

ORIGINAL

OPEN MEETING ITEM



COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUN 11 2009

DATE: JUNE 11, 2009
DOCKET NOS: W-01004B-08-0508

DOCKETED BY

TO ALL PARTIES:

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

ASH FORK DEVELOPMENT ASSOCIATION, INC.
DBA ASH FORK WATER SERVICE
(RATES)

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 thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JUNE 18, 2009

Company has waived the 10 days for filing of exceptions

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 Open Meeting to be held on:

JUNE 23, 2009 AND JUNE 24, 2009

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.

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

RECEIVED

JUN 11 P 2:39
AZCC COMMISSION
DOCKET CONTROL

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

www.azcc.gov

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF
9 ASH FORK DEVELOPMENT ASSOCIATION,
10 INC., DBA ASH FORK WATER SERVICE, FOR
11 APPROVAL OF A RATE ADJUSTMENT.

DOCKET NO. W-01004B-08-0508

DECISION NO. _____

OPINION AND ORDER

12 DATE OF HEARING: May 19, 2009

13 PLACE OF HEARING: Phoenix, Arizona

14 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

15 APPEARANCES: Mr. Lewis Hume, Manager, Ash Fork Water Service, on
16 behalf of Ash Fork Development Association, Inc., dba
17 Ash Fork Water Service; and

18 Mr. Wesley Van Cleve, Staff Attorney, Legal Division,
19 on behalf of the Utilities Division of the Arizona
20 Corporation Commission.

21 **BY THE COMMISSION:**

22 This case involves an application for a permanent rate increase filed by Ash Fork
23 Development Association, Inc., dba Ash Fork Water Service ("Ash Fork"), an Arizona nonprofit
24 corporation engaged in providing water utility service in an area approximately 50 miles west of
25 Flagstaff, in Yavapai County, Arizona. Ash Fork's current rates and charges were established in
26 Decision No. 67158 (August 10, 2004).

27 * * * * *

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

FINDINGS OF FACT

1. Ash Fork is an Arizona nonprofit C corporation providing water utility service to
approximately 502 customers in a service area approximately 50 miles west of Flagstaff, in Yavapai

1 County, Arizona, pursuant to a Certificate of Convenience and Necessity ("CC&N") transferred to
2 Ash Fork in Decision No. 43321 (May 23, 1973). Ash Fork provides water utility service both in the
3 form of traditional metered service to residential and commercial buildings and through extensive
4 bulk water sales. The bulk water sales are made primarily to permanent standpipe customers, who
5 are billed on a monthly basis and are provided access codes to obtain bulk water from either of two
6 standpipe facilities after completing a contract and posting a deposit and establishment fee. (Tr. at
7 29-30.) Additional bulk water sales are made to unknown customers through two coin-operated
8 filtered water machines that allow users to obtain one to five gallons of filtered water at a time and
9 through a coin-operated standpipe that allows users to obtain larger quantities of water. (Tr. at 28-
10 29.) In 2007, Ash Fork served approximately 236 traditional metered customers, the vast majority of
11 whom are served by ¾" meters, and approximately 265 permanent standpipe customers. (See Ex. A-
12 2; Ex. A-7.)

13 2. Ash Fork's current rates and charges for water utility service were approved in
14 Decision No. 67158 (August 10, 2004).

15 3. On October 1, 2008, Ash Fork filed with the Arizona Corporation Commission
16 ("Commission") a Rate Application for Water Companies with Annual Gross Operating Revenues of
17 Less than \$250,000 ("small company application"), along with a request for permission to file the
18 small company application and for waiver of the requirement to file Schedules A through H. Ash
19 Fork used calendar year 2007 as its test year ("TY"). In its application, Ash Fork included a
20 document stating that Ash Fork had mailed notice of the application to its customers by First-Class
21 U.S. Mail on October 1, 2008, along with their October bills. Ash Fork also stated that notice had
22 been posted at its coin-operated facility and its filtered water dispensers and had been included in its
23 October 2008 newsletter, which is available in various locations within the community.

24 4. On October 31, 2008, the Commission's Utilities Division Staff ("Staff") filed a Letter
25 of Sufficiency stating that Ash Fork's application had met the sufficiency requirements outlined in
26 Arizona Administrative Code ("A.A.C.") R14-2-103, classifying Ash Fork as a Class C utility,
27 stating that Ash Fork had permission to file the small company application, and stating that Ash Fork
28 had been granted a waiver from the requirement to file Schedules A through H.

1 5. On November 7, 2008, a Procedural Order was issued scheduling a telephonic
2 procedural conference in this matter for November 14, 2008.

3 6. On November 14, 2008, a procedural conference was held, with Ash Fork represented
4 by its Manager, Lewis Hume, and Staff represented by counsel. During the procedural conference, it
5 was determined that Mr. Hume had been authorized by Ash Fork's board to represent Ash Fork in
6 this matter, although a formal resolution had not yet been passed, and that a hearing should be held in
7 this matter. The procedural schedule was also determined.

8 7. On November 19, 2008, a Procedural Order was issued memorializing the procedural
9 schedule determined at the procedural conference and establishing related procedural deadlines and
10 requirements.

11 8. On November 24, 2008, Ash Fork filed a board resolution authorizing Mr. Hume to
12 serve as Ash Fork's representative for this matter.

13 9. On March 12, 2009, Ash Fork filed a document stating that public notice of the
14 hearing in this matter had been mailed to each current Ash Fork customer along with the customer's
15 water bill on February 27, 2009; that notice had been posted at Ash Fork's coin-operated standpipe
16 and its two filtered water dispensers; that notice had been included in Ash Fork's February/March
17 newsletter available February 1, 2009; and that notice had been published in the *Williams-Grand*
18 *Canyon News* on February 25, 2009.

19 10. On March 16, 2009, Staff filed its Staff Report, recommending approval of a rate
20 increase in accordance with Staff's recommendations.

21 11. On March 25, 2009, Ash Fork filed a Response to Staff Report, stating that Ash Fork
22 agreed with Staff's recommended rates and charges, that water loss for 2008 was 8 percent, pointing
23 out a typographical error, and asking a question about the threshold for the Staff-recommended third-
24 tier commodity rate.

25 12. On March 27, 2009, Staff filed a Notice of Errata correcting the typographical error
26 pointed out by Ash Fork and correcting the threshold for the Staff-recommended third-tier
27 commodity rate.

28 13. On May 5, 2009, a pre-hearing conference was held at the Commission's offices in

1 Phoenix, Arizona, with both Ash Fork and Staff appearing telephonically. At the pre-hearing
2 conference, the parties were informed of specific questions to address at the hearing, and the general
3 process of the hearing was discussed.

4 14. On May 19, 2009, a full evidentiary hearing was held before a duly authorized
5 Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona. Ash
6 Fork appeared through Mr. Hume, and Staff appeared through counsel. Both Ash Fork and Staff
7 presented evidence and testimony, with Ash Fork providing the testimony of Mr. Hume and Staff
8 providing the testimony of Jian Liu, Staff Water/Wastewater Engineer, and Marvin Millsap, Staff
9 Financial Rate Analyst. Ash Fork was directed to file a late-filed exhibit ("LFE") including its
10 estimated costs to install service lines and meters, and Staff was directed to file two LFEs, one
11 including Staff's general recommended range for service line and meter installation charges and one
12 clarifying Staff's adjustment to the wells and springs expense category.

13 15. Ash Fork and Staff both filed their LFEs on May 26, 2009.

14 16. A customer comment supporting the requested rate increase generally, but requesting
15 that the bulk water rate increase be granted at a level less than that requested by Ash Fork, was filed
16 on October 20, 2008. Customer comments opposing the requested rate increase were filed by one
17 customer, with filings made on November 3 and 4, 2008, and May 19, 2009.

18 17. The water rates and charges for Ash Fork at present, proposed by Ash Fork, and
19 recommended by Staff are as follows:

<u>MONTHLY USAGE CHARGE:</u>	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$ 11.00	\$ 12.00	\$ 12.00
3/4" Meter	11.00	12.00	12.00
1" Meter	16.00	18.00	18.00
1 1/2" Meter	22.00	24.00	24.00
2" Meter	30.00	35.00	35.00
3" Meter	50.00	55.00	55.00
4" Meter	90.00	100.00	100.00
6" Meter	100.00	120.00	120.00
Commodity Rates (Per 1,000 Gallons)			
<u>Residential—All Meter Sizes</u>			
0 to 6,000 Gallons	\$3.35	\$3.75	
6,001 to 12,000 Gallons	3.75	4.20	

1	Over 12,000 Gallons	3.90	4.37	
2	0 to 3,000 Gallons			\$3.35
3	3,001 to 6,000 Gallons			4.00
4	Over 6,000 Gallons			4.66
5	<u>Commercial—All Meter Sizes</u>			
6	0 to 6,000 Gallons	\$3.35	\$3.75	
7	6,001 to 12,000 Gallons	3.75	4.20	
8	Over 12,000 Gallons	3.90	4.37	
9	0 to 6,000 Gallons			\$4.00
10	Over 6,000 Gallons			4.66
11	<u>Standpipe/Bulk</u>			
12	Per 1,000 Gallons	\$8.00	\$9.20	\$9.20
13	<u>Coin-Operated Standpipe</u>			
14	Per 25 Gallons	\$0.25	\$0.25	\$0.25
15	<u>Filtered Water Dispenser</u>			
16	Per Gallon	\$0.25	\$0.25	\$0.25

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

STAFF RECOMMENDED

	<u>Present</u>	<u>Company Proposed</u>	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total</u>
17					
18	\$ 216.00	\$ 350.00	\$ 280.00	\$ 70.00	\$ 350.00
19	270.00	350.00	280.00	70.00	350.00
20	306.00	420.00	290.00	130.00	420.00
21	546.00	900.00	470.00	430.00	900.00
22	780.00	1,340.00	600.00	740.00	1,340.00
23	900.00	2,100.00	810.00	1,290.00	2,100.00
24	1,020.00	2,800.00	1,000.00	1,800.00	2,800.00
25	1,140.00	3,600.00	1,100.00	2,500.00	3,600.00

	<u>Present Rates</u>	<u>Company</u>	<u>Staff</u>
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
75			
76			
77			
78			
79			
80			
81			
82			
83			
84			
85			
86			
87			
88			
89			
90			
91			
92			
93			
94			
95			
96			
97			
98			
99			
100			

1	Meter Re-Read (If Correct)	10.00	10.00	10.00
1	Meter Test (If Correct)	10.00	40.00	40.00
2	Deposit (Residential & Commercial)	**	**	**
2	Deposit Interest	6.0%	**	**
3	Monthly Service Charge for Fire Sprinkler (All Sizes)	***	***	***

4 * Months off system times the monthly minimum (R14-2-403(D)).
5 ** Per Commission rule (R-14-2-403(B)).
6 *** 1.0 percent of monthly minimum for a comparably sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

7 18. Staff determined Ash Fork's original cost rate base ("OCRB") to be \$792,447. This is
8 a \$2,020,941 decrease from Ash Fork's proposed OCRB of \$2,813,388, resulting from Staff's overall
9 reduction of \$1,575,399 in plant in service, reduction of \$9,440 in accumulated depreciation, and
10 inclusion of \$454,982 in net contributions in aid of construction ("CIAC"). Staff's large overall
11 reduction in plant in service resulted primarily from the disallowance of \$1,854,000 in plant held for
12 future use, consisting of 38 acres of a 40-acre lot purchased by Ash Fork for use as a well field along
13 with a dam and 105-acre reservoir in Coconino County that was gifted to Ash Fork and that is
14 currently being used as a recreational area by the public at large. Staff also made an overall reduction
15 of \$292,002, to record the acquisition of Well #2 and system improvements in 2004 at the correct
16 amounts and in the proper National Association of Regulatory Utility Commissioners ("NARUC")
17 accounts, and a reduction of \$13,401 to transportation equipment to reflect the original cost of the
18 vehicles currently owned by Ash Fork. Staff's adjustments to OCRB are appropriate, and we adopt
19 Staff's recommended OCRB of \$792,447.

20 19. In its application, Ash Fork agreed to have its fair value rate base ("FVRB")
21 determined using original cost less depreciation.

22 20. Staff determined that Ash Fork's FVRB is equivalent to its OCRB of \$792,447. (Tr.
23 at 76.) We find Ash Fork's FVRB to be \$792,447.

24 21. Ash Fork and Staff agreed on TY operating revenues of \$297,619, \$291,623 from
25 water sales and \$5,996 from other operating revenue. During the TY, approximately 66 percent of
26 the water sales revenue came from bulk water sales,¹ which account for 54 percent of the water sold.

27 ¹ For the TY, these bulk water sales break down as follows: 22 percent residential, 25 percent commercial, 14 percent
28 coin-operated standpipes, and 4 percent filtered water machines. The total is greater than the components due to rounding.

1 (Ex. A-2.) We adopt TY operating revenues of \$297,619.

2 22. Staff reduced Ash Fork's TY operating expenses by \$17,036 overall by reducing
3 repair and maintenance expense by \$32,801 to reclassify a pump replacement, normalize expenses,
4 and establish a tank painting reserve based on an eight-year painting cycle; reducing insurance
5 expense by \$1,116 to disallow officers' life insurance premiums and reflect actual TY expense;
6 reducing outside services expense by \$696 to eliminate a dam inspection fee for the plant held for
7 future use and an accounting charge that was incurred in 2006, but paid in the TY; reducing rents by
8 \$2,200 to eliminate an expense from work on the plant held for future use; and increasing
9 depreciation by \$19,777 to record 2004 improvements net of amortization of CIAC in the form of a
10 United States Department of Agriculture grant. These changes bring TY total operating expenses to
11 \$297,526 and TY operating income/loss from (\$16,943) to \$93. Staff's adjustments to operating
12 expenses are appropriate, and we adopt them.

13 23. Ash Fork and Staff agree upon proposed total operating revenue of \$333,840. Using
14 Staff's adjusted TY operating expenses of \$297,526, the proposed total operating revenue of
15 \$333,840 results in operating income of \$36,314, a rate of return of 4.58 percent based on the FVRB
16 of \$792,447, and an operating margin of 10.88 percent.

17 24. Ash Fork's proposed rates would result in a monthly customer water bill of \$34.20 for
18 a customer with a ¾" meter and average usage of 5,919 gallons per month, which is a \$3.37 or 10.9
19 percent increase from the current average monthly water bill of \$30.83. Staff's recommended rates
20 would result in a monthly customer water bill of \$33.73 for the same customer, which is a \$2.90 or
21 9.4 percent increase from the current average monthly water bill.

22 25. Ash Fork's proposed rates would result in a monthly customer water bill of \$24.89 for
23 a customer with a ¾" meter and median usage of 3,438 gallons per month, which is a \$2.37 or 10.5
24 percent increase from the current median monthly water bill of \$22.52. Staff's recommended rates
25 would result in a monthly customer water bill of \$23.80 for the same customer, which is a \$1.28 or
26 5.7 percent increase from the current median monthly water bill.

27 26. The rate designs proposed by Ash Fork and recommended by Staff differ in only one
28 area—commodity rates for traditional metered customers. In the area of commodity rates for

1 traditional metered customers, Staff recommends a lower threshold for customers to progress from
2 one tier to the next, higher rates for residential usage over 3,000 gallons, only a two-tier structure for
3 commercial customers, and higher rates for all commercial usage. Because the competing rate
4 designs will generate equivalent revenue, and Staff's commodity rate design will require higher
5 volume customers to pay higher rates and should have the effect of encouraging water conservation,
6 we find that Staff's commodity rate design is more appropriate and should be adopted. Staff also
7 recommends separating Ash Fork's service line and meter installation charges. We find that Staff's
8 separate service line and meter installation charges are appropriate and should be adopted, as some
9 customers may not have the need for both service line and meter installation at the same time.

10 27. Staff recommends approval of Staff's proposed rates and charges and also
11 recommends the following:

- 12 a. That Ash Fork be required to collect from its customers a proportionate share
13 of any privilege, sales, or use tax per A.A.C. R14-2-409(D)(5);
- 14 b. That Ash Fork be required to file a schedule of its approved rates and charges
15 with Docket Control, as a compliance item in this docket, within 30 days after
16 the Decision in this matter is issued;
- 17 c. That Ash Fork be required to use Staff's depreciation rates by individual
18 NARUC category on a going-forward basis;
- 19 d. That Ash Fork be required to monitor its water system closely and to take
20 action to ensure that lost water remains less than 10 percent in the future; and
- 21 e. That Ash Fork be required, if its water loss is greater than 10 percent at any
22 time before the next rate case, either to develop a plan to reduce its water loss
23 to less than 10 percent or to prepare and file, as a compliance item in this
24 docket,² a report containing a detailed analysis and explanation demonstrating
25 why a water loss reduction to 10 percent or less is not feasible or cost effective.

26 28. Ash Fork does not disagree with any of Staff's recommendations. (Ex. A-6; Tr. at 25-
27

28 ² Staff did not include the language making this a compliance item, but we have made this modification because we believe that it is appropriate.

1 26.)

2 29. According to Staff, water loss should be 10 percent or less and never more than 15
3 percent. For the TY, Ash Fork reported 45,337,000 gallons pumped and 41,050,000 gallons sold,
4 resulting in a water loss of approximately 9.46 percent, just within acceptable limits. For 2002
5 through 2006, Ash Fork had water loss of only 2 to 5 percent. (Tr. at 19; Ex. A-2; Ex. A-3.) Ash
6 Fork testified that the increase in water loss for 2007 was due to two water main breaks that were not
7 discovered promptly, that its water loss for 2008 was 8 percent, and that its water loss for the first
8 four months of 2009 was 7 percent. (Tr. at 19; Ex. A-2; See Ex. A-3.) Ash Fork testified that since
9 the main line breaks in 2007, Ash Fork more routinely surveys its system for leaks and immediately
10 repairs any leaks discovered. (Tr. at 19.)

11 30. Ash Fork testified that the output meter for Well No. 2 started over-registering
12 production by 6 gallons per minute one day in May 2008 and continues to register at this increased
13 figure, which Ash Fork believes could account for 2 to 3 percent of its total water loss.³ (*Id.*) Ash
14 Fork does not intend to repair the output meter for Well No. 2 until it is closer to winter because the
15 current period is a period of high usage for Ash Fork, and Ash Fork would be unable to use Well No.
16 2 during the repair time unless it incurs the expense of buying something to put into place
17 temporarily. (Tr. at 30-31.) Because the evidence establishes that Ash Fork's water loss for 2008
18 and for the first four months of 2009 was within acceptable limits, we believe that it is acceptable for
19 Ash Fork to delay the repair or replacement of the output meter for Well No. 2 until doing so will not
20 cause a water shortage for its customers. However, we urge Ash Fork to complete the repair or
21 replacement as soon as possible and will require Ash Fork to do so by no later than December 31,
22 2009, and to file documentation establishing that the repair or replacement has been completed by no
23 later than February 1, 2010. We also want to make clear to Ash Fork that immediate repair or
24 replacement of this output meter should be included in any plan of action for water loss reduction that
25 Ash Fork is required to create in response to water loss exceeding 10 percent at any point after the
26 effective date of this Decision.

27 ³ If Ash Fork's Well No. 2 over-registers 6 gallons per minute continuously, the total amount of over-registered water
28 annually would be 3,153,600 gallons. This would actually amount to 6.96 percent of water pumped, based on the water pumped in the TY.

1 31. Ash Fork anticipates very minimal customer growth, perhaps one percent per year,
2 consistent with what has occurred within the past six years. (Tr. at 31-32.) Staff determined that Ash
3 Fork's system has adequate well production and storage capacity to serve the existing connections
4 and reasonable growth.

5 32. Staff's Compliance Section showed no delinquent compliance items for Ash Fork as
6 of February 11, 2009.

7 33. A review of Staff's Consumer Services Section database for Ash Fork from January 1,
8 2006, through February 25, 2009, showed no complaints, inquiries, or opinions in 2006 and 2007;
9 one opinion in favor of the requested rate increase in 2008; and no inquiries, complaints, or opinions
10 in 2009. However, Staff testified that there was one complaint/opinion opposed to the requested rate
11 increase in 2008 and one complaint/opinion opposed to the requested rate increase in 2009, which
12 were not revealed in the Consumer Services Section database search.⁴ (Tr. at 48, 69-70.)

13 34. An ADEQ Drinking Water Compliance Status Report dated February 20, 2009, shows
14 that Ash Fork's system has no major deficiencies and is currently delivering water that meets water
15 quality standards required by 40 C.F.R. 141 and 18 A.A.C. 4.⁵ (Ex. A-5.)

16 35. Ash Fork is not located within an Active Management Area and thus is not subject to
17 Arizona Department of Water Resources ("ADWR") monitoring and reporting requirements for
18 groundwater withdrawals. According to Staff, an ADWR Compliance Status Report from October
19 2008 stated that Ash Fork was currently in compliance with ADWR requirements governing water
20 providers and/or community water systems.

21 36. Ash Fork has an approved Curtailment Plan Tariff and an approved Cross-
22 Connection/Backflow Tariff on file with the Commission.

23 37. Ash Fork is in good standing with the Commission's Corporations Division.

24 38. Ash Fork has a certificate of good standing from the Arizona Department of Revenue,
25 dated August 13, 2008. Staff confirmed through the Yavapai County Treasurer's Office that Ash
26

27 ⁴ These are the comments referenced in Findings of Fact No. 16.

28 ⁵ Ash Fork's Well No. 2 initially tested at an arsenic level that exceeded the maximum contaminant level ("MCL") for arsenic, but has subsequently tested at or below the MCL for arsenic without the need for any arsenic removal treatment. (Tr. at 18; Ex. A-2; Ex. A-10.)

1 Fork was current on its property taxes as of December 31, 2007.

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

10 40. Staff's recommendations set forth in Findings of Fact No. 27 are reasonable and
11 should be adopted.

12 **CONCLUSIONS OF LAW**

13 1. Ash Fork is a public service corporation within the meaning of Article XV of the
14 Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-256.

15 2. The Commission has jurisdiction over Ash Fork and the subject matter of the
16 application.

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

18 4. The rates and charges authorized herein are just and reasonable.

19 5. Staff's recommendations set forth in Findings of Fact No. 27 are reasonable and
20 should be adopted.

21 **ORDER**

22 IT IS THEREFORE ORDERED that Ash Fork Development Association, Inc., dba Ash Fork
23 Water Service, is hereby directed to file with Docket Control, as a compliance item in this docket, on
24 or before July 1, 2009, revised rate schedules setting forth the following rates and charges:

25 **MONTHLY USAGE CHARGE:**

26	5/8" x 3/4" Meter	\$ 12.00
27	3/4" Meter	12.00
	1" Meter	18.00
28	1 1/2" Meter	24.00

1	2" Meter	35.00
	3" Meter	55.00
2	4" Meter	100.00
	6" Meter	120.00

Commodity Rates (Per 1,000 Gallons)

Residential—All Meter Sizes

4	0 to 3,000 Gallons	\$3.35
5	3,001 to 6,000 Gallons	4.00
6	Over 6,000 Gallons	4.66

Commercial—All Meter Sizes

7	0 to 6,000 Gallons	\$4.00
8	Over 6,000 Gallons	4.66

Standpipe/Bulk

9	Per 1,000 Gallons	\$9.20
---	-------------------	--------

Coin-Operated Standpipe

11	Per 25 Gallons	\$0.25
----	----------------	--------

Filtered Water Dispenser

13	Per Gallon	\$0.25
----	------------	--------

SERVICE LINE AND METER INSTALLATION

CHARGES:

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

	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total</u>	
17				
18	5/8" x 3/4" Meter	\$ 280.00	\$ 70.00	\$ 350.00
	3/4" Meter	280.00	70.00	350.00
19	1" Meter	290.00	130.00	420.00
	1 1/2" Meter	470.00	430.00	900.00
20	2" Meter	600.00	740.00	1,340.00
	3" Meter	810.00	1,290.00	2,100.00
21	4" Meter	1,000.00	1,800.00	2,800.00
22	6" Meter	1,100.00	2,500.00	3,600.00

SERVICE CHARGES:

23	Establishment	\$20.00
24	Establishment (After Hours)	24.00
25	Reconnection (Delinquent)	15.00
26	Reconnection (Delinquent, After Hours)	24.00
	Reestablishment (Within 12 Months)	*
27	NSF Check	15.00
28	Late Fee Charge (Per Month)	1.5%

1	Meter Re-Read (If Correct)	10.00
	Meter Test (If Correct)	40.00
2	Deposit (Residential & Commercial)	**
	Deposit Interest	**
3	Monthly Service Charge for Fire Sprinkler (All Sizes)	***

4

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

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

7 *** 1.0 percent of monthly minimum for a comparably sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

8 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service

9 provided on and after July 1, 2009.

10 IT IS FURTHER ORDERED that, in addition to collecting its regular rates and charges, Ash

11 Fork Development Association, Inc., dba Ash Fork Water Service, shall collect from its customers a

12 proportionate share of any privilege, sales, or use tax per A.A.C. R14-2-409(D)(5).

13 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc., dba Ash Fork

14 Water Service, shall use the depreciation rates by individual National Association of Regulatory

15 Utility Commissioners plant account set forth in Table H-1 of the Commission's Utilities Division

16 Staff's Engineering Report.

17 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc., dba Ash Fork

18 Water Service, shall monitor its water system closely and shall take action as needed to ensure that

19 lost water remains less than 10 percent in the future.

20 IT IS FURTHER ORDERED that if its water loss is greater than 10 percent at any time before

21 its next rate case, Ash Fork Development Association, Inc., dba Ash Fork Water Service, shall either

22 develop a plan to reduce its water loss to less than 10 percent or prepare and file, as a compliance

23 item in this docket, a report containing a detailed analysis and explanation demonstrating why a water

24 loss reduction to 10 percent or less is not feasible or cost effective.

25 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc., dba Ash Fork

26 Water Service, shall complete the repair or replacement of the output meter for Well No. 2 by no later

27 than December 31, 2009, and shall file, as a compliance item in this docket, no later than February 1,

28

1 2010, documentation establishing that the repair or replacement has been completed.

2 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc., dba Ash Fork
3 Water Service, shall annually file, as part of its annual report, an affidavit with the Commission's
4 Utilities Division attesting that it is current on paying its property taxes in Arizona.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7

8

9 CHAIRMAN _____ COMMISSIONER _____

10

11 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____

12

13 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this ____ day of _____, 2009.

16

17

18 MICHAEL P. KEARNS _____
19 INTERIM EXECUTIVE DIRECTOR

19

20 DISSENT _____

21

22 DISSENT _____

23

24

25

26

27

28

1 SERVICE LIST FOR: ASH FORK DEVELOPMENT ASSOCIATION, INC.,
2 DBA ASH FORK WATER SERVICE

3 DOCKET NO.: W-01004B-08-0508

4 Lewis Hume, Manager
5 ASH FORK DEVELOPMENT ASSOCIATION, INC.,
6 DBA ASH FORK WATER SERVICE
7 Post Office Box 436
8 Ash Fork, AZ 86320

9 Janice Alward, Chief Counsel
10 Wesley Van Cleve, Attorney
11 Legal Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, AZ 85007

15 Ernest Johnson, Director
16 Utilities Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, AZ 85007

20
21
22
23
24
25
26
27
28