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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission
DOCKETED

JAN - 6 2010

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

DOCKETED BY
nr

IN THE MATTER OF THE APPLICATION OF
PARKER LAKEVIEW ESTATES HOA, INC.,
D/B/A PARKER SPRINGS WATER COMPANY,
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-01853A-09-0226

DECISION NO. 71456

ORDER

Open Meeting
December 22, 2009
Phoenix, Arizona

BY THE COMMISSION:

Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs Water Company ("Parker" or "Company") is an Arizona non-profit corporation engaged in the business of providing water utility service to the public in a portion of Cochise County, Arizona. On May 8, 2009, Parker filed with the Arizona Corporation Commission ("Commission") an application requesting an increase its rates and charges ("Application").

On September 8, 2009, the Commission's Utilities Division Staff ("Staff") determined that Parker's Application was sufficient and classified the Company as a Class E utility.

On November 9, 2009, Staff filed its Staff Report, recommending Staff's rates and charges be approved without a hearing.

* * * * *

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

FINDINGS OF FACT

1. Parker is an Arizona non-profit corporation engaged in the business of providing water utility service to the public in a portion of Cochise County, Arizona, pursuant to authority granted by

1 the Commission in Decision No. 34138 (October 19, 1962).¹ The Company's present rates and
 2 charges for water service were approved in Decision No. 59373 (November 1, 1995).

3 2. On May 8, 2009, Parker filed its Application and notified its customers of the
 4 proposed rates and charges by first class U.S. mail. In response, the Commission received eight
 5 customer comments; however, two of the comments were from non-customers.² Of the remaining six
 6 comments, four were in opposition to a rate increase, one was in favor of Parker's requested increase,
 7 and one was in favor of a rate increase, but felt the Company's request was too high.

8 3. On June 8, 2009, Staff filed its Letter of Deficiency and First Set of Data Requests.

9 4. On August 14, 2009, the Company filed its responses to the data requests.

10 5. On September 8, 2009, Staff determined that Parker's Application was sufficient and
 11 classified the Company as a Class E Utility.

12 6. On November 9, 2009, Staff filed its Staff Report, recommending an alternative rate
 13 schedule and making other recommendations.

14 7. During the test year ended December 31, 2008, the Company served 38 metered
 15 customers, 20 of which were served by 5/8 x 3/4-inch meters, and 18 of which were served by 3/4-
 16 inch meters. According to the Engineering Report attached to the Staff Report as Attachment A
 17 ("Engineering Report"), Parker reported that only five of its 38 customers during the test year were
 18 full-time residents.

19 8. Average and median usage by customers on the 5/8" x 3/4" meters during the test year
 20 were 866 and 208 gallons per month, respectively.

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25 _____
 26 ¹ The Certificate of Convenience and Necessity was transferred to Parker Lakeview Estates HOA in Decision No. 57431
 (June 19, 1991).

27 ² One of the comments was from a family member of a customer. She stated that her parents, who are customers of the
 Company, could not afford a rate increase. Her parents did file a customer comment in opposition to a rate increase. The
 28 other non-customer comment was from an individual who is seeking water service from the Company. He stated he is
 opposed to a rate increase.

1 9. The rates and charges for the Company at present, as proposed in the Application, and
2 as a recommended by the Staff are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$ 27.00	\$ 40.00	\$ 33.50
3/4" Meter	27.00	40.00	36.00
1" Meter	45.00	100.00	83.00
1 1/2" Meter	90.00	100.00	165.00
2" Meter	144.00	200.00	270.00
3" Meter	270.00	200.00	535.00
4" Meter	450.00	300.00	840.00
5" Meter	675.00	300.00	See note below
6" Meter	900.00	300.00	1,070.00

10 Note: 5-inch meters do not exist and
11 this item should be removed from the
12 tariff.

Commodity Rates (per 1,000 gallons)

All meter sizes

All gallons per 1,000 gallons	\$2.60	\$3.00	N/A
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**Additional Surcharge in addition to
the above commodity rate of \$3.00**

per 1,000 gallons

6,000 gallons to 7,999 gallons	N/A	\$5.00	N/A
8,000 gallons to 9,999 gallons	N/A	10.00	N/A
10,000 gallons to 11,999 gallons	N/A	15.00	N/A
All gallons over 11,999 gallons	N/A	20.00	N/A

5/8 x 3/4-inch Meter

0 gallons to 3,000 gallons	N/A	N/A	\$2.70
3,001 gallons to 8,000 gallons	N/A	N/A	3.00
Over 8,000 gallons	N/A	N/A	3.25

3/4-inch Meter

0 gallons to 3,000 gallons	N/A	N/A	2.70
3,001 gallons to 8,000 gallons	N/A	N/A	3.00
Over 8,000 gallons	N/A	N/A	3.25

1-inch Meter

0 gallons to 10,000 gallons	N/A	N/A	3.00
Over 8,000 gallons	N/A	N/A	3.25

1.5-inch Meter

0 gallons to 20,000 gallons	N/A	N/A	3.00
Over 20,000 gallons	N/A	N/A	3.25

2-inch Meter

0 gallons to 40,000 gallons	N/A	N/A	3.00
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1	Over 40,000 gallons	N/A	N/A	3.25
	3-inch Meter			
2	0 gallons to 144,000 gallons	N/A	N/A	3.00
	Over 144,000 gallons	N/A	N/A	3.25
3	4-inch Meter			
4	0 gallons to 225,000 gallons	N/A	N/A	3.00
	Over 225,000 gallons	N/A	N/A	3.25
5	6-inch Meter			
6	0 gallons to 450,000 gallons	N/A	N/A	3.00
	Over 450,000 gallons	N/A	N/A	3.25
7	Construction/Bulk per 1,000 gallons	N/A	N/A	3.25
	- all gallons			

SERVICE LINE AND METER INSTALLATION CHARGES:

	<u>Company Present</u>	<u>Company Line Charge</u>	<u>Company Installation</u>	<u>Company Proposed</u>	<u>Staff Recommended Line Charge</u>	<u>Staff Recommended Installation</u>	<u>Staff Recommended Total</u>	
10	5/8" x 3/4" Meter	\$ 350.00	\$ 300.00	\$ 150.00	\$ 450.00	\$ 415.00	\$ 105.00	\$ 520.00
	3/4" Meter	350.00	300.00	250.00	550.00	415.00	205.00	620.00
	1" Meter	400.00	480.00	300.00	780.00	480.00	300.00	780.00
11	1 1/2" Meter	550.00	550.00	500.00	1,050.00	550.000	500.000	1,050.00
	2" Meter	800.00	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
	3" Meter	1,050.00	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
12	4" Meter	1,750.00	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
	6" Meter	3,800.00	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

SERVICE CHARGES:

	<u>Current Charges</u>	<u>Company Proposed</u>	<u>Staff Recommendations</u>	
16	Establishment	\$15.00	\$30.00	\$30.00
	Establishment (After Hours)	25.00	40.00	40.00
17	Reconnection (Delinquent)	25.00	30.00	30.00
	Reconnection (Delinquent) After hours	25.00	40.00	40.00
18	Meter Test (If Correct)	25.00	30.00	30.00
	Deposit	Per Rule	Per Rule	*
19	Deposit Interest	6.00%	2.00%	6.00%
20	Re-establishment (Within 12 months)	Per rule	**	**
	NSF Check	15.00	20.00	20.00
21	Deferred Payment	1.50%	1.50%	1.50%
	Meter Re-Read (If Correct)	5.00	15.00	15.00
22	Late Fee	N/A	N/A	***

Monthly Service Charge for Fire Sprinkler:

24	4" or Smaller	***	***	****
	6"	***	***	****
25	8"	***	***	****
	10"	***	***	****
26	Larger than 10"	***	***	****

- 1 * Per Commission rule A.A.C. R-14-2-403(B).
2 ** Months off system times the minimum (R14-2-403D).
3 *** 1.50 percent on the unpaid balance per month.
4 **** 2.00 percent of Monthly Minimum for a Comparable Size Meter Connection, but no
5 less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable
6 for service lines separate and distinct for the primary water service line.

7 10. According to the Staff Report, Parker's original cost rate base ("OCRB") is \$36,713,
8 which is the same as its fair value rate base ("FVRB"). This is a \$1,234 increase to Parker's
9 proposed OCRB of \$35,479, based upon Staff's adjustment to working capital. Staff's proposed rate
10 base adjustment is reasonable and will be adopted.

11 11. In the test year, Parker collected total operating revenues of \$13,390, and Staff made
12 no adjustments to test year operating revenues.

13 12. Staff made two adjustments to Parker's test year operating expenses of \$13,969,
14 including a decrease of \$416 for water testing costs and a decrease of \$500 for outside services.
15 Staff's recommended net decrease of \$916 to operating expenses resulted in recommended total test
16 year operating expenses of \$13,053. Staff's proposed adjustments to test year operating expenses are
17 reasonable and will be adopted.

18 13. Based on Staff's analysis, Parker's present rates and charges produced operating
19 revenues of \$13,390 and adjusted operating expenses of \$13,053, resulting in a net operating income
20 of \$337 for the test year.

21 14. The water rates and charges Parker proposes would produce operating revenues of
22 \$19,478 and operating expenses of \$13,969, resulting in an operating income of \$5,509, for a 15.53
23 percent rate of return on its FVRB.

24 15. The water rates and charges Staff proposes would produce operating revenues of
25 \$16,723 and operating expenses of \$13,053, resulting in an operating income of \$3,670, for a 10.00
26 percent rate of return on its FVRB.

27 16. Parker's proposed rates would increase the median 5/8" x 3/4" meter monthly
28 residential customer bill by \$13.08, or 47.5 percent, from \$27.54 to \$40.62 and would increase the
29 average monthly residential customer bill by \$13.35, or 45.6 percent, from \$29.25 to \$42.60.

1 17. Staff's recommended rates would increase the median 5/8" x 3/4" meter monthly
2 residential customer bill by \$6.52, or 23.7 percent, from \$27.54 to \$34.06 and would increase the
3 average monthly residential customer bill by \$6.59, or 22.5 percent, from \$29.25 to \$35.84.

4 18. Parker proposed a number of changes to its service charges and Staff agreed with the
5 Company's proposals, except that Parker proposed to change deposit interest to 2 percent. Staff
6 asserts its recommendation of a 6 percent deposit interest is reasonable and normal, and notes that,
7 because interest fluctuates, deposit interest has not historically been altered to match current interest
8 rates.

9 19. No objections were filed to the Staff Report.

10 20. Staff recommended that the Commission approve its proposed rates and charges. Staff
11 also made the following additional recommendations.

12 21. Parker may collect from its customers a proportionate share of any privilege, sales or
13 use tax as provided for in Arizona Administrative Code ("A.A.C.") R14-2-409(D).

14 22. Parker should be ordered to file with Docket Control, as a compliance item in this
15 docket, a schedule of its rates and charges within 30 days after the effective date of the Decision.

16 23. Parker should be ordered to use the depreciation rates by individual National
17 Association of Regulatory Utility Commissioners ("NARUC") category on a going-forward basis as
18 delineated in Table B of the Engineering Report, and attached hereto as Exhibit A.

19 24. Engineering Staff found that, during the test year, Parker had a water loss of 16.2
20 percent, which exceeds acceptable limits. Engineering Staff stated that during the test year, the
21 Company installed "blow-off" valves and this work would have contributed to a higher than normal
22 amount of non-account water due to flushing of the lines. According to Engineering Staff, the
23 Company's 2007 Annual Report indicated only a 7.5 percent water loss.

24 25. As such, Staff recommends that Parker should be ordered to monitor the water system
25 and submit the gallons pumped and sold to determine the non-account water for one full year. Parker
26 should coordinate when it reads the well meters each month with the customer billings so that an
27 accurate accounting is determined. The results of this monitoring and reporting should be docketed
28

1 as a compliance item in this docket within 13 months of the effective date of this Decision. If the
2 reported water loss is greater than 10 percent, the Company should prepare a report containing a
3 detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not
4 cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit
5 analysis to support its opinion. In no case should Parker allow water loss to be greater than 15
6 percent. The water loss reduction report or the detailed analysis, whichever is submitted, should be
7 docketed as a compliance item within 15 months of the effective date of this Decision.

8 26. Engineering Staff also noted that Parker does not have an approved curtailment tariff.
9 Staff recommends that Parker should be ordered to file a curtailment tariff no later than 90 days after
10 the effective date of this Decision. The tariff should be filed with Docket Control as a compliance
11 item in this docket and shall generally conform to the sample tariff found at the Commission's
12 website.

13 27. Staff recommends that Parker should be ordered to install or update the Company's
14 information signs at each facility site, such as the well head, generator and storage tank sites. Staff
15 states that the signs should comply with the Arizona Department of Environmental Quality
16 ("ADEQ") requirements and include the system name, system Public Water System Identification
17 and emergency contact phone numbers.

18 28. Staff recommends that Parker file with Docket Control, as a compliance item in this
19 docket, within 45 days of the effective date of this Decision, documentation demonstrating
20 compliance with the informational posting requirements.

21 29. According to the Engineering Report, the Company's current system can adequately
22 serve its present customer base as well as any reasonable growth.

23 30. Staff reports that ADEQ reported no deficiencies for the Company and determined
24 that Parker's water system is currently delivering water that meets the water quality standards
25 required by A.A.C., Title 18, Chapter 4.

1 3. Notice of the Application was provided in the manner prescribed by Arizona law.

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

4 5. Staff's recommendations are reasonable and should be adopted.

5 **ORDER**

6 IT IS THEREFORE ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker
7 Springs Water Company, shall file with Docket Control, as a compliance item in this docket, within
8 30 day of the effective date of this Decision, revised rate schedules setting forth the following rates
9 and charges:

10 **MONTHLY USAGE CHARGE:**

11		
12	5/8" x 3/4" Meter	\$ 33.50
13	3/4" Meter	36.00
14	1" Meter	83.00
15	1 1/2" Meter	165.00
16	2" Meter	270.00
	3" Meter	535.00
	4" Meter	840.00
	6" Meter	1,070.00

17 **COMMODITY RATES:**

18 (per 1,000 gallons)

19 **5/8 x 3/4-inch Meter**

20	0 gallons to 3,000 gallons	\$2.70
	3,001 gallons to 8,000 gallons	3.00
	Over 8,000 gallons	3.25

21 **3/4-inch Meter**

22	0 gallons to 3,000 gallons	2.70
	3,001 gallons to 8,000 gallons	3.00
	Over 8,000 gallons	3.25

23 **1-inch Meter**

24	0 gallons to 10,000 gallons	3.00
	Over 8,000 gallons	3.25

25 **1.5-inch Meter**

26	0 gallons to 20,000 gallons	3.00
	Over 20,000 gallons	3.25

27 **2-inch Meter**

28	0 gallons to 40,000 gallons	3.00
	Over 40,000 gallons	3.25

3-inch Meter

0 gallons to 144,000 gallons 3.00

Over 144,000 gallons 3.25

4-inch Meter

0 gallons to 225,000 gallons 3.00

Over 225,000 gallons 3.25

6-inch Meter

0 gallons to 450,000 gallons 3.00

Over 450,000 gallons 3.25

Construction/Bulk per 1,000 gallons 3.25**- all gallons****SERVICE LINE AND METER INSTALLATION CHARGES:**

5/8" x 3/4" Meter	\$ 415.00	\$ 105.00	\$ 520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	480.00	300.00	780.00
1 1/2" Meter	550.000	500.000	1,050.00
2" Meter	Actual cost	Actual cost	Actual cost
3" Meter	Actual cost	Actual cost	Actual cost
4" Meter	Actual cost	Actual cost	Actual cost
6" Meter	Actual cost	Actual cost	Actual cost

SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	30.00
Reconnection (Delinquent) After hours	40.00
Meter Test (If Correct)	30.00
Deposit	*
Deposit Interest	6.00%
Re-establishment (Within 12 months)	**
NSF Check	20.00
Deferred Payment	1.50%
Meter Re-Read (If Correct)	15.00
Late Fee	***

Fire Sprinkler Charge:

4" or Smaller	****
6"	****
8"	****
10"	****
Larger than 10"	****

- * Per Commission rule A.A.C. R-14-2-403(B).
 ** Months off system times the minimum (R-14-2-403.D).
 *** 1.50 percent on the unpaid balance per month.

1 *** 2.00 percent of Monthly Minimum for a Comparable Size Meter Connection, but no
2 less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable
3 for service lines separate and distinct for the primary water service line.

4 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
5 provided on and after January 1, 2010.

6 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
7 Water Company, shall notify its customers of the rates and charges authorized herein, and their
8 effective date, in a form acceptable to the Commission's Utilities Division Staff, by means of an
9 insert in its next regular scheduled billing.

10 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
11 Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs Water Company, may collect from its
12 customers a proportionate share of any privilege, sales or use tax per A.C.C. R14-2-409(D).

13 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
14 Water Company, shall use the depreciation rates by individual NARUC category as set forth in the
15 attached Exhibit A.

16 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
17 Water Company, shall monitor the gallons pumped and sold to determine the non-account water for
18 one full year. Parker should coordinate when it reads the well meters each month with the customer
19 billings so that an accurate accounting is determined. Parker Lakeview Estates HOA, Inc., d/b/a
20 Parker Springs Water Company, shall file with Docket Control, as a compliance item in this docket,
21 within 13 months of the effective date of this Decision, the results of this monitoring. If the reported
22 water loss is greater than 10 percent, the Company shall prepare a report containing a detailed
23 analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost
24 effective to reduce the water loss to less than 10 percent, it shall submit a detailed cost benefit
25 analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15
26 percent. Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs Water Company, shall file with
27 Docket Control, as a compliance item in this docket, within 15 months of the effective date of this
28 Decision, the water loss reduction report or the detailed analysis.

1 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
2 Water Company, shall file with Docket Control, as a compliance item in this docket, within 90 days
3 of the effective date of this Decision, a curtailment tariff which generally conforms to the sample
4 curtailment tariff found at the Commission's website.

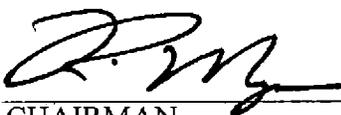
5 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
6 Water Company, shall install or update the Company's information signs at each facility site in
7 compliance with ADEQ requirements and include the system name, system Public Water System
8 Identification and emergency contact phone numbers, and shall file with Docket Control, as a
9 compliance item in this docket, within 45 days of the effective date of this Decision, documentation
10 demonstrating compliance with ADEQ's informational posting requirements.

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1 IT IS FURTHER ORDERED that Parker Lakeview Estates HOA, Inc., d/b/a Parker Springs
2 Water Company, shall annually file as part of its Annual Report, an affidavit with the Utilities
3 Division attesting that the Company is current in paying its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6 

7 CHAIRMAN



COMMISSIONER

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9 COMMISSIONER



COMMISSIONER



COMMISSIONER

11 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
12 Executive Director of the Arizona Corporation Commission,
13 have hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this 6th day of January, 2010.



16 ERNEST G. JOHNSON
17 EXECUTIVE DIRECTOR

18 DISSENT _____

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20 DISSENT _____

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SERVICE LIST FOR: PARKER LAKEVIEW ESTATES HOA, INC., D/B/A
PARKER SPRINGS WATER COMPANY

DOCKET NO. W-01853A-09-0226

Victor Chacon
Parker Lakeview Estates HOA, Inc.,
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EXHIBIT A

Table B. Depreciation Rate Table for Water Companies

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00