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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

Arizona Corporation Commission

**DOCKETED**

**JUN - 3 2010**

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

DOCKETED BY nr

IN THE MATTER OF THE APPLICATION  
OF WHITE HORSE RANCH OWNERS  
ASSOCIATION, INC. FOR APPROVAL OF  
A RATE INCREASE.

DOCKET NO. W-04161A-09-0471

DECISION NO. 71712

**ORDER**

Open Meeting  
May 26 and 27, 2010  
Phoenix, Arizona

**BY THE COMMISSION:**

On September 30, 2009, White Horse Ranch Owners Association, Inc. ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its permanent rates and charges ("Application"). Concurrently with its Application, the Company filed certification that it had provided public notice of its rate Application to its customers. In response thereto, the Commission has not received any protests of the proposed increase, and one response which supports the proposed increase.

On October 29, 2009, the Commission's Utilities Division ("Staff") issued a Notice of Insufficiency pursuant to A.A.C. R14-2-103.

On December 21, 2009, Staff issued a Notice of Sufficiency indicating that the Company's rate Application was sufficient, and classified the Company as a Class D utility.

On March 10, 2010, Staff filed its report recommending approval of its proposed rates and charges.

On March 19, 2010, the Company filed a response and proposed several alternatives.

On April 16, 2010, Staff filed a reply to the Company's response with certain revisions to the base rates of larger meter sizes, but continuing the same base rate for 5/8" x 3/4" customers.

On April 22, 2010, the Company filed a further response which indicates the Company's

1 agreement with Staff's revised recommended rates and charges.

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. Pursuant to authority granted by the Commission in Decision No. 67103 (July 9,  
7 2004), Applicant is an Arizona non-profit corporation engaged in the business of providing water  
8 service to 116 metered residential customers in the vicinity of Dewey, Yavapai County, Arizona.

9 2. Applicant's present rates and charges for water service were approved in Decision No.  
10 67103.

11 3. On September 30, 2009, the Company filed an application requesting authority to  
12 increase its rates and charges for water service.

13 4. The Company is seeking an increase in its rates and charges pursuant to Decision No.  
14 67103, which ordered the Company to file, by October 9, 2009, a permanent rate case using a July  
15 31, 2009, test year ("TY").

16 5. With its Application, the Company filed proof of mailing on September 30, 2009, that  
17 it had provided public notice of its Application for a permanent rate increase to its customers.

18 6. On March 10, 2010, Staff, after conducting an investigation of Applicant's proposed  
19 rates and charges for water service, filed its Staff Report on the Company's rate Application and  
20 recommended that the Commission approve Staff's recommended rates and charges. At that time,  
21 Staff's recommended rates reflected two alternatives which would affect customers who use high  
22 volumes of water.

23 7. On March 19, 2010, the Company filed a response to the Staff Report and proposed  
24 several other alternatives in order to raise additional revenue.

25 8. On April 16, 2010, Staff filed a reply to the Company's response and modified its  
26 earlier recommendation and now recommends that the base rate for 5/8" x 3/4" meter customers  
27 remain unchanged. Additionally, Staff increased base rates on the other meter sizes, and adjusted its  
28 recommendation with respect to the Company's commodity rates.

9. On April 22, 2010, the Company filed a further response indicating that the company now agrees with Staff's recommended rates and charges as modified by Staff.

10. During the TY ending July 31, 2009, Applicant served 116 customers, who are primarily residential users served by 5/8-inch x 3/4-inch meters.

11. Average and median water usage by the Company's customers during the TY was 4,885 gallons and 3,546 gallons per month, respectively.

12. The water rates and charges for Applicant at present, as proposed by the Company and as recommended by Staff are as follows:

<u>MONTHLY USAGE CHARGE:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$ 35.00	\$ 40.00	\$ 35.00
3/4" Meter	35.00	40.00	52.50
1" Meter	57.50	66.00	87.50
1-1/2" Meter	115.00	132.00	175.00
2" Meter	184.00	212.00	280.00
3" Meter	345.00	400.00	560.00
4" Meter	575.00	660.00	875.00
6" Meter	1,150.00	1,325.00	1,750.00

Gallons in the Minimum -0-

<u>COMMODITY RATES:</u> (Per 1,000 Gallons)	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
0 to 3,000 gallons	\$ 2.00		
3,001 to 15,000 gallons	3.00		
Over 15,000 gallons	3.60		
0 to 3,000 gallons		\$ 2.50	
3,001 to 6,000 gallons		3.50	
6,001 to 9,000 gallons		4.50	
Over 9,000 gallons		12.95	
0 to 2,000 gallons			\$ 4.00
2,001 to 4,000 gallons			6.00
4,001 to 9,000 gallons			8.00
Over 9,000 gallons			12.00

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

	<u>Present</u>	<u>Company Proposed</u>			<u>Staff Recommended</u>		
		<u>Total</u>	<u>Service Line</u>	<u>Meter Installation</u>	<u>Total</u>	<u>Service Line</u>	<u>Meter Installation*</u>
5/8" x 3/4" Meter	\$ 500.00	N/A	N/A	\$ 500.00	\$ 400.00	\$ 100.00	\$ 500.00
3/4" Meter	575.00	N/A	N/A	575.00	335.00	240.00	575.00
1" Meter	660.00	N/A	N/A	660.00	420.00	240.00	660.00
1-1/2" Meter	900.00	N/A	N/A	900.00	470.00	430.00	900.00
2" Meter	1,872.00	N/A	N/A	1,872.00	835.00	1,037.00	1,872.00
3" Meter	2,562.00	N/A	N/A	2,562.00	980.00	1,582.00	2,562.00
4" Meter	3,812.00	N/A	N/A	3,812.00	1,360.00	2,452.00	3,812.00
5" Meter	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6" Meter	6,892.00	N/A	N/A	6,892.00	2,090.00	4,802.00	6,892.00

\* Note: Meter charge includes meter box or vault.

<b><u>SERVICE CHARGES:</u></b>	<b><u>Current Charges</u></b>	<b><u>Company Proposed</u></b>	<b><u>Staff Recommended</u></b>
Establishment	\$ 30.00	\$ 30.00	\$ 30.00
Establishment (After Hours)	45.00	45.00	45.00
Reconnection (Delinquent)	25.00	25.00	25.00
Reconnection (Delinquent) (After Hours)	N/A	50.00	50.00
Meter Test (If Correct)	30.00	30.00	30.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-establishment (Within 12 Months)	Months Times Minimum	Months Times Minimum	**
NSF Check	\$ 15.00	\$ 15.00	\$ 15.00
Deferred Payment	0.0%	0.0%	***
Meter Re-Read (If Correct)	N/A	\$ 20.00	\$ 20.00
Late Payment Charge (Per Month)	1.5%	1.5%	1.5%

**MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:**

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

\* Per Commission Rule A.A.C. R14-2-403(B).

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

\*\*\* Per Commission Rule A.A.C. R14-2-409(G).

\*\*\*\* 2.0% of monthly minimum for a comparable size meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct for the primary water service line.

13. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$78,856 which is the same as its original cost rate base. Staff's adjustment to the Company's proposed FVRB resulted primarily from a \$74,634 increase to plant in service due to the addition of two new wells to the system and other related increases. These increases were reduced somewhat due to a \$5,086 decrease to working capital using the formula method.

14. Staff increased Applicant's TY operating expenses by \$4,580 primarily in three categories. First, Staff increased purchased water expense by a \$3,740 adjustment to accurately reflect TY expenses for the Company to haul water. Second, Staff increased rate case expense by \$3,333 after applying Staff's recommended normalized level of rate case expense. Third, Staff increased depreciation expense by \$6,511 to reflect Staff's application of its recommended depreciation rates in accordance with Staff's recommended plant balances, less any fully depreciated or non-depreciable plant and offset by the amortization of contributions-in-aid of construction.

1 However, these increased operating expenses were partially offset by Staff decreasing \$3,924 from  
2 outside services expense to remove capital costs which should have been recorded as plant and  
3 decreasing \$5,080 from water testing expense which was incurred due to the development of Well  
4 Nos. 3 and 4 to reflect normalized water testing expense.

5 15. Applicant's present water rates and charges produce operating revenue of \$66,730 and  
6 adjusted operating expenses of \$99,778, which resulted in an operating loss of \$33,048 for a negative  
7 rate of return on FVRB.

8 16. The water rates and charges proposed alternatively by the Company would produce  
9 operating revenue of \$81,730 and adjusted operating expenses of \$99,778 resulting in an operating  
10 loss of \$18,048 for a negative rate of return on FVRB.

11 17. The water rates and charges as recommended by Staff in its report filed on April 16,  
12 2010, would produce operating revenues of \$90,545 and adjusted operating expenses of \$99,778  
13 resulting in a net loss of \$9,233 or a negative rate of return on FVRB. Although the Company would  
14 continue to operate at a loss, Staff's revenues will enable the Company, to recover more of its  
15 operating expenses. Staff's recommended rates increase revenue by \$23,815 or 35.69 percent over  
16 the TY revenue of \$66,730, because Staff believes additional revenue is needed due to the  
17 Company's inability to produce more water, and its need to haul water.

18 18. Staff's proposed rates are higher than those requested by the Company, but Staff's  
19 alternative will enable the Company to recover all TY expenses except \$9,233 of water hauling costs  
20 of \$27,315 incurred during the TY.<sup>1</sup> Staff's proposed rates should provide the Company with  
21 sufficient funds for its ongoing operations and obligations.

22 19. Staff's rate design continues the base rate for 5/8" x 3/4" customer at \$35.00, but  
23 Staff's recommended four tier inverted block commodity charges will impose higher rates on water  
24 customers who use more water.<sup>2</sup>

25 20. The Company's proposed rates would increase the average monthly metered customer  
26

27 <sup>1</sup> According to the Staff Report, the Company's four wells are unable to pump sufficient water for its customers and  
during the TY Applicant had to haul 804,300 gallons of water to satisfy the demand for water.

28 <sup>2</sup> Staff's recommended revenue requirement is sufficient and could allow the Company to recover all routine TY  
expenses.

1 water bill by \$7.44 or 15.95 percent, from \$46.66 to \$54.10, and increase the median monthly  
2 metered customer water bill by \$6.77 or 15.88 percent, from \$42.64 to \$49.41.

3 21. Staff's recommended rates would increase the average monthly metered customer  
4 water bill by \$15.43 or 33.06 percent, from \$46.66 to \$62.08, and increase the median monthly  
5 metered customer water bill by \$9.64 or 22.60 percent, from \$42.64 to \$52.28.

6 22. According to the Staff Report, the Applicant is in compliance with prior Commission  
7 Orders and is in good standing with the Commission. Applicant is also current on the payment of its  
8 sales and property taxes.

9 23. The Company is in compliance with the requirements of the Arizona Department of  
10 Environmental Quality ("ADEQ") and is providing water which meets the requirements of the Safe  
11 Drinking Water Act.

12 24. The Commission has previously approved the Company's Curtailment Tariff and its  
13 Cross-Connection Backflow Prevention Tariff.

14 25. Staff also recommends that the Commission order the following:

- 15 • that the Company file, within 30 days of the effective date of this Decision, with  
16 the Commission's Docket Control, as a compliance item in this docket, a schedule  
17 of its approved rates and charges;
- 18 • that Applicant notify its customers of the water rates and charges approved  
19 hereinafter and their effective date by means of an insert in its next monthly billing  
20 and file a copy of the notice sent to its customers with the Commission's Docket  
21 Control as a compliance item in this docket;
- 22 • that Applicant, in addition to the collection of its regular rates and charges, collect  
23 from its customers their proportionate share of any privilege, sales, or use tax as  
24 provided for in A.A.C. R14-2-409(D);
- 25 • that the Company adopt the depreciation rates delineated by Staff in Table H-1 of  
26 the Engineering Report attached to the Staff Report on a going-forward basis; and
- 27 • that the Company file, within 45 days of the effective date of this Decision, with  
28 the Commission's Docket Control, as a compliance item in this docket,  
documentation that the Company has installed or updated an "information" sign at  
the facility site. The sign should comply with ADEQ requirements and should  
include the following information: system name, system PWS ID and emergency  
contact phone numbers.

26 26. Because an allowance for the property tax expense of Applicant is included in the  
27 Company's rates and will be collected from its customers, the Commission seeks assurances from the  
28

1 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing  
2 authority. It has come to the Commission's attention that a number of water companies have been  
3 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,  
4 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure the  
5 Company shall annually file, as part of its annual report, an affidavit with the Utilities Division  
6 attesting that the company is current in paying its property taxes in Arizona.

7 27. Based upon our review of the Application and the Staff Report, we find that Staff's  
8 recommended rates are more reasonable and equitable since the Company is not operated to earn a  
9 profit, and these rates should enable Applicant to meet most of its water hauling costs and its normal  
10 operating expenses. Additionally, the higher commodity rate at the fourth tier should encourage  
11 water conservation for a Company that lacks water. Lastly, Staff's additional recommendations  
12 should be adopted.

13 28. The Commission is concerned that the Company's wells have been proven inadequate  
14 for providing reliable service to the Company's customers and that this deficiency has forced the  
15 Company to resort to costly and regular water hauling. Water hauling is both expensive to  
16 ratepayers, creates additional and unnecessary environmental impacts and is not a sustainable source  
17 of water for the Company and its customers over the long-term. Therefore, we believe it is in the  
18 public interest to require the Company to investigate potential additional sources of water, including  
19 drilling a new well or interconnecting with a nearby water provider, or merging with another water  
20 provider. Additionally, we will require the Company to file a report on its findings regarding a  
21 solution to its water supply deficiencies as a compliance item in this Docket, for Commission Staff  
22 review no later than November 1, 2010.

### 23 CONCLUSIONS OF LAW

24 1. Applicant is a public service corporation within the meaning of Article XV of the  
25 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

26 2. The Commission has jurisdiction over Applicant and of the subject matter of the  
27 Application.

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

4. The rates and charges proposed by Staff and authorized hereinafter are just and reasonable.

5. Staff's recommendations as set forth in Findings of Fact No. 25 are reasonable and should be adopted.

### ORDER

IT IS THEREFORE ORDERED that White Horse Ranch Owners Association, Inc. shall file, on or before June 1, 2010, a revised rate schedule setting forth the following rates and charges:

#### MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$ 35.00
3/4" Meter	52.50
1" Meter	87.50
1-1/2" Meter	175.00
2" Meter	280.00
3" Meter	560.00
4" Meter	875.00
6" Meter	1,750.00

#### COMMODITY RATES:

0 to 2,000 gallons	\$ 4.00
2,001 to 4,000 gallons	6.00
4,001 to 9,000 gallons	8.00
Over 9,000 gallons	12.00

#### 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>
5/8" x 3/4" Meter	\$ 400.00	\$ 100.00	\$ 500.00
3/4" Meter	335.00	240.00	575.00
1" Meter	420.00	240.00	660.00
1-1/2" Meter	470.00	430.00	900.00
2" Meter	835.00	1,037.00	1,872.00
3" Meter	980.00	1,582.00	2,562.00
4" Meter	1,360.00	2,452.00	3,812.00
6" Meter	2,090.00	4,802.00	6,892.00

\* Note: Meter charge includes meter box or vault.

#### SERVICE CHARGES:

Establishment	\$ 30.00
Establishment (After Hours)	45.00
Reconnection (Delinquent)	25.00
Reconnection (Delinquent) (After Hours)	50.00
Meter Test (If Correct)	30.00
Deposit	*
Deposit Interest	*
Re-establishment (Within 12 Months)	**
NSF Check	\$ 15.00

1	Deferred Payment	***
	Meter Re-Read (If Correct)	\$ 20.00
2	Late Payment Charge (Per Month)	1.5%

**MONTHLY CHARGE FOR FIRE SPRINKLERS:**

3	4" or Smaller	****
4	6"	****
	8"	****
5	10"	****
	Larger than 10"	****

6 \* Per Commission Rule A.A.C. R14-2-403(B).

7 \*\* Number of months off system times the monthly minimum A.A.C. R14-2-403(D).

8 \*\*\* Per Commission Rule A.A.C. R14-2-409(G).

9 \*\*\*\* 2.0% of monthly minimum for a comparable size meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct for the primary water service line.

10 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc. shall notify  
11 its customers of the water rates and charges approved herein, and their effective date, by means of an  
12 insert in its next monthly billing and file a copy of the notice when sent to its customers with the  
13 Commission's Docket Control as a compliance item in this docket.

14 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all  
15 services provided on and after June 1, 2010.

16 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc. is hereby  
17 directed to comply with Staff's recommendations as set forth in Findings of Fact No. 25.

18 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc., in addition  
19 to the collection of its regular rates and charges, shall collect from its customers their proportionate  
20 share of any privilege, sale, or use tax as provided in A.A.C. R14-2-409(D).

21 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc. shall  
22 investigate potential additional sources of water, including drilling a new well, interconnecting with a  
23 nearby water provider, or merging with another water provider.

24 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc. shall file a  
25 report on its findings regarding a solution to its water supply deficiencies, as a compliance item in  
26 this Docket, for Commission Staff review no later than November 1, 2010.

27 ...

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1 IT IS FURTHER ORDERED that White Horse Ranch Owners Association, Inc. shall  
2 annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the  
3 Company is current in paying its property taxes in Arizona.

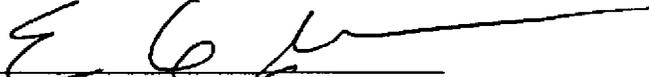
4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6  
7  CHAIRMAN  COMMISSIONER

8  
9  COMMISSIONER  COMMISSIONER  COMMISSIONER

10  
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 3rd day of June, 2010.

16  
17   
18 ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20  
21 DISSENT: \_\_\_\_\_

22  
23 DISSENT: \_\_\_\_\_  
24 MES:db

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27  
28

1 SERVICE LIST FOR: WHITE HORSE RANCH OWNERS ASSOCIATION, INC.

2 DOCKET NO.: W-04161A-09-0471

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4 Ray Jones  
5 WHITE HORSE RANCH OWNERS  
6 ASSOCIATION, INC.  
7 c/o Aricor Water Solutions  
8 25213 N. 49th Dr.  
9 Phoenix, AZ 85083

7 Janice Alward, Chief Counsel  
8 Legal Division  
9 ARIZONA CORPORATION COMMISSION  
10 1200 W. Washington St  
11 Phoenix, AZ 85007

10 Steve Olea, Director  
11 Utilities Division  
12 ARIZONA CORPORATION COMMISSION  
13 1200 W. Washington St  
14 Phoenix, AZ 85007

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