

OPEN MEETING ITEM



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EXECUTIVE DIRECTOR

ORIGINAL

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



ARIZONA CORPORATION COMMISSION

DATE: SEPTEMBER 26, 2008

DOCKET NO.: W-03720A-08-0225

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Order on:

WATER UTILITY OF NORTHERN SCOTTSDALE, INC.  
(RATE INCREASE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

OCTOBER 6, 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:

OCTOBER 15, 2008 and OCTOBER 16, 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 Director's Office at (602) 542-3931.

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**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  
WATER UTILITY OF NORTHERN  
SCOTTSDALE, INC. FOR A RATE INCREASE.

DOCKET NO. W-03720A-08-0225  
DECISION NO. \_\_\_\_\_

**ORDER**

Open Meeting  
October 15 and 16, 2008  
Phoenix, Arizona

**BY THE COMMISSION:**

On April 30, 2008, Water Utility of Northern Scottsdale, Inc. ("WUNS") filed with the Arizona Corporation Commission ("Commission") a rate application for water companies with annual gross operating revenues of less than \$250,000 ("rate application").

On May 9, 2008, WUNS filed an Affidavit of Proof of Mailing, attesting that it had mailed notice to its customers by first-class U.S. Mail.

On May 30, 2008, Staff issued a Letter of Sufficiency stating that WUNS's rate application had met the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-103 and that WUNS had been classified as a Class D utility.

On August 13, 2008, Staff filed its Staff Report recommending approval of Staff's recommended rates and charges.

On August 25, 2008, WUNS filed a Response to Staff Report, expressing concern about two of Staff's proposed conditions.

On September 5, 2008, Staff filed Revised Staff Rate Design Schedules to show a corrected rate design taking into account various meter sizes for commodity rates.

\* \* \* \* \*

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. WUNS is an Arizona corporation providing water utility service, pursuant to authority  
4 granted by the Commission, within a certificated area of approximately three-quarters of a square  
5 mile located approximately 40 miles northeast of downtown Phoenix, in Maricopa County.

6 2. WUNS is a wholly owned subsidiary of West Maricopa Combine, Inc., which is  
7 wholly owned by Global Water Resources, LLC ("Global").

8 3. WUNS's present rates and charges for water utility service were approved in Decision  
9 No. 62362 (March 6, 2000). Decision No. 62362 also granted WUNS its Certificate of Convenience  
10 and Necessity and required WUNS to file a permanent rate application 36 months from the date it  
11 provided service to its first customer.

12 4. On March 22, 2007, in the docket for Decision No. 62362,<sup>1</sup> WUNS filed a Motion to  
13 Extend Time for the filing of its permanent rate application, stating that its first water customers had  
14 been served in approximately October or November 2003, that it had first sold water in January 2004,  
15 and that Global had acquired it. WUNS requested an extension to allow time to fully prepare the rate  
16 application and allow a full year of operations as a Global subsidiary. Staff did not object to the  
17 extension, but recommended an April 30, 2008, deadline and a calendar year 2007 test year. Staff  
18 also recommended that WUNS be admonished for the tardiness of its extension request. WUNS's  
19 filing deadline was extended until April 30, 2008, by a Procedural Order issued on May 3, 2007, and  
20 was notified therein that future late requests could subject it to denials and/or sanctions.

21 5. WUNS filed its rate application in this docket on April 30, 2008. WUNS stated  
22 therein that it would not have filed a rate application if not required to do so by Decision No. 62362.

23 6. On May 9, 2008, WUNS filed an Affidavit of Proof of Mailing, attesting that it had  
24 mailed notice to its customers by first-class U.S. Mail.

25 7. On May 30, 2008, Staff issued a Letter of Sufficiency and classified WUNS as a Class  
26 D water utility.

27  
28 <sup>1</sup> Decision No. 62362 was issued in Docket No. W-03720A-99-0192.

1 8. The Commission's Consumer Services Division did not receive any contacts from  
2 customers regarding the proposed rate increase.

3 9. During the test year ended December 31, 2007, WUNS served an average of 67  
4 metered customers, the majority of whom are residential users served by 1" meters.<sup>2</sup>

5 10. Average and median water usage by residential users during the test year were 11,597  
6 gallons and 6,638 gallons of water per month, respectively.

7 11. Staff conducted an investigation of WUNS's proposed rates and charges for water  
8 service and filed a Staff Report on WUNS's rate application on August 13, 2008. WUNS filed a  
9 Response to Staff Report on August 25, 2008.

10 12. On September 5, 2008, Staff filed Revised Staff Rate Design Schedules to show a  
11 corrected rate design taking into account various meter sizes for commodity rates.

12 13. The water rates and charges for WUNS at present, as proposed in the rate application,  
13 and as recommended by Staff, are as follows:

<u>MONTHLY USAGE CHARGE:</u>	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$ 16.00	\$ 27.90	\$ 27.00
3/4" Meter	20.00	27.90	27.00
1" Meter	40.00	69.75	57.00
1 1/2" Meter	80.00	139.50	120.00
2" Meter	128.00	223.20	128.00
3" Meter	240.00	446.40	340.00
4" Meter	400.00	697.50	550.00
6" Meter	800.00	1,395.00	1,100.00

20 Gallons included in Minimum 0 0 0

21 **Commodity Rates (Per 1,000 Gallons)**

22 5/8" x 3/4" & 3/4" Meter (Residential)

0 to 12,000 Gallons	\$4.00	N/A	N/A
Over 12,000 Gallons	5.00	N/A	N/A
1 to 4,000 Gallons	N/A	\$3.60	\$5.00
4,001 to 7,000 Gallons	N/A	5.40	N/A
Over 7,000 Gallons	N/A	6.50	N/A
4,001 to 10,000 Gallons	N/A	N/A	6.00
Over 10,000 Gallons	N/A	N/A	7.00

27 <sup>2</sup> Although the application states that there were 75 customers in 2007 and provides figures establishing an average  
28 customer count for 2007 of approximately 69, the Staff Report states that WUNS indicated in a data request that the  
average number of customers served in 2007 was actually 67.

1	<u>5/8" x 3/4" &amp; 3/4" Meter(Nonresidential<sup>3</sup>)</u>			
2	0 to 12,000 Gallons	\$4.00	N/A	N/A
	Over 12,000 Gallons	5.00	N/A	N/A
3	1 to 7,000 Gallons	N/A	\$5.40	\$6.00
4	Over 7,000 Gallons	N/A	6.50	7.00
5	<u>1" Meter (Residential)</u>			
	0 to 12,000 Gallons	\$4.00	N/A	N/A
6	Over 12,000 Gallons	5.00	N/A	N/A
	1 to 4,000 Gallons	N/A	\$3.60	\$5.00
7	4,001 to 16,000 Gallons	N/A	5.40	N/A
	Over 16,000 Gallons	N/A	6.50	N/A
8	4,001 to 10,000 Gallons	N/A	N/A	6.00
9	Over 10,000 Gallons	N/A	N/A	7.00
10	<u>1" Meter (Nonresidential)</u>			
	0 to 12,000 Gallons	\$4.00	N/A	N/A
11	Over 12,000 Gallons	5.00	N/A	N/A
	1 to 16,000 Gallons	N/A	\$5.40	\$6.00
12	Over 16,000 Gallons	N/A	6.50	7.00
13	<u>1 1/2" Meter (Residential)</u>			
14	0 to 12,000 Gallons	\$4.00	N/A	N/A
	Over 12,000 Gallons	5.00	N/A	N/A
15	1 to 32,000 Gallons	N/A	\$5.40	N/A
	Over 32,000 Gallons	N/A	6.50	N/A
16	1 to 4,000 Gallons	N/A	N/A	\$5.00
17	4,001 to 10,000 Gallons	N/A	N/A	6.00
	Over 10,000 Gallons	N/A	N/A	7.00
18	<u>1 1/2" Meter (Nonresidential)</u>			
19	0 to 12,000 Gallons	\$4.00	N/A	N/A
	Over 12,000 Gallons	5.00	N/A	N/A
20	1 to 32,000 Gallons	N/A	\$5.40	\$6.00
21	Over 32,000 Gallons	N/A	6.50	7.00
22	<u>2" Meter (All Types)</u>			
	0 to 12,000 Gallons	\$4.00	N/A	N/A
23	Over 12,000 Gallons	5.00	N/A	N/A
	1 to 60,000 Gallons	N/A	\$5.40	\$6.00
24	Over 60,000 Gallons	N/A	6.50	7.00

28 <sup>3</sup> WUNS characterized these customers as commercial, industrial, & standpipe.

1	<u>3" Meter (All Types)</u>			
2	0 to 12,000 Gallons	\$4.00	N/A	N/A
	Over 12,000 Gallons	5.00	N/A	N/A
3	1 to 120,000 Gallons	N/A	\$5.40	\$6.00
4	Over 120,000 Gallons	N/A	6.50	7.00
5	<u>4" Meter (All Types)</u>			
6	0 to 12,000 Gallons	\$4.00	N/A	N/A
7	Over 12,000 Gallons	5.00	N/A	N/A
	1 to 200,000 Gallons	N/A	\$5.40	\$6.00
	Over 200,000 Gallons	N/A	6.50	7.00
8	<u>6" Meter (All Types)</u>			
9	0 to 12,000 Gallons	\$4.00	N/A	N/A
10	Over 12,000 Gallons	5.00	N/A	N/A
	1 to 400,000 Gallons	N/A	\$5.40	\$6.00
	Over 400,000 Gallons	N/A	6.50	7.00
11	<u>Standpipe</u>			
12	Per 1,000 Gallons	\$4.00	See Rates	\$7.00
13			Above,	
14			Based on	
			Meter Size	

**SERVICE LINE AND METER INSTALLATION CHARGES:**

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

	<u>Present Rates</u>	<u>Company</u>	<u>Staff Service Line Charge</u>	<u>Staff Meter Installation</u>	<u>Staff Total Recommended</u>
17					
18	\$ 485.00	\$ 485.00	\$ 370.00	\$ 115.00	\$ 485.00
19	485.00	520.00	375.00	145.00	520.00
20	570.00	610.00	405.00	205.00	610.00
	775.00	855.00	440.00	415.00	855.00
21	1,900.00	1,515.00	615.00	900.00	1,515.00
22	N/A	2,240.00	615.00	1,625.00	2,240.00
23	2,490.00	2,195.00	790.00	1,405.00	2,195.00
24	N/A	3,030.00	830.00	2,200.00	3,030.00
	3,615.00	3,360.00	1,100.00	2,260.00	3,360.00
	N/A	4,315.00	1,155.00	3,160.00	4,315.00
	6,810.00	6,115.00	1,655.00	4,460.00	6,115.00
	N/A	7,890.00	1,700.00	6,190.00	7,890.00

**SERVICE CHARGES:**

	<u>Present Rates</u>	<u>Company</u>	<u>Staff</u>
25			
26	\$30.00	\$30.00	\$30.00
27	45.00	45.00	45.00
	30.00	30.00	30.00
	N/A	45.00	N/A

1	Meter Test (If Correct)	30.00	30.00	30.00
	Deposit	*	*	*
2	Deposit Interest	*	*	*
	Reestablishment (Within 12 Months)	**	**	**
3	NSF Check	15.00	15.00	30.00
	Deferred Payment (Per Month)	1.50%	1.50%	1.50%
4	Meter Re-Read (If Correct)	20.00	20.00	25.00
	Late Charge (Per Month)	3.00	1.50%	3.00
5	Customer Meter Relocation	N/A	***	N/A
6	Fire Sprinkler Charge (Per Month)	N/A	****	****

- 7           \*    Per Commission rule (R-14-2-403(B)).
- 8           \*\*    Months off system times the monthly minimum (R14-2-403(D)).
- 9           \*\*\*   Cost for customer requested moves per R14-2-405(B).
- 10          \*\*\*\*   1.0 percent of monthly minimum for a comparably 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.

11           14.    Staff determined WUNS's original cost rate base ("OCRB") to be (\$122,142). This is

12 a \$3,795 increase to WUNS's proposed OCRB of (\$125,937), resulting from Staff's inclusion of a

13 cash working capital component based on the formula method. Staff's proposed adjustment to rate

14 base is reasonable and will be adopted.

15           15.    Staff did not expressly determine WUNS's fair value rate base ("FVRB"). We find

16 that WUNS's FVRB is equal to its OCRB and, because it is negative, is not useful in determining just

17 and reasonable rates. Staff expressly determined that because of WUNS's negative rate base, no rate

18 of return can be calculated.

19           16.    In its application, WUNS included pro forma water sales revenue of \$24,822 from 21

20 additional projected customers, "so that current customers do not have to pay for all of the current

21 expenses and infrastructure." WUNS explained that it anticipates full build out to 100 customers in

22 2013 and proposed using a customer count of 88 residential customers in the rate design, which

23 WUNS stated represented a midway point from the present to full build out and would result in a

24 lower rate increase.

25           17.    Staff decreased WUNS's proposed water sales revenue by \$24,822 to remove the pro

26 forma revenue from the 21 projected customers, bringing WUNS's water sales revenue to \$85,859.

27 Staff explained that allowing WUNS to make the pro forma revenue adjustment would "not send the

28 proper price signals" to WUNS's current customers. Staff's adjustment to WUNS's water sales

1 revenue is reasonable and will be adopted.

2 18. Staff decreased WUNS's test year operating expenses by \$33,962 through a small  
3 decrease in purchased power to eliminate a redundant electric bill for April 2007, a small increase in  
4 water testing expenses to reflect Staff's estimate of the annual monitoring expense resulting from  
5 participation in the Monitoring Assistance Program ("MAP"), a small increase in income taxes to  
6 reflect Arizona's minimum corporate income tax of \$50, and a \$34,058 decrease in outside services  
7 expenses to reflect Staff's disallowance of more than half of the management fees charged by Global  
8 Water Management, LLC ("Global Management"). Staff explained that it calculated the allowed  
9 management fees expense on a figure of \$26 per customer per month, which was determined to be  
10 just and reasonable in a previous rate case in which Global provided management services.<sup>4</sup> Staff's  
11 adjustments to operating expenses are reasonable and will be adopted.

12 19. Based on Staff's analysis, WUNS's present water rates and charges produced total  
13 operating revenue of \$87,740 and adjusted operating expenses of \$102,424, which resulted in net  
14 operating income of (\$14,684).

15 20. The water rates and charges WUNS proposed would produce total operating revenue  
16 of \$163,000 and total operating expenses of \$146,659, resulting in operating income of \$16,341 or a  
17 10.03 percent operating margin.

18 21. The water rates and charges Staff recommended would produce total operating  
19 revenue of \$122,848 and total operating expenses of \$106,861, resulting in operating income of  
20 \$15,987, or a 13.01 percent operating margin.

21 22. WUNS's proposed rates would increase the average monthly customer water bill by  
22 \$43.84, or 50.7 percent, from \$86.39 to \$130.23 and the median monthly customer water bill by  
23 \$33.80, or 50.8 percent, from \$66.55 to \$100.35.

24 23. Staff's recommended rates would increase the average monthly customer water bill by  
25 \$37.79, or 43.7 percent, from \$86.39 to \$124.18 and the median monthly customer water bill by

26 <sup>4</sup> Staff referenced Docket No. W-02111A-06-0361 for this determination. Decision No. 69574 in that docket stated that  
27 Staff had adjusted test year operating expenses largely by disallowing \$94,931 for outside services because of Staff's  
28 determination, based on average costs for 35 small water utilities, that \$26 per customer per month was fair and  
reasonable for Global to operate the applicant. It should also be noted that, in this docket, Staff used a count of 75  
customers in its calculation.

1 \$26.28, or 39.5 percent, from \$66.55 to \$92.83.

2 24. Staff recommended approval of Staff's proposed rates and charges and also  
3 recommended the following:

4 (a) That, in addition to collecting its regular rates and charges, WUNS be  
5 permitted to collect from its customers a proportionate share of any privilege, sales, or use tax  
6 as provided for in A.A.C. R14-2-409(D);

7 (b) That WUNS, in conjunction with the filing of its next rate adjustment request  
8 with the Commission, be required to allocate the general office expenses of Global  
9 Management (or an alternate source of centralized management services) on the basis of at  
10 least four factors—to include number of customers, utility plant value, operating expenses,  
11 and labor costs—and be permitted to use any causal basis for the allocation of these expenses  
12 provided that it is sufficiently supported and justified;<sup>5</sup>

13 (c) That WUNS be required to file a rate adjustment request on or before April 30,  
14 2011, using a test year ended December 31, 2010;

15 (d) That WUNS be ordered to submit an Arizona Department of Revenue  
16 ("ADOR") Certificate of Good Standing to the Commission by December 31, 2008;

17 (e) That WUNS file with Docket Control, as a compliance item in this docket,  
18 within 30 days after the issuance of a Decision in this matter, a schedule of its approved rates  
19 and charges; and

20 (f) That WUNS use Staff's depreciation rates by individual National Association  
21 of Regulatory Utility Commissioners category, included as Table B in the Staff Engineering  
22 Report, on a going forward basis.

23 25. On August 25, 2008, WUNS filed a Response to Staff Report, expressing concern  
24 about two of Staff's proposed conditions: (1) the requirement for WUNS to use a "four factor"  
25 allocation system for shared expenses, and (2) the requirement for WUNS to file a rate case on or  
26 before April 30, 2011, using a test year ending December 31, 2010.

27 \_\_\_\_\_  
28 <sup>5</sup> Staff added that general office expenses are allocable to non-regulated entities as well as regulated entities and should be included in calculating the four-factor (or more) expense distribution percentages.

1           26.     Regarding the four-factor allocation system recommendation, WUNS explained that  
2 because it is not practical for WUNS, as a small utility, to have its own employees, it uses the support  
3 services of Global Management, through which it has access to more than 100 employees, including  
4 certified operators, engineers, customer service representatives, and other professionals. WUNS  
5 stated that because Global Management services are used by all of the utilities owned by Global, it is  
6 necessary to allocate the costs of those shared services. While WUNS and Global agree that a  
7 different method of allocation should be used, WUNS and Global believe that the method to be used  
8 should be that ultimately determined in another Commission docket, the docket for the Joint Notice  
9 of Intent to reorganize and conduct an initial public offering of Global.<sup>6</sup> According to WUNS, Global  
10 considered the four-factor method recommended by Staff, but ultimately determined that a different  
11 allocation method would be more accurate. WUNS also expressed some confusion concerning  
12 whether Staff intended to mandate the four-factor method, in light of Staff's language regarding other  
13 causal bases for allocating general office expenses. WUNS urged the Commission not to determine  
14 the allocation method in this docket and instead to require WUNS to adopt whatever allocation  
15 method is approved in the pending Joint Notice of Intent docket.<sup>7</sup>

16           27.     We understand WUNS's concern about being required, through this Decision, to  
17 implement a four-factor allocation method, as the question of allocation of shared expenses is also at  
18 issue in the pending Joint Notice of Intent matter, on a grander scale, and should be resolved therein.  
19 Yet we also note that Staff has tied this allocation method requirement to the filing of WUNS's next  
20 rate adjustment request, which is not anticipated to occur until approximately April 30, 2011, at the  
21 earliest. In the absence of a determination by the Commission, in the Joint Notice of Intent matter,  
22 that another method of allocation of shared expenses is more appropriate than the four-factor method  
23 recommended by Staff herein, it is reasonable to require WUNS to implement the four-factor method  
24 recommended by Staff herein. It is possible, however, that a different method of allocation will be  
25 determined in the pending Joint Notice of Intent matter, which involves many more Global-owned

26 <sup>6</sup> The Global reorganization matter is assigned to Docket Nos. W-20446A-08-0247 et al. The application in that matter  
27 was filed by Global et al. on May 13, 2008, and has not yet been determined to be sufficient. WUNS is one of the more  
28 than one dozen Global entities involved in the docket.

<sup>7</sup> WUNS also questioned the \$26 per month per customer charge recommended by Staff, but did not propose a different  
per month per customer charge at this time.

1 utilities and thus should allow Staff and the Commission to analyze the shared-expense-allocation  
2 issue more thoroughly. Thus, we believe that it is appropriate to require WUNS, in conjunction with  
3 the filing of its next rate adjustment request with the Commission, to implement:

4 (a) If no other allocation method has yet been determined in Docket Nos. W-  
5 20446A-08-0247 et al., the four-factor method recommended by Staff in this matter; or

6 (b) If another allocation method has been determined in Docket Nos. W-20446A-  
7 08-0247 et al., the allocation method determined in that docket.

8 28. Regarding the rate-case-filing recommendation, WUNS stated that there is no reason  
9 to mandate that WUNS file a new rate case, especially with a due date less than three years hence.  
10 WUNS stated that, because of WUNS's size, the time and expense of the rate case is likely to exceed  
11 the benefits to either WUNS or the Commission that will be derived from reexamining the rates.  
12 WUNS urged the Commission not to impose a rate-case-filing requirement or, if such a requirement  
13 is imposed, to have the rate case filing not be due until five years after the effective date of this  
14 Decision. In the Staff Report, Staff did not explain its rationale for recommending the filing of a rate  
15 case by April 30, 2011, using calendar year 2010 as the test year.

16 29. To ensure that WUNS's rates remain just and reasonable as it achieves full build out  
17 (anticipated by WUNS to occur in 2013, but estimated by Staff to occur as early as 2009<sup>8</sup>), we will  
18 require WUNS to file another rate case by April 30, 2012, using calendar year 2011 as its test year.  
19 Thus, we will modify Staff's recommendation accordingly.

20 30. According to Staff, non-account water should be 10 percent or less and never more  
21 than 15 percent. For the 2007 test year, WUNS reported 11,640,000 gallons pumped and 11,449,000  
22 gallons sold, resulting in a water loss of 1.64 percent, well within acceptable limits.

23 31. According to the Staff Engineering Report, WUNS's current system has adequate  
24 production capacity and storage capacity based on water use data for the year 2007.

25 32. According to the Staff Report, the Utilities Division Compliance Section showed no  
26

27 <sup>8</sup> Staff's estimate is based on a linear regression analysis, but it appears that it may be overly optimistic, as the growth  
28 level dropped significantly between 2006 and 2007. The Staff Report shows growth of 25 customers in 2005, 23  
customers in 2006, and only 11 customers in 2007. If this lower level of growth continues, WUNS will experience full  
build out to 100 customers sometime in 2010.

1 outstanding compliance issues for WUNS. The Staff Report also stated that no complaints, inquiries,  
2 or opinions were filed in 2007 or 2006, and only one complaint (related to company policies) was  
3 filed in 2005.

4 33. A Maricopa County Environmental Services Department Public Water System  
5 Compliance Status Report dated January 24, 2007, shows that WUNS's system is compliant, with no  
6 major treatment plant deficiencies, no major operating and maintenance deficiencies, and no water  
7 quality monitoring and reporting deficiencies. According to Staff, the system is currently delivering  
8 water that meets the water quality standards required by 18 A.A.C. 4.

9 34. WUNS is located within the Phoenix Active Management Area and is subject to  
10 Arizona Department of Water Resources ("ADWR") reporting and conservation requirements. Staff  
11 stated that an ADWR compliance status report received on July 23, 2008, shows that WUNS is  
12 currently in compliance with ADWR requirements governing water providers and/or community  
13 water systems.

14 35. The U.S. Environmental Protection Agency has reduced the arsenic maximum  
15 contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. According  
16 to the application, the levels of arsenic concentration for WUNS's two active wells are 0.6 ppb and  
17 <2 ppb, well below the arsenic MCL.

18 36. WUNS has a Commission-approved Curtailment Plan Tariff on file with the  
19 Commission.

20 37. According to the Staff Report, Staff has confirmed through the Maricopa County  
21 Treasurer's Office that, as of December 31, 2007, WUNS was current on the payment of its property  
22 taxes.

23 38. Staff stated that WUNS was unable to obtain a Certificate of Good Standing from  
24 ADOR relating to sales, property, and withholding taxes. Staff explained that, according to WUNS,  
25 WUNS has been unable to obtain the Certificate of Good Standing from ADOR because of its  
26 ownership by holding companies and the filing of consolidated corporate income tax returns. Staff  
27 opined that, based on the actions taken by WUNS to satisfy ADOR requirements, WUNS "appears to  
28

1 have done all that can be done for ADOR[,] and the matter is now beyond [WUNS's] control.”<sup>9</sup> Staff  
2 also stated that it believes an ADOR Certificate of Good Standing should be submitted to the  
3 Commission by December 31, 2008. If WUNS's inability to obtain an ADOR Certificate of Good  
4 Standing is beyond WUNS's control, as Staff stated, then it may be inadvisable to place a set deadline  
5 on WUNS's obtaining such a Certificate, because it could lead to future requests for extension and  
6 the unnecessary expenditure of time by both WUNS and the Commission and its Staff.  
7 Consequently, we believe that it is appropriate to modify Staff's recommendation by requiring  
8 WUNS (1) to file with Docket Control, by December 31, 2008, either (a) an ADOR Certificate of  
9 Good Standing or (b) an update concerning its efforts to obtain such a Certificate along with  
10 documentation issued by ADOR explaining why WUNS is unable to obtain such a Certificate; and  
11 (2) to file with Docket Control, within 30 days after it is obtained, an ADOR Certificate of Good  
12 Standing.

13 39. WUNS is in good standing with the Commission's Corporations Division.

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

22 41. Staff's recommendations in Findings of Fact No. 24, as modified by Findings of Fact  
23 Nos. 27, 29, and 38, are reasonable and should be adopted.

#### 24 CONCLUSIONS OF LAW

25 42. WUNS is a public service corporation within the meaning of Article XV of the  
26 Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-256.

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28 <sup>9</sup> Staff Report at 3.

1 43. The Commission has jurisdiction over WUNS and the subject matter of the  
2 application.

3 44. Notice of the application was given in accordance with the law.

4 45. The rates and charges authorized herein are just and reasonable and should be  
5 approved without a hearing.

6 46. Staff's recommendations set forth in Findings of Fact No. 24, as modified by Findings  
7 of Fact Nos. 27, 29, and 38, are reasonable and should be adopted.

8 **ORDER**

9 IT IS THEREFORE ORDERED that Water Utility of Northern Scottsdale, Inc. is hereby  
10 directed to file with Docket Control, as a compliance item in this docket, on or before November 1,  
11 2008, revised rate schedules setting forth the following rates and charges:

12 **MONTHLY USAGE CHARGE**

13

5/8" x 3/4" Meter	\$ 27.00
3/4" Meter	27.00
1" Meter	57.00
1 1/2" Meter	120.00
2" Meter	128.00
3" Meter	340.00
4" Meter	550.00
6" Meter	1,100.00

18

19 **Commodity Rates (Per 1,000 Gallons)**

20 **5/8" x 3/4" & 3/4" Meter (Residential)**

21

1 to 4,000 Gallons	\$5.00
4,001 to 10,000 Gallons	6.00
Over 10,000 Gallons	7.00

22

23 **5/8" x 3/4" & 3/4" Meter (Nonresidential)**

24

1 to 7,000 Gallons	\$6.00
Over 7,000 Gallons	7.00

25 **1" Meter (Residential)**

26

1 to 4,000 Gallons	\$5.00
4,001 to 10,000 Gallons	6.00
Over 10,000 Gallons	7.00

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<u>1" Meter (Nonresidential)</u>		
1 to 16,000 Gallons		\$6.00
Over 16,000 Gallons		7.00
<u>1 1/2" Meter (Residential)</u>		
1 to 4,000 Gallons		\$5.00
4,001 to 10,000 Gallons		6.00
Over 10,000 Gallons		7.00
<u>1 1/2" Meter (Nonresidential)</u>		
1 to 32,000 Gallons		\$6.00
Over 32,000 Gallons		7.00
<u>2" Meter (All Types)</u>		
1 to 60,000 Gallons		\$6.00
Over 60,000 Gallons		7.00
<u>3" Meter (All Types)</u>		
1 to 120,000 Gallons		\$6.00
Over 120,000 Gallons		7.00
<u>4" Meter (All Types)</u>		
1 to 200,000 Gallons		\$6.00
Over 200,000 Gallons		7.00
<u>6" Meter (All Types)</u>		
1 to 400,000 Gallons		\$6.00
Over 400,000 Gallons		7.00
<u>Standpipe</u>		
Per 1,000 Gallons		\$7.00

**SERVICE LINE AND METER INSTALLATION**

**CHARGES:**

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

	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total</u>
5/8" x 3/4" Meter	\$ 370.00	\$ 115.00	\$ 485.00
3/4" Meter	375.00	145.00	520.00
1" Meter	405.00	205.00	610.00
1 1/2" Meter	440.00	415.00	855.00
2" Turbine Meter	615.00	900.00	1,515.00
2" Compound Meter	615.00	1,625.00	2,240.00
3" Turbine Meter	790.00	1,405.00	2,195.00
3" Compound Meter	830.00	2,200.00	3,030.00

1	4" Turbine Meter	1,100.00	2,260.00	3,360.00
	4" Compound Meter	1,155.00	3,160.00	4,315.00
2	6" Turbine Meter	1,655.00	4,460.00	6,115.00
	6" Compound Meter	1,700.00	6,190.00	7,890.00

3  
4 **SERVICE CHARGES**

4	Establishment	\$30.00		
5	Establishment (After Hours)	45.00		
	Reconnection (Delinquent)	30.00		
6	Meter Test (If Correct)	30.00		
7	Deposit	*		
	Deposit Interest	*		
8	Reestablishment (Within 12 Months)	**		
	NSF Check	30.00		
9	Deferred Payment (Per Month)	1.50%		
	Meter Re-Read (If Correct)	25.00		
10	Late Charge (Per Month)	3.00		
11	Fire Sprinkler Charge (Per Month)	***		

12 \* Per Commission rule (R-14-2-403(B)).

13 \*\* Months off system times the monthly minimum (R14-2-403(D)).

14 \*\*\* 1.0 percent of monthly minimum for a comparably 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.

15 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
16 provided on and after November 1, 2008.

17 IT IS FURTHER ORDERED that Water Utility of Northern Scottsdale, Inc. shall notify its  
18 customers of the rates and charges authorized hereinabove and their effective date in a form  
19 acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regular  
20 scheduled billing.

21 IT IS FURTHER ORDERED that, in addition to collecting its regular rates and charges,  
22 Water Utility of Northern Scottsdale, Inc. shall collect from its customers a proportionate share of any  
23 privilege, sales, or use tax per A.A.C. R14-2-409(D)(5).

24 IT IS FURTHER ORDERED that Water Utility of Northern Scottsdale, Inc. shall use the  
25 depreciation rates by individual National Association of Regulatory Utility Commissioners category  
26 on a going-forward basis.

27 IT IS FURTHER ORDERED that Water Utility of Northern Scottsdale, Inc. shall, in  
28 conjunction with the filing of its next rate adjustment request with the Commission, implement:



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IT IS FURTHER ORDERED that Water Utility of Northern Scottsdale, Inc. shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that it is current on 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 \_\_\_\_\_, 2008.

\_\_\_\_\_  
BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

1 SERVICE LIST FOR: WATER UTILITY OF NORTHERN SCOTTSDALE, INC.

2 DOCKET NOS.: W-03720A-08-0225

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