

OPEN MEETING ITEM



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ORIGINAL

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



BRIAN C. McNEIL  
Executive Director

ARIZONA CORPORATION COMMISSION

DATE: SEPTEMBER 30, 2008  
DOCKET NO: W-01865A-07-0385 and W-01865A-07-0384

TO ALL PARTIES:

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

GROOM CREEK WATER USERS ASSOCIATION  
(RATES/FINANCE)

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 9, 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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EXECUTIVE DIRECTOR

Arizona Corporation Commission  
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SEP 30 2008

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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 GROOM CREEK WATER USERS ASSOCIATION  
10 FOR AN INCREASE IN RATES.

DOCKET NO. W-01865A-07-0385

11 IN THE MATTER OF THE APPLICATION OF  
12 GROOM CREEK WATER USERS ASSOCIATION  
13 FOR APPROVAL OF FINANCING AND RATE  
14 CHANGES.

DOCKET NO. W-01865A-07-0384

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

15 OPINION AND ORDER

16 DATES OF HEARING:

March 5, 2008 (Procedural Conference), May 15, 2008  
and July 21, 2008

17 PLACE OF HEARING:

Phoenix, Arizona

18 ADMINISTRATIVE LAW JUDGE:

Yvette B. Kinsey

19 APPEARANCES:

Mssrs. Jerry D. Hodgson, President, Kal Miller,  
Secretary, and Loren Greenberg, Treasurer on behalf of  
the Groom Creek Water Users Association; and,

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

20 **BY THE COMMISSION:**

21 On June 25, 2007, Groom Creek Water Users Association ("Applicant" or "Groom Creek")  
22 filed with the Arizona Corporation Commission ("Commission") an application for a permanent  
23 increase in its water rates.

24 On the same date, Groom Creek filed an application in Docket No. W-01865A-07-0384  
25 requesting approval for financing and providing notice of customer notification on the rate  
26 application.

27 Between July 9, 2007 and July 18, 2007, Jonathan Hoover, John and Marian Cree, Patty  
28 Berry, Mary Turbyfill, Majorie Navarro, Robert Schulz, and Donald Muller filed Motions to  
Intervene in Docket No. W-01865A-07-0385.

1 On July 25, 2007, the Commission's Utilities Division ("Staff") filed an Insufficiency Letter  
2 in Docket No. W-01865A-07-0385.

3 On August 10, 2007, Staff filed a Letter of Sufficiency in Docket No. W-01865A-07-0385,  
4 indicating the Applicant's rate increase application had met the sufficiency requirements as outlined  
5 in the Arizona Administrative Code ("A.A.C.").

6 On August 22, 2007, a Procedural Order was issued in Docket No. W-01865A-07-0385,  
7 granting the Motions to Intervene.

8 On October 2, 2007, Staff filed a Motion for an Extension of Time to file its Staff Report until  
9 November 5, 2007, in Docket No. W-01865A-07-0385. No objections to Staff's Motion were filed.

10 On October 29, 2007, Staff filed a Motion to Consolidate the above-captioned matters.

11 On November 30, 2007, by Procedural Order, the two dockets were consolidated and Staff  
12 was granted additional time, until December 17, 2007, to file its Staff Report on the consolidated  
13 dockets and the timeclock in this matter was suspended.

14 On December 3, 2007, Groom Creek filed a copy of a special report sent to all Association  
15 members regarding a major water main break that occurred in October, 2007.

16 On December 14, 2007, Applicant docketed a Response in support of Staff's request for  
17 additional time, and requested that Staff be given until December 31, 2007, to file its Staff Report.

18 On December 17, 2007, Staff filed its Response to Groom Creek's Letter concurring with the  
19 request for additional time until December 31, 2007, to file its Staff Report.

20 On December 19, 2007, by Procedural Order, Staff was granted additional time, until January  
21 4, 2008, to file its Staff Report.

22 On December 21, 2007, Staff filed a Clarification to Staff's Response to Groom Creek's  
23 Letter. In its filing, Staff requested additional time to file its Staff Report until January 31, 2008,  
24 stating the engineering analysis filed by Groom Creek on December 14, 2007, required Staff to issue  
25 additional data requests.

26 On December 27, 2007, by Procedural Order, Staff was granted additional time, until January  
27 31, 2008, to file its Staff Report.

28 On January 31, 2008, Staff filed its Staff Report recommending approval of Groom Creek's

1 application for a permanent rate increase and approval for alternative financing.

2 On February 5, 2008, Staff filed a Notice of Errata to the Staff Report.

3 On February 11, 2008, Groom Creek filed its Response to the Staff Report, objecting to the  
4 recommended base rate increase, as well as other increases recommended by Staff.

5 On February 22, 2008, by Procedural Order, a Procedural Conference was scheduled for  
6 March 5, 2008, to determine whether the matter should continue as a non-hearing item. The  
7 timeclock remained suspended.

8 On March 5, 2008, Staff appeared at the Procedural Conference through counsel, and Mr.  
9 Jerry Hodgson, President of the Board of Directors for Groom Creek appeared on behalf of the  
10 Applicant. During the Procedural Conference the parties were given time to discuss settlement of  
11 the issues. After a period, both parties stated that they believed the issues in the case should be  
12 resolved through a hearing. The parties also stated that they believed there were some issues that  
13 might be resolved prior to a hearing in this matter.

14 On March 18, 2008, by Procedural Order, the hearing was scheduled for May 15, 2008.

15 On April 4, 2008, Groom docketed notice of providing customer notification regarding the  
16 financing application.

17 On May 5, 2008, Groom Creek docketed an Affidavit of Publication showing notice of the  
18 rate application and financing application had been published in the *Prescott Daily Courier*, a  
19 newspaper of general circulation on March 30, March 31, April 3, and April 4, 2008. Groom Creek  
20 also provided certification of the mailing to all customers in its service territory.

21 On May 15, 2008, a full public hearing was commenced before a duly authorized  
22 Administrative Law Judge ("ALJ") of the Commission at its offices in Phoenix, Arizona. Staff  
23 appeared through counsel, Mr. Jerry D. Hodgson appeared on behalf of the Applicant, and members  
24 of the public presented public comment. It was determined that additional time was needed to hear  
25 the evidence in this matter and the ALJ continued the hearing until May 22, 2008.

26 On May 21, 2008, a Telephonic Procedural Conference was held with the parties and the  
27 parties requested that the hearing date be reset to help facilitate settlement of the issues.  
28

1 On May 21, 2008, by Procedural Order, the hearing on the consolidated dockets was  
2 continued to July 21, 2008. The Procedural Order also directed Staff to file a Supplemental Staff  
3 Report by July 5, 2008 and for the Applicant to file responses to the Supplemental Staff Report by  
4 July 14, 2008.

5 On July 7, 2008, Staff filed a Supplemental Staff Report continuing to recommend approval  
6 of the permanent rate increase and approval for alternative financing.

7 Applicant did not file objections to Staff's Supplemental Staff Report.

8 On July 21, 2008, the hearing in this matter reconvened. Staff appeared through counsel, Mr.  
9 Jerry D. Hodgson appeared on behalf of the Applicant and members of the public presented public  
10 comment. Staff presented evidence and testimony at the hearing. The Applicant presented  
11 testimony. At the conclusion of the hearing the parties were directed to file late-filed exhibits related  
12 to the testimony given during the hearing.

13 On July 30, 2008, by Procedural Order, Staff was directed to file as a late-filed exhibit,  
14 corrections to the Supplemental Staff Report, and an additional analysis and alternative schedules  
15 related to the capital improvement projects proposed by Groom Creek, on or before August 15, 2008.  
16 Further, the Applicant and intervenors were directed to file responses to the late-filed exhibits by  
17 August 29, 2008.

18 On August 15, 2008, Staff filed its late-filed exhibit as directed in the July 30, 2008,  
19 Procedural Order.

20 The Applicant did not file a response or objections to Staff's late-filed exhibit. Several  
21 additional comments were filed by the customers/homeowners of Groom Creek.

22 After receipt of the late-filed exhibits and customer/homeowner comments filed by August  
23 29, 2008, the matter was taken under advisement pending submission of a Recommended Opinion  
24 and Order to the Commission.

25 \* \* \* \* \*

26 Having considered the entire record herein and being fully advised in the premises, the  
27 Commission finds, concludes, and orders that:  
28

**FINDINGS OF FACT**

1  
2 1. Groom Creek is an Arizona Association engaged in the business of providing water  
3 utility services to an area located near Prescott, Arizona, in Yavapai County.

4 2. The Groom Creek Water User Association was formed in 1982 and received its initial  
5 CC&N on June 9, 1982, in Commission Decision No. 53067.

6 3. Groom Creek has been classified as a Class D utility.

7 4. Groom Creek currently charges rates approved in Decision No. 62619 (June 9, 2000).

8 5. Groom Creek serves approximately 228 customers.

9 6. Groom Creek is currently in compliance with the Utilities Division and Corporations  
10 Division's requirement on filing an annual report.

11 7. Groom Creek is current on its sales and property tax payments.

12 8. The service area for Groom Creek is not in an Active Management Area ("AMA") and  
13 therefore Groom Creek has no AMA reporting and conservation requirements.

14 9. Groom Creek has an approved curtailment tariff which became effective  
15 May 25, 2005.

16 10. On June 25, 2007, Groom Creek filed an application with the Commission for a  
17 permanent rate increase, using a test year ending December 31, 2006, and stating that the proposed  
18 rate increase is necessary to do needed upgrades and repairs to its water system and that Groom  
19 Creek's previous rate increase in 2000 was limited a commodity change, but the base rate remained  
20 the same.<sup>1</sup>

21 11. On the same date, in Docket No. W-01865A-07-0384 Groom Creek filed an  
22 application requesting authorization to obtain a line of credit in the amount of \$500,000 to fund a  
23 capital improvement project to replace the water mains in its system.<sup>2</sup>

24 12. Subsequent to the filing of the applications, the dockets were consolidated.

25 13. On January 31, 2008, Staff filed a Staff Report recommending approval of Groom  
26 Creek's application for a permanent rate increase, but recommending alternative rates and charges.

27  
28 <sup>1</sup> Applicant's application pg. 3.

<sup>2</sup> Applicant's application.

1 Staff also recommended that the Commission deny Groom Creek's request for authority to obtain a  
2 line of credit, and recommended that the Applicant obtain a Water Infrastructure Financing Authority  
3 ("WIFA") loan instead.

4 14. Groom Creek filed objections to the Staff Report and to Staff's recommended rate  
5 base increases, proposed charges and alternative financing.

6 15. After the filing of Groom Creek's objections to the Staff Report, a Procedural  
7 Conference was held to determine if the issues raised in the consolidated dockets could be resolved as  
8 a non-hearing item.

9 16. At the Procedural Conference, settlement discussions were held between the parties,  
10 and the parties agreed that the issues raised in the consolidated dockets needed to be resolved through  
11 an evidentiary hearing. At the conclusion of the Procedural Conference, and in a subsequent  
12 Procedural Order, the parties were directed to continue settlement negotiations, until the hearing in  
13 this matter was convened.

14 17. Subsequent to the Procedural Conference, Staff and the Applicant docketed a joint  
15 filing outlining all of the issues that the parties agreed upon. The joint filing also stated that the  
16 parties believed there were other issues that could be resolved prior to the hearing.

17 18. On May 15, 2008, the hearing was held as scheduled. Staff appeared through counsel,  
18 Mr. Jerry D. Hodgson appeared on behalf of the Applicant, and members of the public presented  
19 public comment. Following the May 15, 2008, hearing Staff was directed to file a Supplemental  
20 Staff Report and indicate whether the parties were in agreement with Staff's revised  
21 recommendations.

22 19. Staff docketed a Supplemental Staff Report recommending approval of the  
23 applications and stating its current position on the proposed rates, charges and financing  
24 recommendations. Staff's Supplemental Staff Report also stated that it was Staff's belief that Groom  
25 Creek was in agreement with Staff's proposed recommendations on the applications.

26 20. Groom Creek did not file objections to the Supplemental Staff Report.

27 21. On July 21, 2008, the hearing in the consolidated dockets reconvened. The Applicant  
28 appeared and presented evidence and testimony. Staff appeared through counsel and presented

1 testimony and evidence. Nine members of the public appeared to give comments on the applications.  
2 Four members of the public were in favor of the proposed rates, charges and alternative financing,  
3 three were opposed, and two were in favor of an increase in rates, but not rates as high as those being  
4 recommended.

5 22. Post hearing, Staff docketed an exhibit stating that prior to July 2, 2008, 32 opinions  
6 had been filed in the consolidated dockets opposing the proposed rate case and 67 had been filed in  
7 favor of the rate case. As of July 25, 2008, Staff reported that there were 33 opinions filed in  
8 opposition to the rate case and 71 in favor, for a total of 104.

9 **Financing**

10 23. Groom Creek initially filed a financing application requesting Commission approval  
11 to obtain a \$500,000 line of credit to be used to replace water mains, valves, service lines and meters  
12 within its water system. Groom Creek's application stated that it wanted to complete the capital  
13 projects in advance of Yavapai County's project to pave the roads in the Groom Creek area.<sup>3</sup> Since  
14 the filing of the financing application, Yavapai County has agreed to postpone the paving project to  
15 allow Groom Creek to make the necessary improvements to its system and not incur the additional  
16 cost of having to trench through the roads to make the improvements. (Tr. Pg. 185, lines 1-10)

17 24. In its initial Staff Report, Staff recommended denial of Groom Creek's request to use a  
18 line of credit to finance the capital improvement projects. Staff witness, Mr. Gordon Fox, Public  
19 Utilities Analyst Manager, testified that Staff opposed the line of credit because in terms of financing  
20 Staff likes to see material matching between the life of the loan and the life of the assets. Mr. Fox  
21 testified that it is preferential that the length of the loan be shorter than the life of the assets, to ensure  
22 that existing ratepayers are not burdened with paying for a loan for which the benefits will be  
23 received by future customers. Mr. Fox also testified that a longer loan term ensures that everyone  
24 pays their appropriate share of the fixed cost to replace the system. (Tr. Pg. 233, lines 11-25, pg. 234,  
25 lines 1-6)

26 25. Mr. Fox explained that Staff believes the WIFA loan program provides a better  
27

28 <sup>3</sup> Applicant's application, pg. 1.

1 alternative to a line of credit for water companies to fund capital improvement projects. He further  
2 explained that the WIFA loan program allows the water company to have construction of the projects  
3 completed and then invoices are submitted to WIFA for release of the funds to the contractor.  
4 According to Mr. Fox, the WIFA loan program allows the water company to build equity by  
5 requiring a "set-aside" amount for the first five years of the loan, which would allow the water  
6 company to be able to fund one year's debt service on the loan. Additionally, Mr. Fox explained that  
7 under the WIFA program, continuing "set-asides" are required after the first five years for the benefit  
8 of the water to be able to make improvements and repairs to the system. (Tr. Pg. 235, lines 1-18)

9         26. Groom Creek has retained an engineering consultant through WIFA, who has  
10 provided a preliminary engineering report to look at the estimated costs for replacing the system and  
11 evaluating the existing distribution system, wells and need for fire flow protection.  
12 (Tr. Pg. 162, lines 11-20)

13         27. Groom Creek's engineering witness, Ms. Christine Close, of the engineering firm  
14 DSWA, testified that she has been an engineer for 14 years and is registered as a professional  
15 engineer with the State of Arizona. She further testified that she has been designing water systems for  
16 approximately eight to ten years. (Tr. Pg. 162, lines 11-14)

17         28. Ms. Close stated that her firm made recommendations to Groom Creek regarding  
18 upgrading and improving its two booster stations, adding an additional water storage tank, replacing  
19 all water lines with PVC material, replacing water meters throughout the system, and putting in new  
20 valves and boxes for the meters. (Tr. Pg. 181, lines 11-24)

21         29. After discussions with Staff and the engineering consultant, Groom Creek concluded  
22 that the \$500,000 request for a line of credit was insufficient to fund the first phase of its capital  
23 improvement projects.

24         30. Ms. Close testified that after her evaluation of the Groom Creek water system, she  
25 presented four separate alternatives, based on industry standards, to address the water systems' aging  
26 distribution lines and the adequacy of storage for the community. (Tr. Pg. 163, lines 1-18)

27         31. Ms. Close stated that her research of the Groom Creek water system revealed that the  
28 system's distribution lines consist mainly of transite pipes and sections of transite pipes have been in

1 the ground since the 1960s and 1970s. She stated that the transite pipes are made of asbestos cement  
2 material and when there are breaks in the pipes, asbestos fibers become moveable and if breathed in  
3 poses a health risk. (Tr. Pg 183, lines15-25 and pg. 184, lines 1-2) She further stated that the  
4 expected life of transite pipe is approximately 30-60 years. (Tr. Pg. 164, lines 1-14) However,  
5 because Groom Creek has been experiencing longitudinal fractures or breaks in the transite pipes, she  
6 testified that it is more economically feasible to look towards replacing the systems transite pipes  
7 with PVC pipe material. (Tr. Pg. 164, lines 15-25 and pg. 165, lines 1-5)

8 32. Ms. Close testified that in light of the occurrence of several breaks in Groom Creek's  
9 pipes over the last two to three years, it is more cost effective to replace the transite pipe with C-900,  
10 PVC pipe because the cost to repair transite pipe per lineal foot is more expensive. She stated that  
11 Groom Creek has been paying \$135 per lineal foot for repairs to the transite pipes, where replacing  
12 the transite pipe with C-900, PVC pipe material would cost approximately \$70 to \$80 per lineal foot.  
13 (Tr. Pg. 177, lines 1-5)

14 33. Utilities Engineer Mr. Marlin Scott, testified the problem with replacing transite pipe  
15 is that the pipe comes in 10-foot segments and when breaks in the pipes occur they are often lineal or  
16 longitudinal cracks. (Tr. Pg. 205, lines 10-25) For example, he explained that when a crack occurs in  
17 a three or four foot section of the transite pipe, the entire ten foot section has to be replaced because  
18 of the way the pipes are constructed. (Tr. Pg. 206, lines 1-4) He further testified that transite pipe is  
19 no longer being used in the water industry because when cracks occur, asbestos fibers are released  
20 and the asbestos poses a health risk. (Tr. Pg. 205, lines 18-25)

21 34. Ms. Close recommends that all of Groom Creek's pipes be replaced with PVC pipe  
22 material because PVC pipe has a life expectancy of 30-50 years, it is a newer material that is being  
23 used in water systems similar to Groom Creek's, the PVC pipe does not contain asbestos fibers, the  
24 cost to replace the transite pipe with PVC pipe is less expensive, and transite pipe is no long being  
25 produced. (Tr. Pg. 178, lines 4-25 and Pg. 179, lines 1-7)

26 35. Staff's witness agreed with Ms. Close's recommendation that Groom Creek's pipes  
27 should be replaced with PVC pipe and stated that 90 percent of water companies today use PVC pipe.  
28 (Tr. Pg. 206, lines, 20-25, Pg, 207, lines 1-4)

1           36.     In regards to the storage issues, Ms. Close testified that Groom Creek has one well  
2 (Well No. 1) that has a production of 20-30 gallons per minute ("GPM") and Well No. 2 has about  
3 half that production. She stated that during peak demand times, the more stress that is put on the  
4 wells, the longer time it takes for the wells to recover and that additional storage would provide some  
5 relief during those peak times. (Tr. Pg. 182, lines, 1-20) Further, she testified that it is recommended  
6 that Groom Creek consider constructing an additional well so there is a back up water supply when  
7 the system has to be shut down to complete repairs. (Tr. Pg. 182, lines 21-25)

8           37.     Ms. Close noted that the recommended replacement pipes for the Groom Creek water  
9 system and the additional storage would be sufficient to handle fire protection if Groom Creek  
10 decided to add it in the future. (Tr. Pg. 188, lines 1-14) However, she stated that if Groom Creek  
11 chooses not to do stubouts for the fire hydrants, the stubouts will need to be added to the lines and  
12 would require trenching in addition to the cost of each fire hydrant and its installation. She stated the  
13 cost estimate for installing the fire hydrants, with stub-outs is \$3,200. ( Tr. Pg 188, lines, 7-23)

14           38.     According to Ms. Close, the primary cost for the first phase of the capital  
15 improvement projects, including the stubouts for fire flow protection, is a projected \$1.8 million. (Tr.  
16 Pg. 189, lines 16-25) She estimated that the proposed capital improvement projects would take  
17 approximately two years to complete. (Tr. Pg. 192, lines 1-10)

18           39.     Staff recommends financing for capital improvement projects totaling approximately  
19 \$1.6 million, based on the engineering report for the first phase of the projects and Groom Creek's  
20 immediate needs to upgrade its water system.<sup>4</sup> Staff testified that the \$1.6 million estimate for the  
21 first phase of the capital projects was provided by Groom Creek for Staff's review and that the  
22 estimated costs include the additional storage needed, a 60,000 gallon storage tank, to meet fire flow  
23 requirements, but does not include taps for the distribution system or fire hydrants.  
24 (Tr. Pg. 201, lines 6-11)

25           40.     Staff reviewed the cost estimates for the primary capital improvement projects  
26 submitted in Groom Creek's engineering report and found them to be reasonable and appropriate.  
27

28 <sup>4</sup> Exhibit S-2, attached as Exhibit A to this Decision.

1 However, Staff made no "used and useful" determination of the proposed plant and stated no  
2 particular future treatment should be inferred for rate-making or rate base purposes.

3 41. Staff performed a financial analysis based on Groom Creek's financial statements  
4 dated December 31, 2006 and recommended the Commission authorize Groom Creek to obtain a loan  
5 for no more than \$1.6 million to finance the first phase of its capital improvement projects.

6 42. Staff analyzed the pro forma effect of a new \$1.6 million, 20-year amortizing loan at  
7 a rate of 4.9 percent per annum combined with Staff's recommended revenues and expenses  
8 (discussed below) from the rate case.

9 43. Staff's Supplemental Staff Report states that as of December 31, 2006, Groom Creek  
10 had a capital structure of 3.8 percent short term debt, 77.8 percent long-term debt, and 18.4 percent  
11 equity. If Groom Creek draws the entire \$1.6 million proposed loan, Groom Creek's capital structure  
12 will consist of 3.2 percent short term debt, 94.9 percent long term debt and 1.9 percent equity.

13 44. Staff also analyzed the effects of the proposed financing on Groom Creek's Times  
14 Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC") ratio.<sup>5</sup> The pro forma effect of  
15 Groom Creek obtaining a \$1.6 million, 18 to 30 year amortizing loan, at an interest rate not to exceed  
16 5.25 percent, and implementing rates recommended by Staff in this matter, would produce a TIER of  
17 2.09 and a 1.25 DSC.

18 45. Staff states that the DSC and TIER ratios indicate that Staff's recommended  
19 permanent rates would produce sufficient earnings and operating cash flow for Groom Creek to meet  
20 its long-term debt obligations under the \$1.6 million loan.

21 46. Staff recommends:

- 22 a. That the Commission authorize Groom Creek to obtain an 18 to 30 year  
23 amortizing loan for an amount not to exceed \$1.6 million at a rate not to exceed  
24 5.25 percent to finance the Staff recommended capital improvements and to  
25 deny the request for authority to obtain a \$500,000 line of credit.  
26 b. That any Commission authorization granted in this matter to incur long-term  
27 debt which remains unused by December 31, 2012, terminate on that date.  
28 c. That the Commission require Groom Creek to engage in any transactions and to  
execute any documents necessary to effectuate the authorizations granted.

<sup>5</sup> According to Staff's Supplemental Staff Report, a DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations and a TIER less than 1.0 means that debt obligations are not sustainable in the long term, but may be in the short term.

- d. That Groom Creek submit copies of all Approvals to Construct and Approvals of Construction as they are obtained from ADEQ for all projects covered by this financing.
- e. That all Approvals of Construction be submitted to Docket Control by no later than December 31, 2010.
- f. That Groom Creek file a copy of the executed loan documents with Docket Control, as a compliance item in this docket, within 60 days of the execution of any transactions.

47. Staff's recommendations regarding the financing application are reasonable and will be adopted.

**Rate Case**

48. In the test year, as adjusted by Staff, Groom Creek collected a total operating revenue of \$62,223 and an operating income of \$16,697 on an Original Cost Rate Base ("OCRB") of \$31,757, for 52.58 percent return.

49. Groom Creek's application states that the OCRB should be used to determine the Fair Value Rate Base ("FVRB"), and that the Applicant waives its right to use Reconstruction Cost New as a basis for determining FVRB. Groom Creek's OCRB of \$31,757 shall therefore also be its FVRB for purposes of setting rates in this case.

50. Groom Creek's proposed rates would produce total operating revenue of \$151,316 and operating income of \$106,992, for a 178.27 percent return on its proposed OCRB of \$60,018.

51. As stated above, Staff recommended adjustments to the Applicant's proposed rate base totaling \$28,261, for an OCRB of \$31,757. Staff recommends rates that would produce total operating revenues of \$222,369 and operating income of \$176,843, for a 556.86 percent return on FVRB<sup>6</sup>.

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

...

...

...

---

<sup>6</sup> Due to the need to incorporate Groom Creek's financing request into rates (see discussion below), as well as the Applicant's relatively low rate base, Staff set its recommended revenue requirement based on a operating margin of 79.53 percent (Ex. S-1, Sched. BCA-1).

1	<u>MONTHLY USAGE CHARGE:</u>	Present	- Proposed Rates -	
		<u>Rates</u>	<u>Association</u>	<u>Staff</u>
2	5/8" x 3/4" Meter	\$ 14.00	\$ 42.00	\$ 50.00
3	3/4" Meter	17.25	N/A	50.00
4	1" Meter	28.75	N/A	125.00
5	1-1/2" Meter	57.50	N/A	250.00
6	2" Meter	92.00	N/A	400.00
7	3" Meter	172.50	N/A	800.00
8	4" Meter	287.50	N/A	1,250.00
9	6" Meter	575.00	N/A	2,500.00
10	Gallons Included in Minimum	-0-	1,000	-0-
11	<u>5/8 X 3/4-inch meters</u>			
12	0 - 3,000 gallons	\$ 3.00		\$ 11.00
13	3,001 - 6,000 gallons	3.50		13.00
14	6,001 - 10,000 gallons	4.00		15.50
15	Over 10,000 gallons	8.00		31.00
16	1,001 - 6,000 gallons		\$ 5.50	
17	6,001 - 10,000 gallons		8.00	
18	10,001 - 20,000 gallons		10.00	
19	Over 20,000 gallons		12.00	
20	<u>3/4" Meter</u>			
21	0 - 3,000 gallons	\$ 3.00		\$ 11.00
22	3,001 - 6,000 gallons	3.50		13.00
23	6,001 - 10,000 gallons	4.00		15.50
24	Over 10,000 gallons	8.00		31.00
25	1,001 - 6,000 gallons		\$ 5.50	
26	6,001 - 10,000 gallons		8.00	
27	10,001 - 20,000 gallons		10.00	
28	Over 20,000 gallons		12.00	
29	<u>1" Meter</u>			
30	0 - 3,000 gallons	\$ 3.00		\$ 11.00
31	3,001 - 6,000 gallons	3.50		13.00
32	6,001 - 10,000 gallons	4.00		15.50
33	Over 10,000 gallons	8.00		31.00
34	1,001 - 6,000 gallons		\$ 5.50	
35	6,001 - 10,000 gallons		8.00	
36	10,001 - 20,000 gallons		10.00	
37	Over 20,000 gallons		12.00	
38	0 - 12,000 gallons			\$ 15.50
39	Over 12,000 gallons			31.00
40	<u>1-1/2" Meter</u>			
41	0 - 3,000 gallons	\$ 3.00		
42	3,001 - 6,000 gallons	3.50		
43	6,001 - 10,000 gallons	4.00		
44	Over 10,000 gallons	8.00		
45	1,001 - 6,000 gallons		\$ 5.50	
46	6,001 - 10,000 gallons		8.00	
47	10,001 - 20,000 gallons		10.00	
48	Over 20,000 gallons		12.00	

1	0 – 18,000 gallons			\$ 15.50
	Over 18,000 gallons			31.00
2	<u>2" Meter</u>			
	0 – 3,000 gallons	\$	3.00	
3	3,001 – 6,000 gallons		3.50	
	6,001 – 10,000 gallons		4.00	
4	Over 10,000 gallons		8.00	
	1,001 – 6,000 gallons			\$ 5.50
5	6,001 – 10,000 gallons			8.00
	10,001 – 20,000 gallons			10.00
6	Over 20,000 gallons			12.00
7	0 – 25,000 gallons			\$ 15.50
	Over 25,000 gallons			31.00
8	<u>3" Meter</u>			
	0 – 3,000 gallons	\$	3.00	
9	3,001 – 6,000 gallons		3.50	
	6,001 – 10,000 gallons		4.00	
10	Over 10,000 gallons		8.00	
	1,001 – 6,000 gallons			\$ 5.50
11	6,001 – 10,000 gallons			8.00
	10,001 – 20,000 gallons			10.00
12	Over 20,000 gallons			12.00
13	0 – 43,000 gallons			\$ 15.50
	Over 43,000 gallons			31.00
14	<u>4" Meter</u>			
	0 – 3,000 gallons	\$	3.00	
15	3,001 – 6,000 gallons		3.50	
	6,001 – 10,000 gallons		4.00	
16	Over 10,000 gallons		8.00	
	1,001 – 6,000 gallons			\$ 5.50
17	6,001 – 10,000 gallons			8.00
	10,001 – 20,000 gallons			10.00
18	Over 20,000 gallons			12.00
19	0 – 63,000 gallons			\$ 15.50
	Over 63,000 gallons			31.00
20	<u>6" Meter</u>			
	0 – 3,000 gallons	\$	3.00	
21	3,001 – 6,000 gallons		3.50	
	6,001 – 10,000 gallons		4.00	
22	Over 10,000 gallons		8.00	
	1,001 – 6,000 gallons			\$ 5.50
23	6,001 – 10,000 gallons			8.00
	10,001 – 20,000 gallons			10.00
24	Over 20,000 gallons			12.00
25	0 – 123,000 gallons			\$ 15.50
	Over 123,000 gallons			31.00
26	...			
27	...			
28	...			

SERVICE LINE AND METER INSTALLATION CHARGES:  
(Refundable pursuant to A.A.C. R14-2-405)

	Association		Staff Recommended		Total Charge
	Present Rates	Proposed Charges	Service Line Charge	Meter Charge	
5/8 x 3/4" Meter	\$ 450.00	\$7,500.00	\$ 1,700.00	\$ 300.00	\$2,000.00
3/4" Meter	515.00	N/A	1,700.00	380.00	2,080.00
1" Meter	590.00	N/A	1,750.00	420.00	2,170.00
1-1/2" Meter	820.00	N/A	1,785.00	630.00	2,415.00
2" Meter	1,380.00	N/A	1,945.00	1,130.00	3,075.00
3" Meter	1,935.00	N/A	2,120.00	1,635.00	3,755.00
4" Meter	3,030.00	N/A	2,485.00	2,515.00	5,000.00
6" Meter	5,535.00	N/A	3,045.00	4,710.00	7,755.00

	Association		Staff Recommended
	Present Rates	Proposed Charges	Service Line Charge
<u>SERVICE CHARGES:</u>			
Establishment	\$ 10.00	\$ 75.00	\$ 30.00
Establishment (After Hours)	0.00	0.00	40.00
Reconnection (Delinquent)	10.00	50.00	30.00
Meter Test (If Correct)	7.50	25.00	25.00
Deposit	*	*	*
Deposit Interest Per Annum	*	*	*
Reestablishment (Within 12 Months)	14.00	75.00	**
NSF Check	25.00	40.00	25.00
Deferred Payment (Per Month)	5.00	10.00	1.50%
Meter Re-Read (If Correct)	5.00	25.00	25.00
Late Payment Charge (Per Month)	0.00	10.00	1.50%

FIRE SPRINKLER MONTHLY SERVICE CHARGE :

4" or Smaller	\$ 0.00	\$ 0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

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

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

\*\*\* 1.00% of Monthly Minimum for a Comparable Sized meter Connection, but no less than \$5 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

53. Staff's adjustments to rate base decreased Groom Creek's proposed rate base by \$28,261 from \$60,018 to \$31,757.

54. Staff adjusted the Applicant's proposed \$60,018 Plant in Service balance downward by \$28,261 for a balance of \$31,757. Staff stated the downward adjustments totaling \$13,364 reflect beginning balances authorized in the prior rate case (Decision No. 62619), and remove plant

1 additions and retirements claimed since 1998 (end of prior test year) through 2006 (end of the current  
2 test year), which Staff could not verify. Further, Staff stated that an increase of \$400 was made to  
3 power operated equipment to reflect the total invoices supporting plant additions.

4 55. Staff proposed upward adjustments in the amount of \$20,279 to Groom Creek's  
5 Accumulated Depreciation by beginning with the balances authorized in the prior rate case (Decision  
6 No. 62619) and applying the authorized depreciation rates to Staff's recommended plant balances for  
7 the years between 2000 through 2006. Staff calculated total Accumulated Depreciation in the amount  
8 of \$257,909.

9 56. Staff calculated a Cash Working Capital allowance in the amount of \$4,982, using the  
10 formula method based on its recommended level of operating expenses.

11 57. Staff's proposed adjustments to rate base are reasonable and should be adopted.

12 58. The Applicant proposed test year operating revenue of \$57,132. Staff proposed an  
13 upward adjustment of \$5,091 to reflect revenue produced by the Applicant's metered water bill count  
14 during the test year. This adjustment is reasonable and will be adopted for total test year operating  
15 revenue of \$62,223.

16 59. Staff proposed a net increase of \$1,201 to the Applicant's proposed test year  
17 Operating Expenses of \$44,324. Staff adjustments included the following: A reduction to Purchased  
18 Water in the amount of \$50 to reflect the aggregate of the test year purchased power invoices; an  
19 increase in Repairs and Maintenance to recognize the total supported expenses during the test year; a  
20 \$592 decrease in Office Supplies & Expenses to reflect the documented test year expenses; a \$6,365  
21 increase for Outside Services to remove \$60 for unsupported bills, to add \$252 for reclassification of  
22 water testing expenses, to add \$3,071 and \$3,102 for annualizing of accounting costs and water  
23 operator services, respectively; a \$252 decrease for Water Testing to reclassify invoices to outside  
24 services; a \$863 decrease in Depreciation Expense to reflect Staff's recommended level of  
25 depreciation expense; and a \$1,578 decrease to remove income tax expenses because Groom Creek is  
26 exempt under Federal laws.

27 60. Staff's recommended adjustments to Groom Creek's Operating Expenses resulted in  
28 total operating expenses of \$45,526. Staff's proposed adjustments to test year Operating Expenses

1 are reasonable and will be adopted.

2 61. Subtracting total Operating Expenses of \$45,526 from total Operating Revenue of  
3 \$62,223 resulted in a net income for Groom Creek of \$16,697 during the test year.

4 62. Staff's recommended revenue produces a pro forma 1.25 Debt Service Coverage  
5 ("DSC") on the Applicant's current outstanding loan of \$145,438 and the new proposed \$1.6 million  
6 20-year amortizing loan at a rate of 4.9 percent, would produce sufficient cash flow for Groom Creek  
7 to meet its financial obligations.

8 63. Groom Creek's application proposes the continued use of a four-tier rate structure,  
9 with breakover points at 6,000, 10,000 and 20,000 gallons for all meter sizes with 1,000 gallons in  
10 the minimum. The Applicant's proposed rates would increase the median usage (1,532 gallon) 5/8" x  
11 3/4-inch meter residential customer's bill from \$18.60 to \$44.93, an increase of \$26.33 or 141.6  
12 percent.

13 64. Staff recommends a four-tier, inverted rate structure for 5/8" x 3/4-inch and 3/4-inch  
14 meters and a two-tier, inverted rate structure for larger meters.

15 65. Based on the 2006 test year, all of Groom Creek's customers are being served by a  
16 5/8" x 3/4 -inch meter size.

17 66. Staff recommends breakover points of 3,000, 6,000 and 10,000 gallons for 5/8" x 3/4  
18 inch customers.

19 67. Staff's proposed rates would increase the median usage (1,532 gallons) 5/8 X 3/4 -inch  
20 meter size residential customer's bill from \$18.60 to \$66.85 per month, an increase of \$48.25 or a  
21 259.4 percent increase.

22 68. Staff's witness, Mr. Gordon Fox, discussed Staff's reasoning for recommending the no  
23 gallons included in the minimum usage charge. Mr. Fox explained under the specific circumstances  
24 of this case where the consumption is fairly low (1,532 gallons) the Commission wants to send a  
25 message that there is a cost to providing water and there is a need to generate the revenues from the  
26 sale of that water. (Tr. Pg. 242, lines 12-25)

27 69. Mr. Fox explained that in Groom Creek's case, the \$50 minimum charge  
28 recommended by Staff represents the equivalent of 62 percent of the revenue requirement, where as

1 in a typical rate design, the minimum charge would represent 30 or 40 percent of the revenue coming  
2 from the minimum charge. (Tr. Pg. 243, lines 1-14)

3 70. Mr. Fox further testified that Staff's recommended \$50 minimum charge is beneficial  
4 for several reasons. First, Staff's recommended rate design is driven by a revenue requirement that  
5 has a debt service to cover payments for a \$1.6 million loan, and those payments will be made on a  
6 monthly basis, which will make it easier for the company to manage its cash flow if it generates the  
7 bulk of its revenues on a monthly basis. Second, because a large portion of Groom Creek's customers  
8 are seasonal and the revenue is being generated to cover the fixed costs of replacing the system, the  
9 fixed minimum charge has to be in place so that seasonal customers are paying their fair share of the  
10 replacement costs for the system. (Tr. Pg. 243, lines 15-25, Pg. 244, lines 1-7)

11 71. We find Staff's proposed rate design reasonable and will adopt it.

12 72. Staff recommends and adopts several of the charges proposed by the Applicant. Staff  
13 adopted the Applicant's proposed charges for Meter Tests and Meter Re-read, finding that they were  
14 a reasonable and normal charge. Staff also recommended that Groom Creek separate charges for  
15 service line and meter installations to ensure that future installation of meters on existing service lines  
16 reflect only that cost.

17 73. Staff recommends alternative service charges for the remaining items as set forth in  
18 Finding of Fact No. 51.

19 74. We find Staff's recommendations for service charges reasonable and will adopt them.

20 75. Staff also recommends :

- 21 a. Groom Creek collect, from its customers, in addition to its regular rates and  
22 charges, a proportionate share of any privilege, sales or use tax per  
Commission Rule (R-14-2-409D.5).
- 23 b. Authorization of the depreciation rates shown in Table B of the Revised  
Engineering Report.
- 24 c. That Groom Creek maintain its records in accordance with the National  
25 Association of Regulatory Utility Commissioners ("NARUC") Uniform  
System of Accounts ("USOA").
- 26 d. That Groom Creek file with Docket Control, as a compliance item in this  
27 docket, a schedule of its approved rates and charges within 30 days of the  
effective date of a Decision in this matter.
- 28 e. That Groom Creek be required to contact customers that are not shown as  
having paid advances, requesting that the customers provide documentation

1 showing their name, date, and amount paid for meter and service line  
2 installations. If customers have the documentation, then the Association  
3 should adjust its records and refund the customers the amounts due, calculated  
4 in accordance with Commission rules within 60 days.

5 76. Staff's recommendations are reasonable and will be adopted.

6 **Existing Water System**

7 77. Groom Creek's existing water system consists of two well sites, two booster systems,  
8 a distribution system serving approximately 228 customers.<sup>7</sup>

9 78. Staff inspected the Groom Creek water system on August 21, 2007. Staff's inspection  
10 determined that:

- 11 a. Groom Creek's non-account water loss of 7 percent is within Staff's acceptable  
12 range for non-account water loss of no more than 10 percent.
- 13 b. Groom Creek's two well sources and storage capacity are adequate to serve its  
14 existing customer base and reasonable growth.
- 15 c. ADEQ has determined that Groom Creek's water system is delivering water  
16 that meets water quality standards as required by the Arizona Administrative  
17 Code ("A.A.C").
- 18 d. The arsenic levels in Groom Creek's two wells are less than 1 part per billion  
19 ("ppb") and meet the new Environmental Protection Agency's ("EPA")  
20 maximum containment level of no more than 10 ppb.
- 21 e. Groom Creek's service area is not located within an Active Management Area  
22 ("AMA") and therefore is not subject to AMA reporting and conservation  
23 requirements.
- 24 f. Groom Creek has no outstanding compliance issues with the ACC.
- 25 g. Groom Creek's curtailment tariff was approved by the Commission on May  
26 25, 2005.
- 27 h. Groom Creek's backflow prevention tariff was approved by the Commission  
28 on March 16, 2008.

29 79. Because an allowance for property tax expense is included in Groom Creek's rates and  
30 will be collected from its customers, the Commission seeks assurances from Groom Creek that any  
31 taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to  
32 the Commission's attention that a number of water companies have been unwilling or unable to fulfill  
33 their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty  
34 years. It is reasonable, therefore, that as a preventive measure Groom Creek shall annually file, as  
35 part of its annual report, an affidavit with the Utilities Division attesting that the Company is current

36 \_\_\_\_\_  
37  
38 <sup>7</sup> Staff's Corrected/Revised Engineering Report, dated July 31, 2008.

1 in paying its property taxes in Arizona.

2 80. Staff's recommendations contained herein are reasonable and should be adopted.

3 **CONCLUSIS OF LAW**

4 1. Groom Creek Water Users Association is a public service corporation within the  
5 meaning of Article XV of the Arizona Constitution and A.R.S. Sections 40-250 and 40-241.

6 2. The Commission has jurisdiction over Groom Creek and the subject matter of the  
7 applications.

8 3. Notice of the applications was provided in the manner prescribed by law.

9 4. The rates and charges established herein are just and reasonable and in the public  
10 interest.

11 5. The financing approved herein is for lawful purposes, within Groom Creek Water  
12 Users Association corporate powers, is compatible with the public interest, with sound financial  
13 practices, with proper performance by Groom Creek of service as a public service corporation, and  
14 will not impair Groom Creek's ability to perform that service.

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

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**ORDER**

IT IS THEREFORE ORDERED that Groom Creek Water Users Association shall file by November 1, 2008, revised rate schedules setting for the following rates and charges:

**MONTHLY USAGE CHARGE:**

(Zero gallons included in minimum)

5	5/8" x 3/4" Meter	\$ 50.00
6	3/4" Meter	50.00
7	1" Meter	125.00
7	1-1/2" Meter	250.00
8	2" Meter	400.00
8	3" Meter	800.00
9	4" Meter	1,250.00
9	6" Meter	2,500.00
10	<u>5/8" x 3/4" Meter</u>	
11	0 - 3,000 gallons	\$ 11.00
11	3,001 - 6,000 gallons	13.00
12	6,001 - 10,000 gallons	15.50
12	Over 10,000 gallons	31.00
13	<u>3/4" Meter</u>	
14	0 - 3,000 gallons	\$ 11.00
14	3,001 - 6,000 gallons	13.00
15	6,001 - 10,000 gallons	15.50
15	Over 10,000 gallons	31.00
16	<u>1" Meter</u>	
17	0 - 12,000 gallons	\$ 15.50
17	Over 12,000 gallons	31.00
18	<u>1-1/2" Meter</u>	
19	0 - 18,000 gallons	\$ 15.50
19	Over 18,000 gallons	31.00
20	<u>2" Meter</u>	
21	0 - 25,000 gallons	\$ 15.50
21	Over 25,000 gallons	31.00
22	<u>3" Meter</u>	
23	0 - 43,000 gallons	\$ 15.50
23	Over 43,000 gallons	31.00
24	<u>4" Meter</u>	
25	0 - 63,000 gallons	\$ 15.50
25	Over 63,000 gallons	31.00
26	<u>6" Meter</u>	
27	0 - 123,000 gallons	\$ 15.50
27	Over 123,000 gallons	31.00

28

1 SERVICE LINE AND METER INSTALLATION CHARGES:  
 2 (Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charge</u>	<u>Meter Charge</u>	<u>Total Charge</u>
3 5/8 x 3/4" Meter	\$ 1,700.00	\$ 300.00	\$ 2,000.00
4 3/4" Meter	1,700.00	380.00	2,080.00
5 1" Meter	1,750.00	420.00	2,170.00
6 1-1/2" Meter	1,785.00	630.00	2,415.00
7 2" Meter	1,945.00	1,130.00	3,075.00
8 3" Meter	2,120.00	1,635.00	3,755.00
9 4" Meter	2,485.00	2,515.00	5,000.00
10 6" Meter	3,045.00	4,710.00	7,755.00

8 SERVICE CHARGES:

	<u>Service Line Charge</u>
9 Establishment	\$ 30.00
10 Establishment (After Hours)	40.00
11 Reconnection (Delinquent)	30.00
12 Meter Test (If Correct)	25.00
13 Deposit	*
14 Deposit Interest Per Annum	*
15 Reestablishment (Within 12 Months)	**
16 NSF Check	25.00
17 Deferred Payment (Per Month)	1.50%
18 Meter Re-Read (If Correct)	25.00
19 Late Payment Charge (Per Month)	1.50%

15 FIRE SPRINKLER MONTHLY SERVICE CHARGE :

16 4" or Smaller	***
17 6"	***
18 8"	***
19 10"	***
20 Larger than 10"	***

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

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

\*\*\* 1.00% of Monthly Minimum for a Comparable Sized meter Connection, but no less than \$5 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

23 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
 24 provided on or after December 1, 2008.

25 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall notify its  
 26 customers of the revised rates and charges authorized herein, and their effective date, in a form  
 27 acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regularly  
 28 scheduled billing.

1 IT IS FURTHER ORDERED that in addition to the collection of its regular rates and charges  
2 Groom Creek Water Users Association shall collect from its customers a proportionate share of any  
3 privilege, sales or use tax per Commission Rule R-14-2-409(D).

4 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall use the  
5 depreciation rates delineated in Table B of the Revised Engineering Report filed in this case on a  
6 going forward basis.

7 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall maintain its  
8 records in accordance with the National Association of Regulatory Utility Commissioners Uniform  
9 System of Accounts on a going forward basis.

10 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall inquire of its  
11 customers that are not currently reported as having paid advances whether they have written  
12 documentation showing their name, date and amount paid for meter and service line installations. If  
13 customers have the documentation, then Groom Creek Water Users Association shall adjust its  
14 records and refund the customers the amounts due, calculated in accordance with Commission rules  
15 within 60 days of the effective date of this Decision.

16 IT IS FURTHER ORDERED that Groom Creek Water Users Association is hereby  
17 authorized to obtain a 18-30-year amortizing loan for an amount not to exceed \$1.6 million at a rate  
18 not to exceed 5.25 percent to finance the Staff recommended capital improvement projects.

19 IT IS FURTHER ORDERED that the financing authority granted herein is expressly  
20 contingent on Groom Creek Water Users Association's use of the proceeds for the capital  
21 improvement projects set forth in attached Exhibit A.

22 IT IS FURTHER ORDERED that any authorization granted in this Order to incur long-term  
23 debt which remains unused as of December 31, 2012, shall terminate as of that date.

24 IT IS FURTHER ORDERED that Groom Creek Water Users Association is authorized to  
25 engage in any transactions and execute any documents necessary to effectuate the financing  
26 authorizations granted herein.

27 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not  
28 constitute or imply approval or disapproval by the Commission of any particular expenditure of the

1 proceeds derived thereby for purposes of establishing just and reasonable rates.

2 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall file with  
3 Docket Control, as a compliance item in this docket, a copy of the fully executed loan documents,  
4 within 60 days of the execution of any transactions.

5 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall file, with  
6 Docket Control, as a compliance item in this docket, all Approvals to Construct and Approvals of  
7 Construction, as they are obtained from the Arizona Department of Environmental Quality, but no  
8 later than 30 days after their receipt, for all projects covered by this financing.

9 IT IS FURTHER ORDERED that Groom Creek Water Users Association shall file with  
10 Docket Control, as a compliance item in this docket, all Approvals of Construction by December 31,  
11 2010.

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IT IS FURTHER ORDERED that Groom Creek Water Users Association 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 \_\_\_\_\_

YBK:db

1 SERVICE LIST FOR: GROOM CREEK WATER USERS ASSOCIATION

2 DOCKET NOS.: W-01865A-07-0385 and W-01865A-07-0384

3  
4 Jerry D. Hodgson, President  
GROOM CREEK WATER USERS ASSOCIATION  
4209 South Adeline Drive  
5 Prescott, AZ 85303

6 Jonathan S. Hoover  
1615 Palmcroft Drive SE  
7 Phoenix, AZ 85007-1735

8 John and Marian Cree  
1016 East Wagon Wheel Drive  
9 Prescott, AZ 86303

10 Patty Berry  
8332 N. 16<sup>th</sup> Street  
11 Phoenix, AZ 85020

12 Mary E. Turbyfill  
4168 Stagecoach Road  
13 Prescott, AZ 86303

14 Marjorie Navarro  
1074 East Wagon Wheel Drive  
15 Prescott, AZ 86303

16 Robert Schulz  
1075 East Wagon Wheel Drive  
17 Prescott, AZ 86303

18 Donald P. Muller  
4491 South Spur Lane  
19 Prescott, AZ 86303

20 Janice Alward, Chief Counsel  
Legal Division  
21 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
22 Phoenix, AZ 85007

23 Ernest G. Johnson, Director  
Utilities Division  
24 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
25 Phoenix, AZ 85007

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## EXHIBIT A

Groom Creek Water Users Association Water System Improvements				Storage Tank	Booster System	Distribution System	Totals
1. Mobilization			4,370	3,842	31,788	40,000	
2. Earthwork							
	Trenching, bedding & backfill				250,000		
	Pavement replacement				24,400		
	Site work		8,250				
3. Concrete							
	Tank foundation		12,750				
	Wash crossing				8,500		
	Thrust work				1,900		
	Valve boxes				13,300		
	Meter boxes				43,750		
5. Building - pump room				9,750			
10. Specialities							
	Painting			7,500			
11. Equipment							
	Booster pump station			30,000			
	hydropneumatic tank			10,000			
13. Special Construction							
	Flow meters				40,625		
	Welded storage tank		82,500				
15. Mechanical							
	C-900 PVC pipe				238,325		
	Copper pipe				49,458		
	Saddle with corp stop				54,200		
	Misc. valves & fittings				28,500		
16. Electrical				33,750			
<b>TOTALS:</b>			<b>107,870</b>	<b>94,842</b>	<b>784,746</b>	<b>987,458</b>	
	Contingency (12%)		12,944	11,381	94,170	118,495	
	Hard Dig contingency				71,250		
	<b>Subtotal:</b>		<b>120,814</b>	<b>106,223</b>	<b>950,166</b>	<b>1,177,203</b>	
	Contractors O&P	22.0%	26,579	23,369	209,036	258,985	
	Regulatory Impacts	0.25%	302	266	2,375	2,943	
	Bonding & Insurance	1.5%	1,812	1,593	14,252	17,658	
	Surveying & Utility location	5%	6,041	5,311	47,508	58,860	
	Engineering	0.0%					
	Construction management	5.0%	6,041	5,311	47,508	58,860	
	<b>TOTALS:</b>		<b>161,589</b>	<b>142,073</b>	<b>1,270,846</b>	<b>1,574,509</b>	
			10%	9%	81%	100%	

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