On May 12, 2008, Staff issued a Notice of Sufficiency to the Applicant and classified the Company as a Class E water utility, and indicated that a Staff Report would be filed by July 11, 2008.

On June 6, 2008, Staff filed a Motion to Extend Time to File Staff Report ("Motion").

On June 18, 2008, Staff filed an amended Motion requesting until July 21, 2008, and indicated that the Company did not oppose the Motion.

On June 19, 2008, by Procedural order, Staff's amended Motion was granted and the timeframe suspended pursuant to A.A.C. R14-2-103.

On July 21, 2008, Staff filed its Staff Report recommending that Staff's proposed rates and charges be approved. There were no objections filed to the Staff Report.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the

1 Commission finds, concludes, and orders that:

2 **FINDINGS OF FACT**

3 1. Pursuant to authority granted by the Commission, Applicant is an Arizona Corporation  
4 engaged in the business of providing water service to seven metered commercial customers and no  
5 metered residential customers approximately 10 miles west of Flagstaff in Coconino County,  
6 Arizona. The Company previously had approximately 200 standpipe customers from the surrounding  
7 area, but discontinued service to them during a water shortage and was subsequently ordered by the  
8 Commission to discontinue standpipe service in Decision No. 69673 (June 28, 2007).<sup>1</sup>

9 2. Applicant's last permanent rates for water service were approved in Decision 65853  
10 (April 25, 2003) until they were modified by the emergency commodity rate authorized in Decision  
11 No. 69673.

12 3. On February 8, 2008, the Company filed an application requesting authority to  
13 increase its rates and charges for water service.

14 4. On April 3, 2008, Applicant provided notice to its customers of its application for a  
15 proposed rate increase by first class U.S. mail and, in response thereto, no protests have been  
16 received by the Commission. The notice informed customers that approved rates could be higher  
17 than those proposed by the Company.

18 5. On May 12, 2008, Staff filed notice that the Company's rate application had met the  
19 Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

20 6. During the test year ended September 30, 2007 ("TY"), Applicant provided service to  
21 seven metered commercial customers who were primarily served by 3/4-inch meters. The Staff  
22 Report indicates that average water usage by 3/4-inch users during the TY was 2,250 gallons per  
23 month.

24 \_\_\_\_\_  
25 <sup>1</sup> Decision No. 69673 authorized an emergency rate of \$30.00 per 1,000 gallons of usage for metered customers only  
26 due to the Company's dwindling water supply because its two wells were running dry and not recovering. Currently, the  
27 Company has only one functioning well which produces approximately 10 gallons per minute ("GPM") of water and a  
28 100,000 gallon storage tank which is inadequate to provide fire flow protection to its existing commercial customers, but  
it is waiting for the Arizona Department of Environmental Quality ("ADEQ") approval of construction to start using an  
additional new 150,000 gallon storage tank which has already been constructed. The Company obtained the funds for the  
construction of the additional storage tank and a back-up generator from Schuff Steel Company, one of its customers, by  
entering into an advance-in-aid-of-construction for \$220,065.

7. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on the Company's rate application request on July 21, 2008, recommending that Staff's proposed rates and charges be approved. Staff also recommended that the Company's service line and meter installation charges be adjusted to Staff's recommended levels and that moderate changes be made to the Company's other service charges.

8. The water rates and charges for Applicant at present, as proposed in the application, and as recommended by Staff are as follows:

<u>Monthly Customer Charge:</u>	<u>Present</u>	<u>- Proposed Rates -</u>	
	<u>Rates</u>	<u>Company</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$ 17.00	\$ 27.00	\$ 27.00
3/4" Meter	26.00	40.00	45.00
1" Meter	44.00	60.00	75.00
1½" Meter	65.00	75.00	120.00
2" Meter	130.00	150.00	160.00
3" Meter	208.00	240.00	330.00
4" Meter	435.00	485.00	500.00
6" Meter	650.00	700.00	700.00
Gallons included in monthly customer charge for all meter sizes:	-0-	-0-	-0-
<u>Emergency Rate:</u>			
Commodity Charge (per 1,000 gallons)	\$ 30.00	N/A	N/A
<u>Water Hauling Surcharge:</u> <sup>2</sup>			
	N/A	N/A	Cost (1)
(1) Per gallon rate calculated by dividing actual hauling costs less curtailment penalty fees collected by the total gallons sold for the month. Customer bill amount will be calculated by multiplying the gallons used for the month times the per gallon rate. Customers will be billed in the month following actual costs incurred.			
<u>Commodity Charge:</u>			
(per 1,000 gallons)			
<u>Residential</u>			
0 to 4,000 gallons	\$ 2.79	\$ 7.00	\$ 45.00
4,001 to 10,000 gallons	4.19	11.00	50.00
Over 10,000 gallons	5.02	13.00	55.00
<u>Nonresidential</u>			
0 to 10,000 gallons	\$ 4.19	\$ 11.00	\$ 50.00
Over 10,000 gallons	5.02	13.00	55.00
<u>Standpipe Service:</u>			
(per 1,000 gallons)	DISCONTINUED	\$ 15.00	DISCONTINUED

<sup>2</sup> Staff is recommending approval of a water hauling surcharge because the Company does not have a reliable source of water and has to haul water at times to avoid shortages.

1 **Service Line And Meter Installation Charges:**  
 2 (Refundable pursuant to A.A.C. R14-2-405)

	<b>Present Rates</b>	<b>Company Proposed</b>	<b>Staff Recommended</b>		
			<b>Services</b>	<b>Meter</b>	<b>Total</b>
3 5/8 x 3/4" Meter	\$ 420.00	\$ 450.00	\$ 415.00	\$ 105.00	\$ 520.00
4 3/4" Meter	485.00	500.00	415.00	205.00	620.00
5 1" Meter	635.00	750.00	465.00	265.00	730.00
6 1½" Meter	880.00	1,000.00	520.00	475.00	995.00
7 2" Turbine Meter	1,505.00	2,000.00	800.00	995.00	1,795.00
8 2" Compound Meter	0.00	0.00	800.00	1,840.00	2,640.00
9 3" Turbine Meter	2,145.00	3,000.00	1,015.00	1,620.00	2,635.00
3" Compound Meter	0.00	0.00	1,135.00	2,495.00	3,630.00
4" Turbine Meter	3,340.00	5,000.00	1,430.00	2,570.00	4,000.00
4" Compound Meter	0.00	0.00	1,610.00	3,545.00	5,155.00
6" Turbine Meter	6,010.00	10,000.00	2,150.00	4,925.00	7,075.00
6" Compound Meter	0.00	0.00	2,270.00	6,820.00	9,090.00

	<b>Present Rates</b>	<b>-Proposed Rates-</b>	
<b><u>Service Charges:</u></b>		<b>Company</b>	<b>Staff</b>
11 Establishment	\$25.00	\$50.00	\$30.00
12 Establishment (After Hours)	37.50	75.00	45.00
13 Reconnection (Delinquent)	25.00	50.00	30.00
14 Reconnection (Delinquent -- After Hours)	0.00	50.00	45.00
15 Meter Test (If Correct)	40.00	50.00	40.00
16 Deposit	*	*	*
17 Deposit Interest	*	*	*
18 Reestablishment (Within 12 Months)	**	**	**
19 NSF Check	\$15.00	\$25.00	\$20.00
20 Deferred Payment (Per Month)	1.50%	1.50%	1.50%
21 Meter Re-Read (If Correct)	15.00	50.00	20.00
22 Late Fee	0.00%	1.50%	1.50%

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

19 \*\* Number of months off system times the Monthly Minimum, per  
 20 Commission rule A.A.C. R14-2-403(D).

21 9. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined  
 22 to be \$87,304 which is the same as its original cost rate base. The Company's FVRB reflects a  
 23 \$23,108 decrease by Staff to Applicant's proposed FVRB due in large part to an adjustment to  
 24 Applicant's net plant by the removal of \$25,970, mainly for plant not in service, along with the  
 25 addition of \$2,952 for working capital.

26 10. Staff decreased Applicant's TY operating expenses by \$5,712 primarily by removing  
 27 \$3,950 for purchased water expense, \$1,830 for undocumented office expense, \$2,143 for rental  
 28 expense and \$1,653 for property tax expense. Staff also increased miscellaneous expenses by \$958.

1           11.     Applicant's present water rates and charges produced adjusted operating revenues of  
2 \$19,905 and adjusted operating expenses of \$34,522 which resulted in an operating loss of \$14,617  
3 during the TY.

4           12.     The water rates and charges Applicant proposed would produce operating revenues of  
5 \$28,749 and adjusted operating expenses of \$36,782 which will result in an operating loss of \$8,033  
6 or a negative return on FVRB.

7           13.     The water rates and charges proposed by Staff would produce adjusted operating  
8 revenues of \$45,512 and adjusted operating expenses of \$36,782 resulting in net operating income of  
9 \$8,730 or a 10 percent rate of return on FVRB.<sup>3</sup>

10          14.     Applicant's proposed rates would decrease the average monthly customer water bill by  
11 40.4 percent, from \$93.50 to \$55.75.

12          15.     Staff's recommended rates would increase the average monthly customer water bill by  
13 56.4 percent, from \$93.50 to \$146.25.

14          16.     According to the Staff Report, the Company filed its application for a rate increase to  
15 to comply with Decision No. 69673 and to offset increasing operational costs. Based on the fact that  
16 the Company's proposed rates are insufficient to provide for operational needs, Staff is  
17 recommending what it believes is an operating margin (19.18 percent) which will enable the  
18 Company to meet its operating needs and to become financially viable since the majority of its  
19 former customer base, 200 standpipe customers, can no longer be served by the Company with its  
20 limited water supply until the Company secures a more reliable and adequate water supply.<sup>4</sup>

21          17.     The Staff Report indicates that the Company is providing water which meets the  
22 requirements of the Safe Drinking Water Act.

23          18.     Staff further indicates that the Company is in good standing with the Corporations  
24 Division of the Commission and is in compliance with the Commission's rules with respect to the

25 \_\_\_\_\_  
26 <sup>3</sup> This equates to a 19.18 percent operating margin resulting from Staff recommended 128.65 percent rate increase for  
27 the Company's seven metered customers due to the discontinuance of standpipe service which formerly generated  
28 approximately 70 to 80 percent of the Company's revenues.

<sup>4</sup> According to the Staff Report, the Company has depleted its water sources over time and presently relies on its one  
remaining well that produces only 10 GPM of water. Recent drilling efforts have failed and the Company is attempting to  
secure an interconnection with a U.S. Army Depot, Camp Navajo, located to the south of the Company's service area.

1 operation of a water utility. While the Company is current on the payment of its sales taxes, the  
2 Company is not current on the payment of its 2007 property taxes; however, Staff indicates that the  
3 Applicant is working to resolve the situation.

4 19. Staff found further that the Company still is not utilizing the National Association of  
5 Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA") and has  
6 failed to comply with Decision No. 65853 in which the Commission previously ordered the Applicant  
7 to maintain its records in accordance with the NARUC standards.

8 20. The Company has previously had its Curtailment Tariff approved by the Commission  
9 in 2003.

10 21. Staff is recommending that the Commission order the following:

- 11 • that Applicant notify its customers of the approved water rates and charges and  
12 their effective date by means of an insert in the monthly billing which proceeds the  
13 month in which they become effective and file a copy of the notice sent to its  
14 customers with the Commission's Docket Control as a compliance item in this  
15 docket;
- 16 • that Applicant file, within 30 days of the effective date of this Decision, as a  
17 compliance item in this docket, with the Commission's Docket Control, a copy of  
18 the schedule of its approved rates and charges;
- 19 • that the Company maintain its books and records accordance with the NARUC  
20 USOA and file, within 60 days of the effective date of this Decision, with the  
21 Commission's Docket Control, as a compliance item in this docket, a plan which  
22 describes how the Company will keep its books and records in accordance with the  
23 NARUC USOA;
- 24 • that the Company retain a competent professional who is experienced in water  
25 utility accounting to record or to assist in the recording of its financial transactions  
26 in accordance with GAAP and the NARUC USOA and who can provide training  
27 in water utility accounting to its current staff;
- 28 • that the Company adjust its books and records to conform with the Commission's  
Order in this case and file, by May 15, 2009, with the Commission's Docket  
Control, as a compliance item in this docket, plans showing the adjusted entries  
(i.e. the accounts debited and credited) and the resulting general ledger balances;
- that the Company install a wellhead meter and file, by December 31, 2008, with  
the Commission's Docket Control, as a compliance item in this docket,  
documentation which demonstrates that the wellhead meter has been installed;
- that the Company's standpipe service not be reinstated until further Order by the  
Commission;
- that the Company utilize the depreciation rates delineated in Table B of the  
Engineering Report attached to the Staff Report on a going-forward basis; and
- that Applicant, in addition to the collection of its regular rates and charges, collect  
from its customers their proportionate share of any privilege, sales, or use tax as  
provided for in A.A.C. R14-2-409(D).

1           22.     Because an allowance for the property tax expense of Applicant is included in the  
2 Company's rates and will be collected from its customers, the Commission seeks assurances from the  
3 Company that any taxes collected from rate payers have been remitted to the appropriate taxing  
4 authority. It has come to the Commission's attention that a number of water companies have been  
5 unwilling or unable to fulfill their obligation to pay the taxes that were collected from rate payers,  
6 some for as many as 20 years. It is reasonable, therefore, that as a preventative measure the  
7 Company shall annually file as part of its annual report, an affidavit with the Utilities Division  
8 attesting that the Company is current in paying its property taxes in Arizona.

9           23.     Under the circumstances, after our review of the application and the Staff Report, we  
10 believe Staff's proposed rates are reasonable and together with their additional recommendations  
11 should be adopted except for not reinstating the standpipe service.

12           24.     The Company shall reinstate the standpipe service, at a rate of \$15.00 per 1,000  
13 gallons, with the following conditions:

- 14           a.     The Company shall record the water level in each of its storage tanks at least  
15 twice daily;
- 16           b.     Standpipe service shall be immediately discontinued if combined water in the  
17 storage tanks is less than 60 percent of capacity for at least 72 consecutive  
18 hours or less than 25 percent of capacity for at least 24 consecutive hours;
- 19           c.     If standpipe service is discontinued per the above conditions:  
20           i.     the Company shall telephonically notify the Commission's Utilities  
21 Division Consumer Services Section within 12 hours,  
22           ii.    the Company shall docket such notice within 72 hours, and  
23           iii.   the standpipe service shall not be reinstated without further order of the  
24 Commission.
- 25           d.     All revenue collected from the standpipe service shall be deposited in a  
26 separate interest bearing account and such funds shall be used exclusively for  
27 the design, approval and construction of a new water source; and
- 28           e.     The Company shall submit, to Docket Control as a compliance item in this  
doCKET, each January (beginning in January 2009) and July the daily water logs  
of the storage monitoring for the previous six months and a cumulative  
accounting of all the Standpipe Service revenue indicating how much money  
was collected, how much interest was earned, and a detailed description of any  
expenditures from that account.

**CONCLUSIONS OF LAW**

1  
2 1. Applicant is a public service corporation within the meaning of Article XV of the  
3 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

4 2. The Commission has jurisdiction over Applicant and of the subject matter of the  
5 application.

6 3. Notice of the application was provided in the manner prescribed by law.

7 4. Under the circumstances discussed herein, the rates and charges proposed by Staff and  
8 authorized hereinafter are just and reasonable.

9 5. Staff's recommendations, set forth in Findings of Fact No. 21 are reasonable and  
10 should be adopted except for not reinstating the standpipe service.

**ORDER**

11  
12 IT IS THEREFORE ORDERED that Bellemont Water Company is hereby directed to file on  
13 or before September 1, 2008, with the Commission's Docket Control, as a compliance item in this  
14 docket, revised rate schedule setting forth the following rates and charges:

**Monthly Customer Charge:**

5/8" x 3/4" Meter	\$ 27.00
3/4" Meter	45.00
1" Meter	75.00
1½" Meter	120.00
2" Meter	160.00
3" Meter	330.00
4" Meter	500.00
6" Meter	700.00

**Commodity Charge:**

(per 1,000 gallons)

**Residential**

0 to 4,000 gallons	\$ 45.00
4,001 to 10,000 gallons	50.00
Over 10,000 gallons	55.00

**Nonresidential**

0 to 4,000 gallons	\$ 50.00
Over 10,000 gallons	55.00

**Water Hauling Surcharge:**

Cost (1)

26 (1) Per gallon rate calculated by dividing actual hauling costs less curtailment  
27 penalty fees collected by the total gallons sold for the month. Customer bill  
28 amount will be calculated by multiplying the gallons used for the month times  
the per gallon rate. Customers will be billed in the month following actual costs  
incurred.

1                    **Standpipe Service:**                    \$15.00 per 1,000 gallons

2                    **Service Line And Meter Installation Charges:**

3                    (Refundable pursuant to A.A.C. R14-2-105)

	<b><u>Services</u></b>	<b><u>Meter</u></b>	<b><u>Total</u></b>
4	5/8 x 3/4" Meter	\$ 415.00	\$ 520.00
	3/4" Meter	415.00	620.00
5	1" Meter	465.00	730.00
	1½" Meter	520.00	995.00
6	2" Turbine Meter	800.00	1,795.00
	2" Compound Meter	800.00	2,640.00
7	3" Turbine Meter	1,015.00	2,635.00
	3" Compound Meter	1,135.00	3,630.00
8	4" Turbine Meter	1,430.00	4,000.00
	4" Compound Meter	1,610.00	5,155.00
9	6" Turbine Meter	2,150.00	7,075.00
	6" Compound Meter	2,270.00	9,090.00

11                    **Service Charges:**

12	Establishment	\$ 30.00
	Establishment (After Hours)	45.00
13	Reconnection (Delinquent)	30.00
	Reconnection (Delinquent – After Hours)	45.00
14	Meter Test (If Correct)	40.00
	Deposit	*
15	Deposit Interest	*
	Reestablishment (Within 12 Months)	**
16	NSF Check	\$20.00
	Deferred Payment (Per Month)	1.50%
17	Meter Re-Read (If Correct)	\$20.00
	Late Fee	1.50%

18                    \* Per Commission rule A.A.C. R14-2-403(B).

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

21                    IT IS FURTHER ORDERED that the above rates and charges shall be effective on September  
22                    1, 2008, for all water service.

23                    IT IS FURTHER ORDERED that Bellemont Water Company shall notify its customers of the  
24                    rates and charges authorized hereinabove and the effective date of same by means of an insert in a  
25                    form acceptable to Staff in the next regular monthly billing and file a copy of the notice when sent to  
26                    its customers with the Commission's Docket Control as a compliance item in this docket.

27                    IT IS FURTHER ORDERED that Bellemont Water Company shall comply with each of the  
28                    recommendations appearing in Finding of Fact No. 21 except that standpipe service shall be

1 reinstated as per Finding of Fact No. 24.

2 IT IS FURTHER ORDERED that Bellemont Water Company shall maintain its books and  
3 records in compliance with the NARUC USOA.

4 IT IS FURTHER ORDERED that Bellemont Water Company, shall, in addition to the  
5 collection of its regular rates and charges, collect from its customers their proportionate share of any  
6 privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

7 ...  
8 ...  
9 ...  
10 ...  
11 ...  
12 ...  
13 ...  
14 ...  
15 ...  
16 ...  
17 ...  
18 ...  
19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

1 IT IS FURTHER ORDERED that Bellemont Water Company shall annually file as part of its  
2 annual report an affidavit with the Utilities Division attesting that the Company is current in paying  
3 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*  
8 CHAIRMAN

*William T. Murrell*  
COMMISSIONER

9 *Deborah Hatch Miller*  
10 COMMISSIONER

*[Signature]*  
COMMISSIONER

*Gary J. Quinn*  
COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Director of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this 3<sup>rd</sup> day of Sept., 2008.

16 *[Signature]*  
17 BRIAN C. McNEIL  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_

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

22 MES:db

23  
24  
25  
26  
27  
28

1 SERVICE LIST FOR: BELLEMONT WATER COMPANY

2 DOCKET NO.: W-02526A-08-0078

3

4 Rodney C. Wilson, C.P.A.  
5 2200 East Cedar Avenue, No. 13  
6 Flagstaff, Arizona 86004  
7 Authorized Representative for Bellemont Water Company

8 Janice Alward, Chief Counsel  
9 Legal Division  
10 ARIZONA CORPORATION COMMISSION  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Ernest Johnson, Director  
14 Utilities Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34