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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

DEC 22 2008

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

DOCKETED BY [nr]

IN THE MATTER OF THE APPLICATION OF WILHOIT WATER COMPANY, INC. ON BEHALF OF ITS BLUE HILLS NO. 3 SYSTEM FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02065A-07-0313

IN THE MATTER OF WILHOIT WATER COMPANY, INC. ON BEHALF OF ITS BLUE HILLS NO. 3 SYSTEM FOR APPROVAL OF A FINANCING APPLICATION.

DOCKET NO. W-02065A-08-0139

DECISION NO. 70658

ORDER

Open Meeting
December 16 and 17, 2008
Phoenix, Arizona

BY THE COMMISSION:

On May 21, 2007, Wilhoit Water Company, Inc. ("Company" or "Applicant") on behalf of its Blue Hills No. 3 System ("Blue Hills") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On June 19, 2007, the Company filed certification that it had mailed notice of the application to its customers. The Commission has not received any comments or protests in response to the application.

On June 20, 2007, the Commission's Utilities Division ("Staff") issued a Notice of Insufficiency to the Company that its application did not meet the sufficiency requirements of A.A.C. R14-2-103.

On September 10, 2007, Staff issued a Notice of Sufficiency on the Company's rate application and classified the Applicant as a Class E utility.

On November 9, 2007, Staff filed its Staff Report which recommended that Staff's proposed rates and charges be approved. No comments or objections were filed by the Company to Staff's

1 recommendation. Staff's Report included approval of an arsenic removal surcharge mechanism
2 ("ARSM") to address the costs of the removal of arsenic from the Company's water supply.
3 Additionally, Staff recommended approval of long-term debt for the Company related to its ARSM.
4 However, the Applicant had not filed an application for financing approval with the Commission in
5 conjunction with its rate case application. Further, while public notice was provided to the customers
6 of its rate application, there had been no notification to customers of a financing application because
7 the Company had not filed an application for approval of long-term debt.

8 On January 3, 2008, by Procedural Order, the Company was ordered to file a financing
9 application in light of Staff's recommendations in its initial Staff Report. Additionally, public notice
10 of the financing application was ordered to be given by the Company to the Company's customers in
11 a form and manner approved by Staff. Lastly, the time-frame in the rate proceeding was suspended
12 pending Staff's review of the Company's financing application after which Staff was directed to file
13 an amended Staff Report concerning the Company's rate application and a Staff Report on the
14 Company's financing application.

15 On March 6, 2008, the Company filed a financing application in Docket No.
16 W-02065A-08-0139 requesting approval of \$40,000 in long-term debt to fund the costs of an arsenic
17 treatment system.

18 On April 9, 2008, public notice of the financing application was mailed by the Company to its
19 customers.

20 On May 7, 2008, Staff filed an amended Staff Report with respect to the Company's rate
21 application and a Staff Report recommending approval of the Company's financing application in
22 Docket No. W-020565A-08-0139. The Company did not file any objections to the Staff Reports.

23 On June 12, 2008, by Procedural Order, the above-referenced dockets were consolidated for
24 further consideration by 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. Pursuant to authority granted by the Commission, Applicant is an Arizona corporation
3 in good standing engaged in the business of providing water service to a 20 acre area in the vicinity
4 of Dewey in Yavapai County, Arizona.¹

5 2. Applicant's present rates and charges for water were approved in Decision No. 58102
6 (December 9, 1992).

7 3. On May 21, 2007, the Company filed an application requesting authority to increase
8 its rates and charges for water service.

9 4. On June 18, 2007, Applicant mailed notice to its customers of its application for a
10 proposed rate increase by first class U.S. Mail and, in response thereto, no objections or comments
11 have been received by the Commission in opposition to the Company's application.

12 5. On September 10, 2007, Staff filed notice that the Company's rate application had met
13 the Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

14 6. During the test year ("TY") ended December 31, 2006, Applicant served 64 metered
15 customers who were all served by 5/8" by 3/4" meters. Average and median usage by residential users
16 during the TY were 4,639 gallons and 3,404 gallons per month, respectively.

17 7. Staff conducted an investigation of Applicant's proposed rates and charges for water
18 service and filed its initial Staff Report on the Company's rate application request on November 9,
19 2007, and an amended Staff Report on May 7, 2008, recommending that Staff's proposed rates and
20 charges be approved. Staff is also recommending that the Company's service line and meter
21 installation charges be modified as requested by the Company and its other service charges be
22 modified consistent with Staff's recommendations. Staff is further recommending the adoption of an
23 ARSM to address the removal of arsenic from the Company's water supply.

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

26
27 ¹ According to the Commission corporation records, the Company is owned by the Estate of Robert D. Conlin ("Estate")
28 and David A. Conlin, Jr. and is managed by the Glenarm Land Company, Inc. ("Glenarm") which the Estate and Mr.
Conlin also own. They also own the Wilhoit Water Company ("Wilhoit") that owns three other public water systems,
which provide water in the following areas: Thunderbird Meadows in the vicinity of Wilhoit; Yavapai Mobile Home
Estates in the vicinity of Chino Valley; and the Dells Water Company, Inc. in the vicinity of Prescott in Yavapai County.

<u>MONTHLY USAGE CHARGE:</u>	Present	Proposed Rates	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$ 8.00	\$ 10.00	\$ 12.00
3/4" Meter	8.00	10.00	12.00
1" Meter	18.00	22.50	30.00
1 1/2" Meter	40.00	50.00	60.00
2" Meter	64.00	80.00	96.00
3" Meter	120.00	150.00	192.00
4" Meter	200.00	250.00	300.00
5" Meter	300.00	375.00	450.00
6" Meter	400.00	500.00	600.00

Gallons included in minimum 0 0 0

GALLONAGE CHARGES:
(per 1,000 Gallons)

0 to 6,000 Gallons	\$ 2.95	\$ 6.65	N/A
over 6,000 Gallons	3.78	9.30	N/A
0 to 3,000 Gallons	N/A	N/A	\$ 3.00
3,001 to 10,000 Gallons	N/A	N/A	4.50
over 10,000 Gallons	N/A	N/A	5.40
Bulk rate per 1,000 Gallons	N/A	N/A	5.40

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

	Company		Staff's Recommended Charges		
	Current	Proposed	Service Line	Meter	Total
5/8" x 3/4" Meter	\$265.00	\$520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4" Meter	295.00	600.00	385.00	215.00	600.00
1" Meter	345.00	690.00	435.00	255.00	690.00
1 1/2" Meter	520.00	935.00	470.00	465.00	935.00
2" Meter	725.00	1,595.00	630.00	965.00	1,595.00
3" Meter	925.00	2,275.00	805.00	1,470.00	2,275.00
4" Meter	1,550.00	3,520.00	1,170.00	2,350.00	3,520.00
5" Meter	2,638.00	N/A	N/A	N/A	N/A
6" Meter	3,725.00	6,275.00	1,730.00	4,545.00	6,275.00

SERVICE CHARGES:

Establishment	\$ 30.00	\$ 100.00	\$ 30.00
Establishment (After Hours)	0.00	0.00	N/A
Reconnection (Delinquent)	30.00	100.00	30.00
Meter Test (If Correct)	50.00	150.00	50.00
Deposit	0.00	*	*
Deposit Interest	0.0%	*	*
Reestablishment (Within 12 Mos.)	0.00	**	**
NSF Check	15.00	35.00	30.00
Deferred Payment (Per Year)	6.0%	6.0%	6.0%
Meter Reread (If Correct)	15.00	35.00	15.00
Late Payment Penalty	0.00	10.00	***

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:

1	4" or Smaller	N/A	N/A	****
	6"	N/A	N/A	****
2	8"	N/A	N/A	****
	10"	N/A	N/A	****
3	Larger than 10"	N/A	N/A	****

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

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

6 *** 1.5% of unpaid monthly balance.

7 **** 1% of Monthly Minimum for a Comparable Size 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 for the primary water service line.

8 9. Pursuant to the amended Staff Report, Applicant's fair value rate base ("FVRB") is
9 determined to be \$5,108 which is the same as its original cost rate base. The Company's FVRB
10 reflects a \$3,858 adjustment by Staff to Applicant's proposed FVRB due in large part to a \$1,597
11 increase to Applicant's Net Plant and a \$2,261 increase to the Company's working capital.

12 10. Staff decreased Applicant's TY operating expenses by \$6,821 after finding that the
13 Company has failed to maintain separate books and records of revenues, expenses, and rate bases for
14 each of its three systems in accordance with the National Association of Regulatory Utility
15 Commissioners ("NARUC") Uniform System of Accounts ("USOA"). According to the Company, it
16 assigned allocation factors in percentages based on relative customer counts for the systems at an
17 unspecified historical date.

18 11. Staff developed an alternate allocation factor for allocating expenses that could not be
19 directly attributed to one of the other two systems operated by the Company or the Dells system.
20 According to Staff, since the customer counts used by Applicant are stale and because, in some
21 instances, customer count is not the preferred allocation basis, Staff allocated 17.34 percent of shared
22 expenses versus the Company's proposed 20 percent of shared expenses. As a result, the following
23 expenses were substantially reduced by Staff: salaries and wages (\$2,106); repairs and maintenance
24 (\$2,358); miscellaneous expense (\$2,073); and taxes other than income (\$1,355).

25 12. Applicant's present rates and charges produced adjusted operating revenues of
26 \$20,950 and adjusted operating expenses of \$21,274 which resulted in an operating loss of
27 \$324 for the TY.

1 13. The water rates and charges Applicant proposed would produce operating revenues of
2 \$31,403 and adjusted operating expenses of \$22,273, resulting in net operating income of \$9,130.
3 This is a 178.86 percent rate of return on FVRB. This is not a meaningful figure due to the minimal
4 size of the Company's rate base. It equates to a 29.09 percent operating margin.

5 14. The water rates and charges proposed by Staff would produce adjusted operating
6 revenues of \$26,242 and adjusted operating expenses of \$22,274, resulting in net operating income of
7 \$3,968 or a 77.69 percent rate of return on FVRB. Staff's recommended revenue requirement results
8 in an operating margin of 15.12 percent, and provides ample funds to manage contingencies,
9 operating expenses and below the line expenses.

10 15. Applicant's proposed rate schedule would increase the average monthly customer
11 water bill by 88.4 percent, from \$21.68 to \$40.85, and median monthly customer water bill by
12 80.9 percent, from \$18.04 to \$32.62.

13 16. Staff's recommended rates would increase the average monthly customer water bill by
14 30.9 percent, from \$21.68 to \$28.37, and the median monthly customer water bill by 26.5 percent,
15 from \$18.04 to \$22.82.

16 17. According to the initial and amended Staff Reports, the Company is failing to provide
17 water which meets the new arsenic standard. The Arizona Department of Environmental Quality
18 ("ADEQ") Monitoring Assistance Program ("MAP") analysis report for 2007 indicated that the
19 Company's composite arsenic level from its two wells is 18 parts per billion ("ppb").

20 18. In order to address this problem, in the initial Staff Report, Staff determined that the
21 Company would need funds for the engineering, construction and installation of arsenic treatment
22 system, and recommended that the Company seek long-term financing from the Water Infrastructure
23 and Finance Authority of Arizona ("WIFA") to fund the arsenic treatment system. As of the date of
24 the initial Staff Report, Staff determined that \$40,000 is a reasonable estimate for the costs of an
25 arsenic treatment system for Blue Hills.

26 19. Based on Staff's recommendation, the Company has contacted WIFA to begin the
27 process to secure a WIFA loan of up to \$40,000 to purchase and construct an arsenic treatment
28

1 system.

2 20. On March 6, 2008, the Company filed an application for approval to finance \$40,000
3 in long-term debt to fund the costs of an arsenic treatment system as recommended by Staff.

4 21. Staff is recommending an ARSM for the Company due to its current size and limited
5 financial situation and because it does not have access to alternate funding sources to correct the
6 arsenic problem.

7 22. With an ARSM, a methodology will be in place to detail how the surcharge will
8 provide funds for the debt service on the WIFA loan. Upon the Company's determining the final cost
9 needed for a loan to fund the purchase and installation of an arsenic treatment system, the Company
10 can submit an arsenic removal surcharge application to the Commission.

11 23. Staff's analysis is based on Staff's recommendation of rates in this proceeding and the
12 Company's TY financial statements and utilizes pro forma schedules to show the effect of a \$40,000
13 WIFA loan.

14 24. Based on a projected interest rate of eight percent, Staff projects the Company would
15 need additional annual revenues of \$4,239 or approximately \$354 per month to meet the debt service
16 on its hypothetical debt for an arsenic treatment system.²

17 25. Based on a \$40,000 WIFA loan, Staff calculated the monthly surcharge for a 5/8" x
18 3/4" meter customer to be \$5.52.

19 26. According to Staff, if its recommended rates and charges are adopted and a surcharge
20 mechanism utilized as projected by Staff in its report is implemented, the Company's cash flow will
21 provide Applicant with a times interest earned ratio ("TIER") of 2.92 and debt service coverage
22 ("DSC") of 2.32.³ This is sufficient cash flow to support the Company's financing request.

23 27. According to the amended Staff Report, the Company's DSC represents the number of
24 times internally generated cash will cover required principal and interest payments on the long-term
25 debt.

26 _____
27 ² Staff used a \$40,000 long-term loan from WIFA repaid over 20 years with a stated annual interest rate of eight
percent.

28 ³ Staff states a TIER greater than 1.0 means that operating income is greater than interest expense, and that a DSC
greater than 1.0 or more indicates sufficient cash to cover debt obligations.

1 28. According to Staff, the pro forma effects on a monthly bill with an ARSM to fund a
2 \$40,000 loan for an arsenic treatment system will add the following surcharges:

3	5/8" X 3/4" Meter	\$ 5.52
4	3/4" Meter	8.28
5	1" Meter	13.80
6	1 1/2" Meter	27.50
	2" Meter	44.15
	3" Meter	82.79
	4" Meter	137.98
	6" Meter	275.95

7 29. On December 10, 2008, the Company filed exceptions to the Recommended Opinion
8 and Order in this docket in which the Company stated that a loan in the amount of \$40,000 would not
9 be enough to fund the arsenic remediation system and requested instead that the Commission authorize
10 the Company to borrow up to \$70,000 for that purpose. The Company's request that the Commission
11 increase the debt authorization from \$40,000 to \$70,000 is reasonable and we will grant it.

12 30. Based on a projected interest rate of eight percent, Staff projects the Company would
13 need additional annual revenues of \$7,418 or approximately \$619 per month to meet the debt service
14 on a \$70,000, 20-year WIFA loan.

15 31. According to Staff, if its recommended rates and charges were adopted and a
16 surcharge implemented to cover the Company's projected obligations under a \$70,000 WIFA loan,
17 the Company's cash flow will provide the Company with a TIER of 2.20 DSC of 1.75. This is
18 sufficient cash flow to support the Company's request to increase the amount of the WIFA loan to an
19 amount not to exceed \$70,000.

20 32. According to Staff, the pro forma effects on a monthly bill with an ARSM to fund a
21 \$70,000 loan for an arsenic treatment system will add the following surcharges:

22	5/8" X 3/4" Meter	\$ 9.66
23	3/4" Meter	14.49
24	1" Meter	24.15
25	1 1/2" Meter	48.29
26	2" Meter	77.27
	3" Meter	144.87
	4" Meter	241.46
	6" Meter	482.91

27 33. According to the amended Staff Report, the Company has failed in numerous
28 instances to comply with prior Commission Orders. Additionally, in other instances, the Company

1 has failed to respond to other Commission actions and more particularly in Docket No.
2 W-02056A-03-0490, a proceeding in which the Company had filed an application for approval of the
3 sale to the City of Avondale ("City") of that portion of its assets used to serve the Glenarm Farms
4 Water System and to cancel that portion of its Certificate of Convenience and Necessity
5 ("Certificate"). At that time, the assets were encumbered by Maricopa County tax liens totaling
6 approximately \$215,000.

7 34. Staff had recommended that the Company file evidence that the State of Arizona
8 would be paid amounts to satisfy the outstanding personal property tax obligation before the close of
9 escrow. The City had argued that the delinquent tax would be extinguished upon the sale of the
10 Company's assets, but Staff argued that the City was required to pay delinquent property taxes
11 attached to the property that they acquire. In fact, the City had already begun to provide service to
12 the Company's former customers.

13 35. On January 7, 2004, a Recommended Opinion and Order was issued which
14 conditioned approval of the sale of assets and cancellation of the Company's Certificate for the
15 respective service area with filing of evidence showing that the outstanding tax liens would be
16 satisfied before the close of escrow or 30 days of the effective date of the Decision, whichever
17 occurred first. Subsequently, the matter was pulled from the Commission's Open Meeting agenda at
18 the request of the Company. The Company has ignored requests by Staff for information concerning
19 the transaction. As a result, Staff is recommending that the Docket be administratively closed and the
20 appropriate certificated area removed from the Company's service territory on the Commission's
21 maps since the City is serving the area and the Company's system in that area has been abandoned
22 and not included in the current rate request.

23 36. Staff also pointed out that on February 14, 1991, the Commission issued Decision
24 No. 57237 which expressed concern over the probable cross-subsidization among the Company's
25 water systems. In a subsequent rate proceeding, the Commission issued Decision No. 58102
26 (December 9, 1992) which found that the Company was in compliance in keeping its books and
27 records separately for its separate systems. Staff now notes that the Company is no longer in
28 compliance with the NARUC USOA in maintaining its books and records.

1 37. Staff cited several other instances of non-compliance which relate to Decision
2 No. 58102 wherein the Company was required to file copies of the "paid-in-full" tax statements for
3 property tax payments within 90 days of the tax statement due date (due February 1, 1993). The
4 Company was also required to make arrangements with the appropriate taxing authorities to repay
5 accrued property taxes and associated interest and to provide written summaries to the Director of the
6 Utilities Division of the details of such arrangements by June 9, 1993. Staff also points out that the
7 Company is not current on its property and sales tax payments going back to the early 1990s and
8 states that the related systems of the Company owe a total of \$76,343 in back taxes as of April 9, 2008.⁴

9 38. The Company, in response to a Staff Data Request, indicates that it has contacted the
10 Yavapai County Treasurer's Office and that Mr. Ross Jacobs, the County Treasurer, has "indicated a
11 desire to work with the water companies to pay the back taxes in a timely fashion and indicated that
12 he would be open to abating, an as yet undefined portion of the penalties and interest, if a reasonable
13 re-payment plan could be fashioned."

14 39. According to the Company, it can not commit to a re-payment schedule unless current
15 rate requests pending before the Commission are successful. As a result, Staff has concluded that it is
16 appropriate to defer the effective date for any new rates approved regarding any of the Company's
17 systems until the month subsequent to the date a copy of the final agreement between the Company
18 and the Yavapai County Treasurer's Office regarding payment of delinquent taxes is filed in
19 this docket.

20 40. According to the amended Staff Report, the Company is delivering water which meets
21 the water quality standards required by the Safe Drinking Water Act.

22 41. Staff further indicates that while the Company has a Back-Flow Prevention Tariff on
23 file with the Commission, it does not have an approved Curtailment Tariff for this system.

24 42. Staff is additionally recommending that the Commission order the following:

- 25 • that the Applicant file within 30 days of the effective date of this Decision, as a
26 compliance item in this Docket, with the Commission's Docket Control, a copy of the
27 schedule of its approved rates and charges;

28 ⁴ On February 1, 2008, the Company filed a copy of a letter from the Yavapai County Treasurer that back taxes on the Dells system had been paid in full in compliance with Decision No. 70102 (December 21, 2007).

- 1 • that the Company adopt Staff's allocation methodology for shared expenses for its Blue Hills system;
- 2 • that the Commission administratively close Docket No. W-02056A-03-0490 and remove the appropriate area from the Company's service territory as shown on the Commission's Certificate maps;
- 3 • that the Company maintain separate books and records for each of its water systems and the Dells system reflecting separate revenues, expenses and rate bases and additionally provide separate balance sheets for each water system, and, as a compliance item in this Docket, file with the Commission's Docket Control, separate annual reports;
- 4 • that any new rates authorized hereinafter not go into effect for the Company until after an agreement between the Company and the Yavapai County Treasurer's Office is executed for payment for all of its delinquent property taxes on its utility property in Yavapai County and filed with the Commission's Docket Control as a compliance item in this docket;
- 5 • that the Company utilize depreciation rates by individual NARUC category as delineated in Table B of the Engineering Report attached to the Staff Report;
- 6 • that the Company monitor its system and submit the gallons pumped and sold to determine the actual water loss for one full year. The results of this monitoring and reporting should be docketed with the Commission's Docket Control as a compliance item in this docket, within 13 months of the effective of this Decision. If the reported water loss for the period is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes that it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of this Decision;
- 7 • that the Company be required to report its customer count by system in future submittal of its Commission annual reports;
- 8 • that the Company file, by December 31, 2009, with the Commission's Docket Control, as a compliance item in this docket, a letter from the Arizona Department of Water Resources indicating that the Company's water use and monitoring requirements have been resolved;
- 9 • that the Company file, within 45 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, a Curtailment Tariff in the form found on the Commission's website at www.azcc.gov/divisions/utilities/forms/Curtailment-Std.Pdf for review and certification by Staff;
- 10 • that the Company file, beginning 90 days after the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, the monthly revenues from its standpipe service on a quarterly basis and continue until further notice from Commission;
- 11 • that the Company maintain its books and records including its standpipe service operations in compliance with the NARUC USOA;
- 12 • that the Company be authorized to incur long-term debt in the form of a WIFA loan not to exceed \$40,000 for 20 years at a maximum interest rate of prime plus two percent with the understanding that the Commission will also subsequently consider an arsenic removal surcharge to enable the Company to meet its principal and interest obligations on the WIFA loan and incremental income taxes on the surcharge;
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- 1 • that the Company file with the Commission an arsenic removal surcharge tariff application that would enable the Company to meet its principal and interest obligations on the \$40,000 WIFA loan and income taxes on the surcharge;
- 2 • that the Company follow the methodology presented in the amended Staff Report and as shown on Schedules DRE-6, DRE-7 and DRE-8 to calculate the additional revenue to meet its interest, principal, and additional income tax obligations on the WIFA loan using actual loan amounts and use the results to develop its arsenic removal surcharge tariff application. The increase in revenue calculation should be included in the arsenic removal surcharge tariff application;
- 3 • that the arsenic surcharge be a separate line item charge on the customers' monthly bill, labeled as "arsenic surcharge";
- 4 • that the Company file, with the Commission's Docket Control, as a compliance item in this docket, copies of its calculation of its revenue requirement for principal and interest obligations on the WIFA loan and incremental income taxes on the surcharge within 60 days after the loan agreement is signed by both WIFA and the Company;
- 5 • that the Company file, within 60 days after the loan agreement is signed, with the Commission's Docket Control, as a compliance item in this docket, copies of all executed financing documents;
- 6 • that the Company file, within five years of the effective date of this Decision, rate cases for all of its systems and its Dells system;
- 7 • that if the Company fails to file the above rate cases, the arsenic surcharge automatically cease;
- 8 • that the Company file, by December 31, 2009, with the Commission's Docket Control, as a compliance item in this docket, a copy of the ADEQ Certificate of Approval of Construction for the arsenic treatment system;
- 9 • that the Company be authorized to execute any documents necessary to effectuate the authorizations granted herein; and
- 10 • that Applicant, in addition to the collection of its regular rates and charges, collect from its customers, the proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

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

19 44. Under the circumstances, after our review of the applications and the amended Staff
 20 Report, we believe Staff's proposed rates are reasonable and together with Staff's additional
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1 recommendations should be adopted except we will amend the thirteenth and fourteenth bulleted
2 paragraphs of Staff's proposed orders, as outlined in Finding of Fact No. 42, to authorize the
3 Company to borrow from WIFA an amount not to exceed \$70,000, and to require the Company to
4 file an arsenic removal surcharge tariff application to meet its obligations on the \$70,000 WIFA loan
5 and income taxes on the surcharge. However, based on the Company's history, and its failure to
6 maintain its books and records in accordance with the NARUC USOA and its failure to pay property
7 taxes, we shall direct Staff to continue to monitor the conduct and operations of the Company as a
8 regulated public utility which provides water to its customers on its three separate systems in Yavapai
9 County. If Staff determines that the Company continues to fail to lawfully discharge its duties as a
10 public service corporation and fails to maintain its books and records in accordance with the NARUC
11 USOA then Staff shall immediately institute a Complaint and/or Order to Show Cause ("OSC")
12 against Applicant for appropriate relief.

13 45. Staff is further recommending that the Commission administratively close Docket No.
14 W-02056A-03-0490 and remove the appropriate area from the Company's Certificated Service Area
15 as shown on the Commission's Certificate maps reasoning that the case is over four years old, the
16 wells and distribution system have been abandoned, and the City of Avondale provides water service
17 to the Glenarm Farms area for which the Company continues to hold a Certificate.

18 46. We cannot agree with the recommendation by Staff to administratively close Docket
19 No. W-02056A-03-0490 with respect to the Company since there is no indication that the past-due
20 taxes owed by the Company on its property for its Glenarm Farms area have ever been paid.
21 Additionally, the assets were transferred without Commission approval and despite Staff's position
22 that service is now being provided by the City of Avondale to the Glenarm Farms area through the
23 City's distribution system, the law requires that we cancel the Certificate for this area and not merely
24 administratively close the docket. Therefore, the docket shall remain open until the application in
25 that docket for the approval of the transfer of assets and cancellation of that portion of the Company's
26 Certificate to provide service in that area is resolved, or another application filed by the Company
27 leads to a resolution of the issue.

28

CONCLUSIONS OF LAW

1
2 1. Applicant is a public service corporation within the meaning of Article IV of the
3 Arizona Constitution and A.R.S. §§40-250, 40-251, 40-301 and 40-302.

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

6 3. Notices of the applications were provided in the manner prescribed by law.

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

9 5. The proposed long-term financing is for lawful purposes within Applicant's corporate
10 power, is compatible with the public interest, with sound financial interests and proper performance
11 by Applicant of service as a public service corporation and will not impair Applicant's ability to
12 perform that service. The recommended financing approved hereinafter is for the purposes stated and
13 is reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
14 chargeable to operating expenses or to income.

15 6. Staff's recommendations as set forth in Findings of Fact No. 42 are reasonable and
16 should be adopted, except that the Company may incur debt in an amount not to exceed \$70,000 and
17 no rate increase shall be effective until the Company has made arrangements with the Yavapai
18 County Treasurer for the payment of back property taxes and filed evidence of same as described
19 hereinabove, and that Docket No. W-02056A-03-0490 remains open.

20 7. Based on our findings and in light of Staff's recommendations, no hearing is necessary.

ORDER

22 IT IS THEREFORE ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3
23 System is hereby directed to file, with Docket Control, as a compliance item in this docket, on or
24 before January 1, 2008, revised rate schedules setting forth the following rates and charges:

25 **MONTHLY USAGE CHARGE:**

26	⁵ / ₈ " x ³ / ₄ " Meter	\$ 12.00
	³ / ₄ " Meter	12.00
27	1" Meter	30.00
	1 ¹ / ₂ " Meter	60.00
28	2" Meter	96.00

1	3" Meter	192.00
	4" Meter	300.00
	5" Meter	450.00
2	6" Meter	600.00

3 GALLONAGE CHARGES:

4 (per 1,000 Gallons)

5	0 to 3,000 Gallons	\$ 3.00
	3,001 to 10,000 Gallons	4.50
	Excess of 10,000 Gallons	5.40

6	Bulk water rate per 1,000 Gallons	\$ 5.40
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7 SERVICE LINE AND METER INSTALLATION CHARGES:

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

	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>	
9	5/8" x 3/4" Meter	\$ 385.00	\$ 135.00	\$ 520.00
10	3/4" Meter	385.00	215.00	600.00
	1" Meter	435.00	255.00	690.00
11	1 1/2" Meter	470.00	465.00	935.00
	2" Meter	630.00	965.00	1,595.00
12	3" Meter	805.00	1,470.00	2,275.00
	4" Meter	1,170.00	2,350.00	3,520.00
13	5" Meter	N/A	N/A	N/A
	6" Meter	1,730.00	4,545.00	6,275.00

14 SERVICE CHARGES:

15	Establishment	\$ 30.00
	Establishment (After Hours)	N/A
16	Reconnection (Delinquent)	30.00
	Meter Test (If Correct)	50.00
17	Deposit	*
	Deposit Interest	*
18	Reestablishment (Within 12 Months)	**
	NSF Check	30.00
19	Deferred Payment (Per Year)	6.0%
	Meter Reread (If Correct)	15.00
20	Late Payment Penalty	***

21 Monthly Service Charge for Fire Sprinklers:

22	4" or Smaller	****
	6"	****
	8"	****
23	10"	****
24	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).

26 *** 1.5% of unpaid monthly balance.

27 **** 1% of Monthly Minimum for a Comparable Size 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 for the primary water service line.

1 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3 System
2 shall notify its customers of the rates and charges authorized hereinabove and the effective date of
3 same by means of an insert in a regular monthly billing which precedes the month in which they
4 become effective and file a copy of the notice when sent to its customers with the Commission's
5 Docket Control as a compliance item in this docket.

6 IT IS FURTHER ORDERED that the rates and charges authorized herein shall not go into
7 effect until the first day of the month following the filing with the Commission's Docket Control, as a
8 compliance item in this docket, copies of any and all finalized agreements with the Yavapai County
9 Treasurer's Office to pay delinquent property taxes for the Wilhoit Water Company, Inc.'s Blue Hills
10 No. 3 System and any other of its systems which it operates in Yavapai County.

11 IT IS FURTHER ORDERED that the rate increase authorized herein shall be interim and
12 subject to refund if the Company is unable to complete an arsenic treatment facility and meet all
13 ADEQ requirements in compliance with Staff's recommendations in Findings of Fact No. 42.

14 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3 System
15 shall comply with each of the recommendations appearing in Findings of Fact No. 42.

16 IT IS FURTHER ORDERED that the Wilhoit Water Company, Inc.'s Blue Hills No. 3
17 System shall maintain its books and records in compliance with the NARUC USOA.

18 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3 be, and
19 the same hereby, is authorized to issue long-term debt in an amount not to exceed \$70,000 for a term
20 of 20 years at no greater rate of interest than prime plus two percent per annum for the construction of
21 an arsenic treatment system.

22 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3 System is
23 hereby authorized to engage in any transactions and to execute any documents necessary to effectuate
24 the authorization granted hereinabove and file, within 60 days of the loan agreement execution, with
25 the Commission's Docket Control, as a compliance item in this docket, copies of all executed loan
26 documents certifying that the transactions have been completed.

27 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Wilhoit
28 Water Company, Inc.'s Blue Hills No. 3 System using the proceeds for the purposes set forth herein.

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

4 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., Blue Hills No. 3 System, is
5 hereby authorized to file an ACRM to provide for the recovery of arsenic remediation costs as set
6 forth the in the amended Staff Report and further described in Appendix B to the Staff Report.

7 IT IS FURTHER ORDERED that this docket shall remain open to facilitate the
8 implementation of an ACRM for the Wilhoit Water Company, Inc., Blue Hills No. 3 System.

9 IT IS FURTHER ORDERED that the Utilities Division's Staff shall monitor the conduct and
10 operations of Wilhoit Water Company, Inc. including the delinquent taxes owed in Docket No.
11 W-02056A-03-0490 and in the event that Staff determines that Wilhoit Water Company, Inc. is
12 failing to lawfully discharge its duties or failing to maintain its books and records in accordance with
13 the NARUC USOA, or failing to provide service to its customers in a lawful manner, then Staff shall
14 institute a Complaint and/or Order to Show Cause against Wilhoit Water Company, Inc. for
15 appropriate relief.

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1 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Blue Hills No. 3 System in
2 addition to the collection of its regular rates and charges, shall collect from its customers their
3 proportionate share any privilege, sales, or use as provided for in A.A.C. R14-2-409(D).

4 IT IS FURHTER ORDERD that Wilhoit Water Company, Inc.'s Blue Hills No. 3 System
5 shall annually file as part as its annual report, an affidavit with the Utilities Division attesting that the
6 Company is current in paying its property taxes in Arizona.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSIONION.

9

10 *James P. Sloan* *William T. Munderl*
 11 CHAIRMAN COMMISSIONER

12

13 *[Signature]* *[Signature]*
 COMMISSIONER COMMISSIONER

14

15 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto set my hand and caused the official seal of the
18 Commission to be affixed at the Capitol, in the City of Phoenix,
19 this 22nd day of Dec., 2008.

20 *[Signature]*
21 BRIAN C. McNEIL
22 EXECUTIVE DIRECTOR

23

24 DISSENT *Jeffrey W. Hatch-Miller*

25

26 DISSENT _____
27 MES:db

1 SERVICE LIST FOR: WILHOIT WATER COMPANY, INC. – BLUE HILLS NO. 3 SYSTEM

2 DOCKET NOS.: W-02065A-07-0313 AND W-02065A-08-0139

3

4 Douglas G. Martin
MARTIN & BELL, L.L.C.
5 365 East Coronado Road, Suite 200
Phoenix, Arizona 85004-1560
6 Attorney for Wilhoit Water Company, Inc.

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

10 Ernest G. Johnson, Director
Utilities Division
11 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
12 Phoenix, Arizona 85007

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