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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

FEB - 3 2010

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

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IN THE MATTER OF THE APPLICATION OF  
COMMUNITY WATER COMPANY OF GREEN  
VALLEY FOR A DETERMINATION OF THE  
CURRENT FAIR VALUE OF ITS UTILITY  
PROPERTY AND FOR AN INCREASE IN ITS  
WATER RATES AND CHARGES FOR UTILITY  
SERVICES.

DOCKET NO. W-02304A-08-0590

DECISION NO. 71478

OPINION AND ORDER

DATES OF HEARING:

October 23, 2009 (Pre-Hearing Conference); and  
October 28, 2009 (Evidentiary Hearing)

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Belinda A. Martin

APPEARANCES:

Mr. Jason D. Gellman, ROSHKA, DEWULF &  
PATTEN, PLC, on behalf of Community Water  
Company of Green Valley; and

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

BY THE COMMISSION:

PROCEDURAL HISTORY

Community Water Company of Green Valley ("CWCGV" or "Company") is a member-owned, non-profit water utility cooperative located in an unincorporated portion of Pima County and the Town of Sahuarita.

On December 9, 2008, CCWGV filed with the Arizona Corporation Commission ("Commission") an application for a determination of the current fair value of its utility property and for an increase in its rates and charges for water utility service provided to customers in the Company's certificated service area ("Application"). As part of its Application, the Company filed supporting schedules and the Direct Testimony of its witnesses, Arturo Gabaldon, who is CWCGV's president, and Thomas Bourassa, the Company's financial analyst.

1 On December 22, 2008, the Company filed a supplement to its Application.

2 On January 8, 2009, the Commission's Utilities Division Staff ("Staff") filed a Letter of  
3 Insufficiency stating that the Application did not meet the sufficiency requirements outlined in  
4 Arizona Administrative Code ("A.A.C.") R14-2-103.

5 On January 19, 2009, the Company filed its response to Staff's Insufficiency Letter.

6 On February 11, 2009, Staff filed a letter indicating the Company's Application was  
7 sufficient, and classifying CWCGV as a Class B utility.

8 By Procedural Order issued February 19, 2009, the hearing was scheduled to commence on  
9 October 28, 2009, and the Company was directed to mail to customers and publish notice of the  
10 hearing date, and other procedural timelines were established.

11 On April 14, 2009, the Company filed its Affidavit of Publication and Mailing of the Public  
12 Notice. In response to the Public Notice, one customer filed a comment opposed to the Company's  
13 requested rate increase.

14 On July 15, 2009, CWCGV filed a Water Provider Compliance Status Report and a copy of a  
15 Total GPCD Program to Modified Non-Per Capita Conservation Program Transition Agreement from  
16 the Arizona Department of Water Resources ("ADWR").

17 On August 11, 2009, Staff filed the Direct Testimony of Pedro Chavez, a public analyst for  
18 the Commission, and Jian Liu, a utility engineer for the Commission.

19 On September 8, 2009, CWCGV filed the Rebuttal Testimony of Mr. Gabaldon and Mr.  
20 Bourassa.

21 On September 28, 2009, Staff filed the Surrebuttal Testimony of Mr. Chavez and Mr. Liu.

22 On October 13, 2009, CWCGV filed the Rejoinder Testimony of Mr. Gabaldon and Mr.  
23 Bourassa.

24 On October 23, 2009, a prehearing conference was held to discuss scheduling of witnesses  
25 and other procedural matters related to the hearing.

26 The hearing was held on October 28, 2009, as scheduled. At the hearing, both the Company  
27 and Staff were represented by counsel. No members of the public appeared to provide comment. At  
28 the conclusion of the hearing, post-hearing briefs and reply briefs were ordered to be filed on a

1 schedule agreed to by the parties.

2 On November 9, 2009, the Company filed a Refund Proposal regarding its plan to refund an  
3 overcharge of CWCGV's construction customers.

4 On November 24, 2009, CWCGV and Staff filed their respective initial post-hearing briefs.

5 On December 8, 2009, CWCGV and Staff filed their respective reply briefs.

### 6 OVERVIEW OF APPLICATION

7 During the test year ending December 31, 2007, CWCGV provided water utility service to  
8 approximately 12,000 customers, the vast majority of which are residential retirees<sup>1</sup>, in an  
9 unincorporated portion of Pima County and in the Town of Sahuarita. The Company's existing rates  
10 and charges were established in Decision No. 69205 (December 21, 2006).

11 CWCGV proposes that the Commission adopt rates that would result in an overall increase in  
12 revenues of 26.58 percent. Staff recommends a revenue increase of 26.27 percent. A summary of the  
13 parties' final revenue requirement positions follows:

	<u>Company Proposed<sup>2</sup></u>	<u>Staff Proposed<sup>3</sup></u>
15 ORIGINAL COST <sup>4</sup>		
16 Adjusted Rate Base	\$7,504,829	\$6,991,408
17 Adjusted Operating Inc.	(229,566)	(208,360)
18 Current Rate of Return	-3.06%	-2.98%
19 Rec. Operating Margin	15.00%	15.00%
20 Req'd Operating Inc.	573,759	569,764
21 Rec. Operating Inc.	803,315	778,124
22 Rev. Conver. Factor	1.0000	1.0157
23 Rec. Op. Rev. Inc.	803,315	790,351
24 Adjusted TY Rev.	3,021,743	3,008,077
25 Rec. Ann. Op. Rev	3,825,058	3,798,428
26 Req'd Inc. in Rev. (%)	26.58%	26.27%
27 Rate of Return	7.65%	8.15%

28 These numbers demonstrate that the Company and Staff are close in many of their  
calculations; however, a number of issues remain in dispute between CWCGV and Staff. The first,

<sup>1</sup> Transcript of October 28, 2009, Hearing, page 25-26.

<sup>2</sup> Rejoinder Testimony of Thomas Bourassa (admitted as Exhibit A-7), Rejoinder Schedule A-1, page 1.

<sup>3</sup> Staff's Closing Brief, Final Schedule PMC1. The Original Cost numbers for the Cooperative used by Staff in its Final Schedule PMC-1 are those proposed by the Cooperative in its Direct Testimony of Thomas Bourassa, rather than those proposed in the Company's Rejoinder Schedules.

<sup>4</sup> The Cooperative's Original Cost Rate Base ("OCRB") is the same as its Fair Value Rate Base ("FVRB"). Exhibit A-7, page 3-4.

1 and most contentious, is Staff's treatment of construction work-in-progress ("CWIP") as  
2 contributions in aid of construction ("CIAC"), in rate base calculations. Next, Staff and the Company  
3 disagree as to whether CWCGV's construction customers should be charged a monthly minimum fee.  
4 Third, there is a divergence between the Company's proposed rate structure and that of Staff. The  
5 final issue is CWCGV's disagreement with certain of Staff's recommended miscellaneous service  
6 charges, such as deposit interest and call out charges. Each of these issues is discussed below.

7 **Rate Base, CIAC and CWIP**

8 As noted above, CWCGV proposes a FVRB of \$7,504,829. Staff proposes an adjusted FVRB  
9 of \$6,991,408, based on adjustments to accumulated depreciation and CIAC.

10 The parties remain at odds over the appropriate rate base treatment of \$537,551 of CIAC  
11 associated with CWIP. According to CWCGV, a mismatch would be created if the Commission  
12 were to adopt Staff's recommendation to deduct CIAC related to CWIP from the Company's rate  
13 base because there is currently no corresponding plant-in-service, thus effecting rate base, revenues  
14 and expenses.<sup>5</sup> In its Initial Post-Hearing Brief, the Company summarized its overall position as  
15 follows:

16 Both the Company and Staff properly deduct \$14,578,352 of CIAC from net plant in  
17 service (to determine the amount of rate base) because that amount of CIAC is related to  
18 plant in service and serving customers. But Staff deducts an additional \$537,531 of  
19 CIAC from net plant-in-service. That amount of CIAC relates to CWIP and does not  
20 relate to net plant-in-service. By doing so, Staff does not allow any return [on] an  
21 additional \$537,531 that funded plant *presently* in service and that was not advanced or  
22 contributed. In other words, there is \$537,531 that was provided by the "investors" (*i.e.*,  
the Company's member-customers) that the Company will not earn a return on. As Mr.  
Bourassa stated during the October 28, 2009, hearing, this *understates* the earnings  
because Staff's adjustment includes half of the ratemaking treatment and because the  
plant related to the \$537,531 is not included in the rate base calculation. This results in  
negative impacts to the Company's cash flow.

23 As Mr. Bourassa explained in his pre-filed Rebuttal Testimony, a fundamental tenet of  
24 ratemaking is that CIAC in rate base should be revenue neutral. The utility should not  
25 earn a return on any CIAC-funded plant. CIAC is amortized to offset the depreciation  
26 expense related to CIAC-funded plant in rate base. This results in zero impact on  
27 expenses—in addition to no return on rate base. The balance is preserved.

28 <sup>5</sup> Rebuttal Testimony of Thomas J. Bourassa (admitted as Exhibit A-6), page 5.

1 Including CIAC related to CWIP in rate base without the corresponding plant knocks it  
 2 out of balance and results in a non-revenue-neutral adjustment. This is because CIAC  
 3 related to CWIP is still amortized without the corresponding depreciation expense to keep  
 4 the adjustment revenue neutral...<sup>6</sup>.

5 Additionally, the Company refers to two recent rate cases in which Staff agreed to remove  
 6 CIAC related to plant deemed not to be used and useful, either as plant determined to be excess  
 7 capacity or plant held for future use ("PHFFU").<sup>7</sup> The Company asserts that, by definition, CWIP is  
 8 not used and useful, and, therefore, the CWIP, like excess capacity plant and PHFFU, should be  
 9 removed from plant-in-service, and the associated CIAC should be taken out of rate base  
 10 calculations.<sup>8</sup>

11 Staff recommends that CIAC associated with CWIP should remain in rate base calculations.  
 12 According to Staff, any other treatment is a departure from traditional rate-making practices.<sup>9</sup> Staff  
 13 asserts that CWIP is distinguishable from excess capacity plant or PHFFU because there has not been  
 14 a determination as to whether the future plant to be constructed using CWIP funds is used and useful,  
 15 and the Company acknowledges this difference.<sup>10</sup>

16 Staff also noted that during Mr. Bourassa's testimony, he admitted that the construction being  
 17 paid for with the CWIP funds in this case is now completed and in service.<sup>11</sup> Staff asserts that if the  
 18 Company had waited until the construction was completed before filing a rate case, the CIAC/CWIP  
 19 issue would not exist.<sup>12</sup> Staff further notes that the Company admitted that its asserted mismatch will  
 20 be corrected when CWCGV files its next rate case.<sup>13</sup>

21 The Commission recently considered the specific question of whether CIAC associated with  
 22 CWIP should be removed from rate base. In Decision No.71410 (December 8, 2009),<sup>14</sup> the water  
 23 company in that case asserted similar arguments regarding CWIP as those of CWCGV. That

24 <sup>6</sup> CWCGV's Initial Post-Hearing Brief, pages 3-4 (footnotes omitted, emphasis original).

25 <sup>7</sup> Tr., at 167-172 (regarding the Surrebuttal Testimony of Crystal Brown in Docket No. W-03478A-05-0801, and the  
 Surrebuttal Testimony of Jeffrey Michlik in Docket No. WD-02987A-08-0180.)

26 <sup>8</sup> Tr., at 106-107.

27 <sup>9</sup> Direct Testimony of Pedro Chaves (admitted as Exhibit S-3), page 6.

28 <sup>10</sup> Tr., at 106-107.

<sup>11</sup> Tr., at 122-123.

<sup>12</sup> Staff's Reply Brief, page 2.

<sup>13</sup> Tr., at 108-109.

<sup>14</sup> Decision No. 71410 (December 8, 2009), Docket Nos. W01303A-08-0227 and SW01303A-08-0227.

Decision noted the idea that the CIAC associated with CWIP should be removed from rate base is “contrary to traditional ratemaking practices and contrary to the National Association of Regulatory Commissioners (“NARUC”) definition of CIAC, which does not distinguish between CIAC associated with CWIP and CIAC associated with plant-in-service.”<sup>15</sup> In that Decision the Commission concluded that the evidence presented by the company was not persuasive enough to compel the Commission to depart from the traditional rate-making treatment of deducting CIAC from rate base. We reach the same conclusion here and we adopt Staff’s adjustments. We find Staff’s recommendation of a \$6,991,408 rate base is reasonable and should be adopted as the Company’s FVRB in this proceeding.

### Rate Design

Set forth below are the current, Company proposed, and Staff proposed rates and charges according their respective revenue requirement and rate design recommendations.<sup>16</sup>

	Present Rates	Company Proposed	Staff Recommended
<b><u>MONTHLY USAGE CHARGE:</u></b>			
5/8" x 3/4" Meter (All Classes)	\$11.00	\$13.21	\$13.00
3/4" Meter (All Classes)	11.00	13.21	13.00
1" Meter (All Classes)	20.00	24.02	24.00
1-1/2" Meter (All Classes)	33.00	39.63	40.00
2" Meter (All Classes)	55.00	66.06	67.00
3" Meter (All Classes)	87.00	105.09	105.00
4" Meter (All Classes)	330.00	396.00	400.00
6" Meter (All Classes)	550.00	660.55	650.00
8" Meter (All Classes)	900.00	1,080.90	1,000.00

Construction Water – All Sized Meters

- Minimum depends  
on meter size

### **COMMODITY CHARGES**

#### **5/8x 3/4-Inch Meter (Residential)**

0 to 3,000 Gallons	\$1.25	\$1.54	\$1.30
3,001 to 10,000 Gallons	1.82	2.45	2.50
Over 10,000 Gallons	2.20	3.00	3.42

#### **3/4-Inch Meter (Residential)**

0 to 3,000 Gallons	1.25	1.54	1.30
3,001 to 10,000 Gallons	1.82	2.45	2.50

<sup>15</sup> Decision No. 71410, page 27.

<sup>16</sup> Staff’s Closing Brief, Final Schedule PMC-14.

1	Over 10,000 Gallons	2.20	3.00	3.42
2	<b><u>5/8-Inch Meter (Commercial/Residential and Commercial)</u></b>			
3	1 to 10,000 Gallons	1.82	2.45	2.50
4	Over 10,000 Gallons	2.20	3.00	3.42
5	<b><u>1-Inch Meter (Res., Comm., Res/Comm.)</u></b>			
6	0 to 24,000 Gallons	1.82	2.45	N/A
7	Over 24,000 Gallons	2.20	3.00	N/A
8	0 to 21,000 Gallons	N/A	N/A	2.50
9	Over 21,000 Gallons	N/A	N/A	3.42
10	<b><u>1 1/2-Inch Meter (Res., Comm.)</u></b>			
11	0 to 50,000 Gallons	1.82	2.45	N/A
12	Over 50,000 Gallons	2.20	3.00	N/A
13	0 to 35,000 Gallons	N/A	N/A	2.50
14	Over 35,000 Gallons	N/A	N/A	3.42
15	<b><u>2-Inch Meter (Res., Comm., Res/Comm.)</u></b>			
16	0 – 100,000 Gallons	1.82	2.45	N/A
17	Over 100,000 Gallons	2.20	3.00	N/A
18	0 to 63,000 Gallons	N/A	N/A	2.50
19	Over 63,000 Gallons	N/A	N/A	3.42
20	<b><u>3-Inch Meter (Res., Comm.)</u></b>			
21	0 to 180,000 Gallons	1.82	2.45	N/A
22	Over 180,000 Gallons	2.20	3.300	N/A
23	0 to 103,000 Gallons	N/A	N/A	2.50
24	Over 103,000 Gallons	N/A	N/A	3.42
25	<b><u>4-Inch Meter (Res., Comm.)</u></b>			
26	0 – 380,000 Gallons	1.82	2.45	N/A
27	Over 380,000 Gallons	2.20	3.00	N/A
28	0 to 424,000 Gallons	N/A	N/A	2.50
29	Over 424,000 Gallons	N/A	N/A	3.42
30	<b><u>6-Inch Meter (Res., Comm.)</u></b>			
31	0 – 800,000 Gallons	1.82	2.45	N/A
32	Over 800,000 Gallons	2.20	3.00	N/A
33	0 to 680,000 Gallons	N/A	N/A	2.50
34	Over 680,000 Gallons	N/A	N/A	3.42
35	<b><u>8-Inch Meter (Res. Comm.)</u></b>			
36	0 to 1,250,000 Gallons	1.82	2.45	N/A
37	Over 1,250,000 Gallons	2.20	3.00	N/A
38	0 to 1,050,000 Gallons	N/A	N/A	2.50
39	Over 1,050,000 Gallons	N/A	N/A	3.42
40	<b><u>Construction Water (All Meter Sizes)</u></b>			
41	Excess of Minimum – per 1,000 Gallons			
42	All Gallons	2.50	3.00	3.42
43	<b><u>Standpipe – Fire Hydrants</u></b>			
44	All Gallons	N/A	N/A	N/A

	<u>Present</u>	<u>Company Proposed</u>			<u>Staff Recommended</u>			
	Total	Service Line	Meter Installation	Total	Service Line	Meter Installation	Total	
1								
2	5/8" x 3/4 " Meter	\$ 520.00	\$ 445.00	\$ 238.00	\$ 683.00	\$ 445.00	\$ 155.00	\$ 600.00
3	3/4 " Meter	600.00	445.00	255.00	700.00	445.00	225.00	700.00
3	1" Meter	690.00	495.00	315.00	810.00	495.00	315.00	810.00
4	1-1/2" Meter	935.00	550.00	525.00	1,075.00	550.00	525.00	1,075.00
4	2" Turbine Meter	1,595.00	830.00	1,045.00	1,875.00	830.00	1,045.00	1,875.00
5	2" Compound Meter	2,320.00	830.00	1,890.00	2,720.00	830.00	1,890.00	2,720.00
5	3" Turbine Meter	2,275.00	1,045.00	1,670.00	2,715.00	1,045.00	1,670.00	2,715.00
6	3" Compound Meter	3,110.00	1,165.00	2,545.00	3,710.00	1,165.00	2,545.00	3,170.00
7	4" Turbine Meter	3,520.00	1,490.00	1,737.00	3,227.00	1,490.00	1,737.00	3,227.00
8	4" Compound Meter	4,475.00	1,670.00	3,645.00	5,315.00	1,670.00	3,645.00	5,315.00
8	6" Turbine Meter	6,275.00	2,210.00	3,766.00	5,976.00	2,210.00	3,766.00	5,976.00
9	6" Compound Meter	8,050.00	2,330.00	6,920.00	9,250.00	2,330.00	6,920.00	9,250.00
10	8" Meter	Cost	Cost	Cost	Cost	Cost	Cost	Cost
10	10" Meter	Cost	Cost	Cost	Cost	Cost	Cost	Cost
11	12" Meter	Cost	Cost	Cost	Cost	Cost	Cost	Cost

	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>	
12	<b>SERVICE CHARGES:</b>			
13	Establishment	\$25.00	\$35.00	\$25.00
13	Establishment (After Hours)	35.00	35.00	35.00
14	Reconnection (Delinquent)	25.00	70.00	25.00
14	Reconnection (Delinquent - After hours)	35.00	70.00	35.00
15	Turn On/Off Fee (After Hours)	10.00	See Call Out	10.00
15	Turn On/Off Fee (Sunday/Holiday)	20.00	See Call Out	20.00
16	Call out charge - After hours	See Turn On/Off	70.00	10.00
17	Call out charge - Holiday	See Turn On/Off	140.00	20.00
17	Service Charge during business hours	N/T	N/T	N/T
18	Service Charge after business hours	N/T	N/T	N/T
18	Meter Test	20.00	35.00	20.00
19	Deposit Requirement (Residential)	(a)	2%	(a)
20	Deposit Requirement (Non Residential Meter)	(a)	2%	(a)
21	Hydrant Meter Deposit:*			
21	5/8" x 3/4 " Meter	\$135.00	\$155.00	\$155.00
22	3/4 " Meter	215.00	255.00	255.00
23	1" Meter	255.00	315.00	315.00
23	1-1/2" Meter	465.00	525.00	525.00
24	2" Turbine Meter	965.00	1,045.00	1,045.00
24	2" Compound Meter	1,690.00	1,890.00	1,890.00
25	3" Turbine Meter	1,470.00	1,670.00	1,670.00
25	3" Compound Meter	2,265.00	2,545.00	2,545.00
26	4" Turbine Meter	2,350.00	1,737.00	1,737.00
26	4" Compound Meter	3,245.00	3,645.00	3,645.00
27	6" Turbine Meter	4,545.00	3,766.00	3,766.00
28	6" Compound Meter	6,280.00	6,920.00	6,920.00

1	8"	Cost	Cost	Cost
	10"	Cost	Cost	Cost
2	12"	Cost	Cost	Cost
	Deposit Interest	6.00%**	2.00%**	6.00%**
3	Re-Establishment (Within 12 Months)	(b)	(b)	(b)
	Re-Establishment (After hours)	(b)	(c)	(b)
4	NSF Check	\$25.00	\$35.00	\$25.00
5	Deferred Payment, Per Month	0.00%	1.50%	1.50%
	Meter Re-Read (If Correct)	10.00	25.00	10.00
6	Charge of Moving Customer Meter –	20.00	Cost	20.00
	Customer requested per Rule R14-2-405B			
7	After hours service charge, per Rule R14-2-403D	10.00	Cost	10.00
8	Late Charge per month	1.50%	1.50%	1.50%
9	Meter Tampering Charge	Cost	Cost	Cost
	Meter Box "Cut Lock" Charge	Cost	Cost	Cost
10	Payment via Visa Charge Card (Cost up to 6.00% service charge on bill paid)	Cost	Cost	Cost
11	N/T=No Tariff			

**Monthly Service Charge for Fire Sprinkler**

13	Less than 6"	\$10.00	\$10.00	\$10.00
14	Less than 8"	15.00	15.00	15.00
	Less than 10"	22.50	22.50	22.50
15	Less than 12"	33.75	33.75	33.75

\* Shall be refunded in its entirety upon return of the undamaged meter.

\*\* Per Commission Rules (R14-2-403B).

(a) Residential – two times the average bill. Non-residential – two and one-half times the average bill.

(b) Minimum charge times number of months disconnected.

(c) \$100 Plus \$12.50 times months of system.

In addition to the collection regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5). All advances and/or contributions are to include labor, materials, overheads and all applicable taxes. Cost to include labor, materials and parts overheads and all applicable taxes.

Another disputed issue between the Company and Staff involves the appropriate rate design to be employed in this case. As indicated in the above rate chart, CWCGV's proposed rate design is similar to Staff's to the extent that both include inverted three-tier commodity rates for residential customers, and a two-tier inverted design for commercial, industrial, and irrigation customers served by 5/8-inch through 8-inch meters. In addition, both CWCGV and Staff recommend the same break-over points for 5/8-inch x 3/4-inch meters, and 3/4-inch residential meters.

1 For a residential customer served by a 5/8-inch x 3/4-inch meter with average usage of 4,898  
2 gallons per month, the current monthly charges are \$18.20. Under the Company's proposed rates, a  
3 customer with the same average usage would experience an increase of \$4.28 per month, or 23.49  
4 percent, to \$22.48. For a residential customer with a median usage of 3,500 gallons per month, the  
5 current monthly charges are \$15.66. The Company's proposal would increase this current monthly  
6 bill by \$3.40, or 21.68 percent, to \$19.06.

7 An average usage customer under Staff's recommended rates would experience an increase of  
8 \$3.44 per month, or 18.90 percent, to \$21.65. Staff's recommendation would increase the median  
9 usage customer's monthly bill by \$2.49, or 15.90 percent, to \$18.15.

10 The primary point of disagreement between the parties in the area of rate design is the  
11 proposed break-over points for commercial customers. As indicated above, the Company proposes  
12 an inverted two-tier rate design for non-residential customers, and uses the same break over points as  
13 were established in the prior rate case.<sup>17</sup> CWCGV argues that Staff's rate design shifts too much of  
14 the revenue generation burden onto commercial customers.<sup>18</sup> The Company allows that its rate  
15 design also shifts more of the burden to commercial customers, but at a more gradual rate than that of  
16 Staff.<sup>19</sup>

17 Although Staff's rate design in this matter differs from that adopted in CWCGV's previous  
18 rate case, Staff states that rate design is not static in nature; it evolves "based on the circumstances  
19 that exist in each case to achieve the goal of promoting the efficient use of water while allowing the  
20 Company the opportunity to earn its revenue requirement."<sup>20</sup>

21 According to Staff, the Company's rate design allocates a larger portion of the revenue  
22 generation to the monthly minimum charge; \$13.21 to Staff's recommendation of \$13.00.<sup>21</sup> Staff  
23 notes that the vast majority of the customers are residential,<sup>22</sup> many of whom are retirees on a fixed  
24 income.<sup>23</sup> Staff believes that the Company builds more revenue recovery into what the Company

25 <sup>17</sup> Tr., at 112-113.

26 <sup>18</sup> Exhibit A-6, at 13.

27 <sup>19</sup> *Id.*, at 13-14.

28 <sup>20</sup> Staff's Closing Brief, page 8.

<sup>21</sup> Tr., at 114-115.

<sup>22</sup> Tr., at 21.

<sup>23</sup> Tr., at 25-26.

1 acknowledges is the lowest, non-discretionary tier,<sup>24</sup> and Staff concludes that “the Company’s  
2 proposal shifts recovery of revenue to the fixed monthly minimum and the non-discretionary tier.”<sup>25</sup>  
3 Staff asserts its proposal adopts a lower monthly minimum charge and allocates a lower commodity  
4 rate to the first, non-discretionary tier, but still promotes the efficient use of water, all while allowing  
5 the Company to reach its revenue requirement.<sup>26</sup>

6 We find that Staff’s recommended rate design strikes the more reasonable balance between  
7 encouraging conservation of water through its break over point structure, and protects revenue  
8 stability through collection of revenues through monthly minimum charges. Staff’s recommended  
9 rates and charges are reasonable and shall be approved.

#### 10 Construction Customer Monthly Minimum Charges

11 During the pendency of the rate case, Staff and the Company discovered that CWCGV had  
12 been charging its construction customers a monthly minimum charge, contrary to the tariff currently  
13 in place. Once the Company learned of the error, it ceased charging these customers a monthly  
14 minimum charge, and Staff and CWCGV agreed that the construction customers shall be refunded  
15 the full amount of the overcharges, which total approximately \$22,500.<sup>27</sup> The Company attached to  
16 its Initial Post-Hearing Brief a proposed letter to its construction customers explaining the  
17 overcharge, for inclusion with a refund, and provided the data to Staff so that Staff could verify the  
18 Company’s calculations.<sup>28</sup>

19 We believe it reasonable to require CWCGV to file with Docket Control, as a compliance  
20 item in this docket, no later than May 31, 2010, an Affidavit of Refund indicating that all affected  
21 customers have been reimbursed, and listing the total amount refunded.

22 The Company requests that going forward, it should be permitted to charge its construction  
23 customers a minimum monthly charge. According to CWCGV, it incurs costs on these accounts  
24 because it must read the meter and send out bills, even at zero usage.<sup>29</sup> Additionally, the Company

25  
26 <sup>24</sup> Tr., at 114-115.

27 <sup>25</sup> Staff’s Closing Brief, page 9.

28 <sup>26</sup> *Id.*

<sup>27</sup> CWCGV’s Reply Brief, page 10.

<sup>28</sup> CWCGV’s Initial Post-Hearing Brief, page 8.

<sup>29</sup> Tr., at 41.

1 asserts that without a monthly minimum charge, the customers will be less inclined to return the  
 2 meter.<sup>30</sup> Additionally, the Company points out that “[w]hile Staff argues that the deposit [on the  
 3 meter] would serve as an incentive for these customers to return meters, the Company believes that  
 4 generous six-percent interest on customer deposits Staff continues to endorse will off-set whatever  
 5 incentive there is to return those meters.”<sup>31</sup> (*The issue of deposit interest is discussed below.*)

6 The Company agreed that, although it is permitted to collect a deposit on the meters, it  
 7 currently does not do so.<sup>32</sup> Further, CWCGV admits that it has not had a problem with construction  
 8 meter customers not returning the meters when they are done with them, or when requested by the  
 9 Company to return them.<sup>33</sup> Mr. Gabaldon testified that CWCGV currently does not have an issue  
 10 with construction customers retaining the meters when not using them.<sup>34</sup>

11 Staff recommends that the Commission not adopt the Company’s proposed construction  
 12 customer monthly minimum charge. According to Staff, CWCGV’s current commodity rate for  
 13 construction water is \$2.50. Staff is recommending a \$3.42 commodity charge for construction  
 14 water. Staff asserts that under its proposed rates and charges, which represent the highest commodity  
 15 rates for water, the rates for construction water use and the use of a hydrant meter deposit will  
 16 adequately allow the Company to recoup any costs it incurs in reading the meter and processing a  
 17 monthly bill.<sup>35</sup> Staff’s assertion that adoption of a higher commodity rate will allow the Company to  
 18 collect any bill processing costs does not account for how the Company will recoup those costs  
 19 should a construction customer retain a meter with zero usage and then eventually turn in the meter  
 20 without any additional usage.

21 In order to allow CWCGV to recover its costs associated with bill processing for its  
 22 construction customers, we believe it reasonable to allow the Company to charge its construction  
 23 customers the same minimum monthly service charge as it charges for its permanent meters of the  
 24 equivalent size. Because we are adopting the imposition of a monthly minimum service charge for  
 25

26 <sup>30</sup> Rebuttal Testimony of Arturo Gabaldon (admitted as Exhibit A-3), page 6-7.

27 <sup>31</sup> CWCGV’s Reply Brief, page 11, citing Exhibit A-4, page 2.

28 <sup>32</sup> Tr., at 41.

<sup>33</sup> Tr., at 67.

<sup>34</sup> Tr., at 66-67.

<sup>35</sup> Surrebuttal Testimony of Pedro Chaves (admitted as Exhibit S-4), page 2.

1 construction customers, we find that adopting Staff's recommended commodity charge of \$3.42, in  
 2 addition to a monthly minimum, would lead to an overcharge to the customers. As such, we adopt  
 3 the following construction water rates for all meter sizes: 0 to 1,050,000 Gallons—\$2.50, and over  
 4 1,050,000—\$3.42. The break over points we adopt are reflected in Staff's rates for the largest meter  
 5 size. We believe that this rate structure will encourage the construction companies to conserve water  
 6 while allowing the Company to meet its revenue requirements.

### 7 Miscellaneous Service Charges

#### 8 Deposit Interest

9 In its Application, the Company requests that the Commission approve a decrease to the  
 10 interest rate it must pay on customer deposits it holds from six percent to two percent. In support of  
 11 this request, CWCGV notes that the interest rates currently provided by banks on certificates of  
 12 deposits are substantially lower than six percent.<sup>36</sup> The Company asserts that, although A.A.C. R14-  
 13 2-403(B)(3) allows a deposit interest rate of six percent, a company may request a different rate.<sup>37</sup>

14 Staff does not recommend approval of the Company's request. Staff notes that CWCGV held  
 15 no customer deposits at the end of the test year.<sup>38</sup> Additionally, Staff states that CWCGV has the  
 16 option of recovering any amounts paid in interest on customer deposits as an expense item.<sup>39</sup> Staff  
 17 asserts its recommendation of a six percent deposit interest is reasonable and normal and should be  
 18 adopted.

19 We note that, because interest fluctuates, deposit interest has not historically been altered to  
 20 match current interest rates. Staff concludes that the Company has not demonstrated that the six  
 21 percent interest rate listed in A.A.C. R14-2-403(B)(3) is burdensome to CWCGV and recommends  
 22 retention of a six percent deposit interest. Staff's recommendation is reasonable and shall be adopted.

#### 23 Call-out Charges

24 In its Application, the Company requested an increase to a number of miscellaneous service  
 25 charges. Among the requested service charges, CWCGV proposes a tariff for an after hours call-out  
 26

27 <sup>36</sup> Tr., at 128-129.

<sup>37</sup> Tr., at 129.

<sup>38</sup> Exhibit S-4, page 6.

28 <sup>39</sup> Tr., at 190.

1 charge of \$70, and for a Sunday and holiday call-out charge of \$140. Staff recommended call-out  
2 charges of \$10 and \$20 respectively.

3 In support of its requested call-out fees, the Company testified that the service personnel who  
4 respond to after hours calls cost CWCGV an average of \$35 per hour,<sup>40</sup> and CWCGV's personnel  
5 policy requires that the individuals be paid for a minimum of two hours, regardless of how long a  
6 service call actually takes.<sup>41</sup> For Sundays and holidays, policy requires that the service personnel  
7 receive double time at a minimum of two hours.<sup>42</sup> Accordingly, the Company requests an after-hours  
8 call-out fee of \$70 and Sunday and holidays call-out fee of \$140. CWCGV asserts that these fees  
9 reflect its actual cost to perform such services for its customers and places the costs for these services  
10 on the cost-causers.<sup>43</sup>

11 Staff believes that the Company has not presented sufficient evidence to justify such  
12 substantial fees. Staff notes that CWCGV admitted that it did not perform any analysis or provide  
13 any data that shows the actual costs or the average actual time spent on the service calls to support the  
14 Company's proposed fees of \$70 and \$140.<sup>44</sup> As such, Staff recommends adoption of its proposed  
15 rates.

16 We agree with Staff that the Company did not present any data demonstrating its actual cost  
17 or average length of time to provide call-out service after hours and on Sundays and holidays, but  
18 based on Mr. Gabaldon's testimony, we believe it is reasonable to assume that CWCGV's actual cost  
19 for these services, however long they take, is more than \$10 or \$20. As such, we adopt service  
20 charges for an after-hours call-out of \$35, and for a Sunday and holiday call-out of \$50.

21 Additionally, we note that in the Rebuttal Testimony of Mr. Gabaldon, CWCGV seeks to  
22 have the terms "Call Out Charges (After Hours/Saturday)," and "Call Out Charges  
23 (Sunday/Holiday)" take the place of the terms currently in the tariff as "Turn On/Off Fee/After  
24 Hours" and "Turn On/Off Fee/Sunday/Holiday," respectively.<sup>45</sup> We adopt the Company's requested  
25

26 <sup>40</sup> Tr., at 76, 80.

27 <sup>41</sup> Tr., at 84.

28 <sup>42</sup> Exhibit A-3, page 8, and Rejoinder Testimony of Arturo Gabaldon (admitted as Exhibit A-4), page 4.

<sup>43</sup> Tr., at 82.

<sup>44</sup> Tr., at 84

<sup>45</sup> Exhibit A-3, page 7.

1 change.

2 \* \* \* \* \*

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

5 **FINDINGS OF FACT**

6 1. On December 9, 2008, CWCGV filed with the Commission its Application for a  
7 determination of the current fair value of its utility property and for an increase in its rates and  
8 charges for water utility service provided to customers in the Company's certificated service area.

9 2. On December 22, 2008, the Company filed a supplement to its Application.

10 3. On January 8, 2009, Staff filed a Letter of Insufficiency stating that the application did  
11 not meet the sufficiency requirements outlined in A.A.C. R14-2-103.

12 4. On January 19, 2009, the Company filed its response to Staff's Insufficiency Letter.

13 5. On February 11, 2009, Staff filed a letter indicating the Company's rate application  
14 was sufficient, and classifying the Company as a Class B utility.

15 6. By Procedural Order issued February 19, 2009, the hearing was scheduled to  
16 commence on October 18, 2009, the Company was directed to mail to customers and publish notice  
17 of the hearing date, and other procedural timelines were established.

18 7. On April 14, 2009, the Company filed its Affidavits of Publication and Mailing of the  
19 Public Notice. In response to the Public Notice, one customer filed a comment opposed to the  
20 Company's requested rate increase.

21 8. On July 15, 2009, CWCGV filed a Water Provider Compliance Status Report and a  
22 copy of a Total GPD Program to Modified Non-Per Capita Conservation Program Transition  
23 Agreement from ADWR.

24 9. On August 11, 2009, Staff filed the Direct Testimony of Pedro Chaves and Jian Liu.

25 10. On September 8, 2009, CWCGV filed the Rebuttal Testimony of Mr. Gabaldon and  
26 Mr. Bourassa.

27 11. On September 28, 2009, Staff filed the Surrebuttal Testimony of Mr. Chaves and Mr.  
28 Liu.

1           12.    On October 13, 2009, CWCGV filed the Rejoinder testimony of Mr. Gabaldon and  
2 Mr. Bourassa.

3           13.    On October 23, 2009, a pre-hearing conference was held to discuss scheduling of  
4 witnesses and other procedural matter related to the hearing.

5           14.    The hearing was held on October 28, 2009, as scheduled. At the hearing, both the  
6 Company and Staff were represented by counsel. No members of the public appeared to provide  
7 comment. At the conclusion of the hearing, post-hearing briefs and reply briefs were ordered to be  
8 filed on a schedule agreed to by the parties.

9           15.    On November 9, 2009, the Company filed a Refund Proposal regarding its plan to  
10 refund an overcharge of CWCGV's construction customers.

11           16.    On November 24, 2009, CWCGV and Staff filed their respective initial post-hearing  
12 briefs.

13           17.    On December 8, 2009, CWCGV and Staff filed their respective reply briefs.

14           18.    CWCGV proposes that the Commission adopt rates that would result in an overall  
15 increase in revenues of 26.58 percent. CWCGV seeks a revenue requirement of \$3,825,058 based on  
16 a FVRB that is the same as to the Company's proposed OCRB of \$7,504,829. The Company  
17 recommends operating margin of 15 percent and a rate of return of 7.65%.

18           19.    Staff proposes rates that would result in an overall increase in revenues of 26.27  
19 percent. Staff recommends a revenue requirement of \$3,798,428 based on a FVRB of \$6,991,408  
20 and Staff also proposes a 15 percent operating margin and a rate of return of 8.15%.

21           20.    For purposes of this proceeding, we determine that CWCGV has a FVRB and OCRB  
22 of \$6,991,408.

23           21.    We find that Staff's recommended annual operating revenue of \$3,798,428, based on a  
24 15 percent operating margin and a rate of return of 8.15%, is reasonable and should be adopted.

25           22.    Staff's recommended rate design, as described above, is reasonable and should be  
26 adopted except for the following charges: The service charge for Call-Out/After Hours shall be \$35  
27 and the service charge for Call-Out/Sunday/Holidays shall be \$50 and these terms shall supersede the  
28 terms "Turn On/Off Fee/After Hours" and "Turn On/Off Fee/Sunday/Holiday" in the tariff. The

1 Construction Water Monthly Usage Charge shall be charged according to the corresponding meter  
2 size charge for permanent meter customers, and the Construction Water Commodity Charge for 0 to  
3 1,050,000 gallons shall be \$2.50, and over 1,050,000 shall be \$3.42.

4 23. Adoption of Staff's recommended revenue requirement and rate design will result in a  
5 rate increase for a residential customer served by a 5/8-inch x 3/4-inch meter, with average usage of  
6 4,898 gallons per month, of \$3.44 per month, or 18.90 percent, and a rate increase of \$2.49, or 15.90  
7 percent for a median usage residential customer using 3,500 gallons per month.

8 24. It is reasonable to require CWCGV to submit an Affidavit of Refund with Docket  
9 Control, as a compliance item in this docket, no later than May 28, 2010, indicating that all refunds  
10 due to construction customers have been remitted, and listing the total amount of refunds.

11 25. The Arizona Department of Environmental Quality has determined that this system  
12 has no deficiencies and is currently delivering water than meets water quality standards required by  
13 the A.A.C. Title 18, chapter 4.

14 26. CWCGV is located in the Tucson Active Management Area ("AMA") and is subject  
15 to AMA reporting and conservation requirements. ADWR reports that the Company is in compliance  
16 with its monitoring and reporting requirements.

17 27. Since CWCGV is located in the Tucson AMA, it will be required to comply with  
18 conservation goals and management practices of the ADWR. In light of the need to conserve  
19 groundwater in Arizona, we believe it is reasonable to require CWCGV to go beyond the ADWR  
20 requirements and submit for Commission approval, within 120 days of the effective date of this  
21 Decision, at least five Best Management Practices ("BMP's") (as outlined in ADWR's Modified  
22 Non-Per Capita Conservation Program). A maximum of two of these BMP's may come from the  
23 "Public awareness/PR or Education and Training" categories of the BMP's. The Company may  
24 request cost recovery of actual costs associated with the BMPs implemented.

25 28. There are no outstanding Commission compliance issues.

26 29. Engineering Staff recommends that CWCGV use the depreciation rates by individual  
27 NARUC category, as set forth in Table F-1 (attached hereto as Exhibit A) on a going forward basis.

28 ...

**CONCLUSIONS OF LAW**

1  
2 1. CWCGV is a public service corporation within the meaning of Article XV of the  
3 Arizona Constitution and A.R.S. §§40-250, 40-251, and 40-367.

4 2. The Commission has jurisdiction over CWCGV and the subject matter contained in  
5 the Company's rate Application.

6 3. The rates and charges established herein are just and reasonable and in the public  
7 interest.

8 4. Staff's recommendations, as modified, and as set forth in Findings of Fact No. 21, 22  
9 and 28, as well Findings of Fact Nos. 24 and 27, are reasonable and should be adopted.

**ORDER**

10  
11 IT IS THEREFORE ORDERED that Community Water Company of Green Valley is hereby  
12 authorized and directed to file with the Commission, on or before February 26, 2010, revised  
13 schedules of rates and charges consistent with the discussion herein, as set forth below.

**MONTHLY USAGE CHARGE:**

14	5/8" x 3/4" Meter (All Classes)	\$13.00
15	3/4" Meter (All Classes)	13.00
16	1" Meter (All Classes)	24.00
17	1-1/2" Meter (All Classes)	40.00
18	2" Meter (All Classes)	67.00
19	3" Meter (All Classes)	105.00
20	4" Meter (All Classes)	400.00
21	6" Meter (All Classes)	650.00
22	8" Meter (All Classes)	1,000.00
23	Construction Water	According to meter size charges listed above

**COMMODITY CHARGES:****5/8x 3/4-Inch Meter (Residential)**

23	0 to 3,000 Gallons	\$1.30
24	3,001 to 10,000 Gallons	2.50
25	Over 10,000 Gallons	3.42

**3/4-Inch Meter (Residential)**

26	0 to 3,000 Gallons	1.30
27	3,001 to 10,000 Gallons	2.50
28	Over 10,000 Gallons	3.42

**5/8-Inch Meter (Commercial/Residential  
and Commercial)**

1	1 to 10,000 Gallons	2.50
	Over 10,000 Gallons	3.42
2	<b><u>1-Inch Meter (Res., Comm., Res/Comm.)</u></b>	
	0 to 21,000 Gallons	2.50
3	Over 21,000 Gallons	3.42
4	<b><u>1 1/2-Inch Meter (Res., Comm.)</u></b>	
	0 to 35,000 Gallons	2.50
5	Over 35,000 Gallons	3.42
6	<b><u>2-Inch Meter (Res., Comm., Res/Comm.)</u></b>	
	0 to 63,000 Gallons	2.50
7	Over 63,000 Gallons	3.42
8	<b><u>3-Inch Meter (Res., Comm.)</u></b>	
	0 to 103,000 Gallons	2.50
9	Over 103,000 Gallons	3.42
10	<b><u>4-Inch Meter (Res., Comm.)</u></b>	
	0 to 424,000 Gallons	2.50
11	Over 424,000 Gallons	3.42
12	<b><u>6-Inch Meter (Res., Comm.)</u></b>	
	0 to 680,000 Gallons	2.50
13	Over 680,000 Gallons	3.42
14	<b><u>8-Inch Meter (Res. Comm.)</u></b>	
	0 to 1,050,000 Gallons	2.50
15	Over 1,050,000 Gallons	3.42

**SERVICE LINE AND METER INSTALLATION CHARGES:**

	Service Line	Meter Installation	Total	
18	5/8" x 3/4 " Meter	\$ 445.00	\$ 155.00	\$ 600.00
19	3/4 " Meter	445.00	225.00	700.00
20	1" Meter	495.00	315.00	810.00
21	1-1/2" Meter	550.00	525.00	1,075.00
22	2" Turbine Meter	830.00	1,045.00	1,875.00
23	2" Compound Meter	830.00	1,890.00	2,720.00
24	3" Turbine Meter	1,045.00	1,670.00	2,715.00
25	3" Compound Meter	1,165.00	2,545.00	3,170.00
26	4" Turbine Meter	1,490.00	1,737.00	3,227.00
27	4" Compound Meter	1,670.00	3,645.00	5,315.00
28	6" Turbine Meter	2,210.00	3,766.00	5,976.00
	6" Compound Meter	2,330.00	6,920.00	9,250.00
	8" Cost	Cost	Cost	Cost
	10" Cost	Cost	Cost	Cost
	12" Cost	Cost	Cost	Cost

**SERVICE CHARGES:**

1	Establishment	\$25.00
2	Establishment (After Hours)	35.00
3	Reconnection (Delinquent)	25.00
4	Reconnection (Delinquent – After hours)	35.00
5	Call out charge (After hours/Saturday)	35.00
6	Call out charge (Sunday/Holiday)	50.00
7	Meter Test	20.00
8	Deposit Requirement (Residential)	(a)
9	Deposit Requirement (Non Residential Meter)	(a)
10	Hydrant Meter Deposit:*	
11	5/8" x 3/4 " Meter	\$155.00
12	3/4 " Meter	255.00
13	1" Meter	315.00
14	1-1/2" Meter	525.00
15	2" Turbine Meter	1,045.00
16	2" Compound Meter	1,890.00
17	3" Turbine Meter	1,670.00
18	3" Compound Meter	2,545.00
19	4" Turbine Meter	1,737.00
20	4" Compound Meter	3,645.00
21	6" Turbine Meter	3,766.00
22	6" Compound Meter	6,920.00
23	8"	Cost
24	10"	Cost
25	12"	Cost
26	Deposit Interest	6.00%**
27	Re-Establishment (Within 12 Months)	(b)
28	Re-Establishment (After hours)	(b)
29	NSF Check	\$25.00
30	Deferred Payment, Per Month	1.50%
31	Meter Re-Read (If Correct)	10.00
32	Charge of Moving Customer Meter –	20.00
33	Customer requested per Rule R14-2-405B	
34	After hours service charge, per Rule R14-2-403D	10.00
35	Late Charge per month	1.50%
36	Meter Tampering Charge	Cost
37	Meter Box "Cut Lock" Charge	Cost
38	Payment via Visa Charge Card (Cost up to 6.00% service charge on bill paid)	Cost
39	<u>Monthly Service Charge for Fire Sprinkler:</u>	
40	Less than 6"	\$10.00
41	Less than 8"	15.00
42	Less than 10"	22.50
43	Less than 12"	33.75

\* Shall be refunded in its entirety upon return of the undamaged meter.

\*\* Per Commission Rules (R14-2-403B).

(a) Residential – two times the average bill. Non-residential – two and one-half times the average bill.

(b) Minimum charge times number of months disconnected.

In addition to the collection regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5). All advances and/or contributions are to include labor, materials, overheads and all applicable taxes. Cost to include labor, materials and parts overheads and all applicable taxes.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after March 1, 2010.

IT IS FURTHER ORDERED that Community Water Company of Green Valley shall notify its customers of the revised schedules of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, or by separate mailing, in a form acceptable to Staff.

IT IS FURTHER ORDERED that Community Water Company of Green Valley shall file with Docket Control, as a compliance item in this docket, no later than May 28, 2010, an Affidavit of Refund indicating that all refunds due to construction customers have been remitted, and listing the total amount of refunds.

IT IS FURTHER ORDERED that Community Water Company of Green Valley submit for Commission consideration within 120 days of the effective date of this Decision, at least five Best Management Practices (“BMP’s”) (as outlined in ADWR’s Modified Non-Per Capita Conservation Program). A maximum of two of these BMP’s may come from the “Public awareness/PR or Education and Training” categories of the BMP’s. The Company may request cost recovery of actual costs associated with the BMPs implemented.

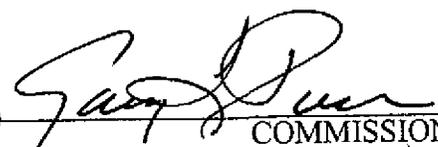
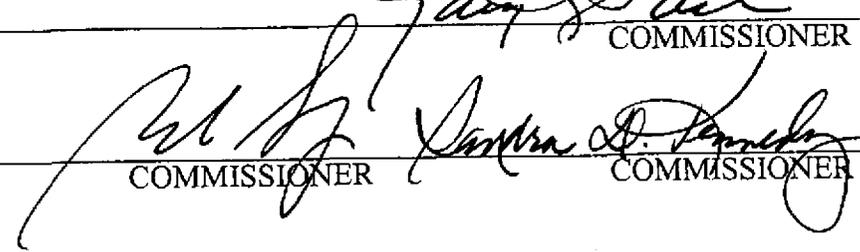
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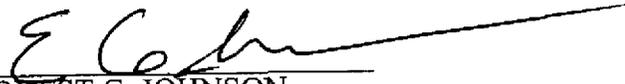
IT IS FURTHER ORDERED that Community Water Company of Green Valley shall use the Depreciation Table, attached hereto as Exhibit A, on a going forward basis.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

	
CHAIRMAN	COMMISSIONER
	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 3rd day of FEBRUARY, 2010.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

1 SERVICE LIST FOR:

COMMUNITY WATER COMPANY OF GREEN VALLEY

2  
3 DOCKET NO.:

W-02304A-08-0590

4 Jason D. Gellman, Esq.  
5 ROSHKA DEWULF & PATTEN, PLC  
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10 Steve Olea, Director  
11 Utilities Division  
ARIZONA CORPORATION COMMISSION  
12 1200 West Washington Street  
Phoenix, AZ 85007

## EXHIBIT "A"

Table F-1. Depreciation Rates

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
348	Other Tangible Plant	10	10.00