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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

SEP 2 2010

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY	
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DATE: September 2, 2010

RE: COMPLIANCE ITEM FOR DECISION NO. 69404 - IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR A RATE INCREASE (DOCKET NO. W-02500A-06-0281)

Introduction

On April 16, 2007, the Commission granted Goodman Water Company ("Company") a rate increase per Decision No. 69404. The Decision ordered:

"...Goodman Water Company shall file a hook-up fee tariff with Docket Control, as a compliance item in this Docket, for Staff's review by July 31, 2007."

Decision No. 69404, Findings of Fact No. 68, stated that in the rate proceeding no party recommended the hook-up fee matter and that the concept of the hook-up fee should be explored and the Company be directed to file a proposed hook-up fee tariff for Staff review.

Company's Filing

On July 31, 2007, the Company filed a hook-up fee ("HUF") tariff under a new docket number, W-02500A-07-0452. This new docket number was issued in error and was administratively closed and the HUF tariff filing was placed in W-02500A-06-0281 as a compliance matter.

In its filing, the Company proposed capital expenditure totaling \$940,000 for a new Well #3 and related equipment, including engineering and contingency. The Company further proposed that the proportion of construction costs to be funded by the HUF tariff is 40 percent. As a result, the Company proposed a HUF starting at \$500 for a 5/8 x 3/4-inch meter and graduated for larger meter sizes.

Staff's Review

According to the Company's Annual Report, the Company's water system consists of two wells (totaling 1,240 GPM), two storage tanks (totaling 930,000 gallons) and a distribution

system serving 597 customers as of December 2007. Based on these plant capacities, this system can currently serve approximately 1,800 customers.

In its filing, the Company proposed capital expenditure totaling \$940,000 for a new Well #3 and related equipment, including engineering and contingency. Through data requests to the Company, Staff discovered that the capital plant and expenditure was not for a new Well #3, but actually for a Water Plant No. 3 site consisting of a 340,000 gallon storage tank and a booster system that will serve only a portion of the water system. Based on this finding, Staff has determined that the proposed Water Plant No. 3 would not meet the HUF tariff requirements because this water plant site would not benefit the entire water system. As a result, Staff concludes that this Company is not a good candidate for a HUF Tariff.

Staff's Recommendation

Staff recommends that the Commission not authorize a HUF tariff for this Company because the proposed water facilities related to the requested HUF Tariff will not benefit the entire water system. In addition, Staff concludes that the water system has sufficient capacity to meet the customer growth through 2019.

SMO:MSJ:lmh

Originator: Marlin Scott, Jr.

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Docket No. W-02500A-06-0281

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