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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

AUG 10 2010

COMMISSIONERS

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

DOCKETED BY	nr
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IN THE MATTER OF THE APPLICATION OF  
 F. WAYNE & DOROTHY THOMPSON DBA  
 WEST VILLAGE WATER CO. FOR  
 AUTHORITY TO INCUR DEBT TO FINANCE  
 WATER SYSTEM IMPROVEMENTS.

DOCKET NO. W-03211A-08-0621

IN THE MATTER OF THE APPLICATION OF  
 F. WAYNE & DOROTHY THOMPSON DBA  
 WEST VILLAGE WATER COMPANY FOR A  
 RATE INCREASE.

DOCKET NO. W-03211A-08-0622

DECISION NO. 71842

ORDER

Open Meeting  
 July 27 and 28, 2010  
 Phoenix, Arizona

BY THE COMMISSION:

Summary

This consolidated proceeding involves F. Wayne & Dorothy Thompson dba West Village Water Company's ("West Village" or "Company") applications requesting a permanent rate increase and for financing. In its rate application, West Village seeks an increase in rates in the amount \$99,273, or 310 percent over test year revenues of \$31,935. The Company's financing application seeks approval to finance \$525,000, to cover the cost of capital projects needed to improve the Company's water system.

\* \* \* \* \*

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

...  
 ...

**FINDINGS OF FACT**

**Procedural History**

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2  
3           1.     On December 31, 2008, West Village filed an application with the Arizona  
4 Corporation Commission ("Commission") requesting authority to incur debt in the amount of  
5 \$525,000 to finance capital improvements related to its well, pumping equipment, and distribution  
6 system.

7           2.     On the same date, West Village filed an application in a separate docket, seeking a  
8 permanent rate increase in the amount of \$99,273 or 310 percent over 2007 test year revenues. The  
9 application included an affidavit showing notice of the proposed rate increase had been mailed to  
10 each of West Village's customers by First Class Mail.

11           3.     On January 6, 2009, West Village filed a Motion to consolidate the rate docket and the  
12 finance docket ("Motion").

13           4.     On March 16, 2009, by Procedural Order, the Commission's Utilities Division  
14 ("Staff") was directed to file a response to West Village's Motion.

15           5.     On March 26, 2009, Staff filed a response to West Village's Motion, stating that Staff  
16 had no objections to the consolidation of the dockets as the matters are substantially related.

17           6.     On April 1, 2009, Staff filed a Letter of Sufficiency indicating that West Village's rate  
18 application had met the sufficiency requirements as outlined in the Arizona Administrative Code  
19 ("A.A.C.").

20           7.     On April 20, 2009, by Procedural Order, the rate and finance dockets were  
21 consolidated.

22           8.     On April 21, 2009, West Village filed an affidavit stating that notice of the finance  
23 application had been provided to each of its customers via First Class Mail.

24           9.     On May 27, 2009, West Village filed a Motion to extend the time deadline for filing  
25 the Staff Report until July 31, 2009. The motion stated that additional time was needed for the  
26 Arizona Department of Environmental Quality ("ADEQ") to evaluate and report on West Village's  
27 water system.

1           10.    On May 29, 2009, Staff filed a response to West Village's motion to extend the time  
2 for filing the Staff Report, stating Staff did not oppose the request.

3           11.    On May 29, 2009, by Procedural Order, the deadline for filing the Staff Report was  
4 extended to July 31, 2009, and the timeclock in this matter was suspended.

5           12.    On July 14, 2009, West Village filed a second motion for an extension of time to file  
6 the Staff Report. The motion requested the deadline for filing be extended to September 30, 2009,  
7 because ADEQ needed additional time to finalize its evaluation of West Village's system.

8           13.    On July 15, 2009, Staff filed a response to West Village's second motion for an  
9 extension of time to file the Staff Report, stating that Staff believed the extension of time was  
10 reasonable under the circumstances.

11          14.    On July 17, 2009, by Procedural Order, West Village's second motion for an extension  
12 of time was granted; a new deadline for filing the Staff Report was established; and the timeclock for  
13 this matter remained suspended.

14          15.    On August 13, 2009, the Company docketed an ADEQ Water System Evaluation  
15 ("WSE").

16          16.    On September 3, 2009, Staff filed a response to the WSE, stating that the WSE did not  
17 identify and/or support the Company's financing application and appeared to be incomplete with  
18 regard to the Company's proposed system improvements. Further, Staff stated that it had contacted  
19 counsel for the Company on August 18, 2009, regarding a cost breakdown for each improvement  
20 requested in the financing application, but that Staff had not received the Company's responses as of  
21 the date of Staff's filing. Staff further requested that the deadline to file the Staff Report be extended  
22 until sixty (60) days after the Company provides Staff with the requested additional information  
23 needed to evaluate the financing application.

24          17.    On September 13, 2009, by Procedural Order, Staff's request to extend the time for  
25 filing the Staff Report was granted; West Village was ordered to respond to Staff's request for  
26 additional information within 10 days of the Procedural Order; and the timeclock remained  
27 suspended.

1           18.    On September 25, 2009, West Village filed a response to Staff's request for additional  
2 information, which included a cost breakdown of the capital improvements requested in West  
3 Village's finance application.

4           19.    On November 25, 2009, Staff filed a Staff Report on the consolidated applications,  
5 classifying West Village as a class D utility and recommending approval of the financing and rate  
6 applications subject to Staff's conditions.

7           20.    On December 3, 2009, West Village filed a request for an extension of time to file a  
8 response to the Staff Report.

9           21.    On December 4, 2009, by Procedural Order, West Village's request for an extension  
10 of time to file a response to the Staff Report was granted.

11          22.    On December 14, 2009, West Village filed a response to the Staff Report objecting to  
12 Staff's disallowance of the Company's purchased water expense of \$18,765 incurred during the test  
13 year and to Staff's recommended compliance deadlines.

14          23.    On December 15, 2009, Staff filed a Notice of Errata correcting some of the numbers  
15 contained in Staff's proposed rates.

16          24.    On January 6, 2010, by Procedural Order, a procedural conference was set to  
17 commence on January 21, 2010, to discuss West Village's objections to the Staff Report and to  
18 determine if a hearing was necessary in this matter.

19          25.    On January 21, 2010, a procedural conference was held as scheduled before a duly  
20 authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Phoenix, Arizona.  
21 Staff and West Village appeared through counsel. During the proceeding, errors were identified in  
22 the Staff Report and Staff was directed to file a supplement to the Staff Report correcting the  
23 identified errors and addressing the issues raised in West Village's objections. Staff was granted two  
24 weeks to file the supplemental document. The parties also requested that this matter continue without  
25 a hearing.

26          26.    On February 2, 2010, Staff filed a motion requesting an extension of time, until  
27 February 25, 2010, to file the Supplemental Staff Report. Staff's motion also stated that West Village  
28 had no objection to Staff's request to extend the time deadline.

1           27.    On February 8, 2010, Staff's request for an extension of time to file the Supplemental  
2 Staff Report was granted.

3           28.    On February 25, 2010, Staff filed an Amended Staff Report in this matter, continuing  
4 to recommend approval of the rate and finance applications and amending its recommendations  
5 regarding compliance deadlines.

6           29.    On March 11, 2010, West Village filed a motion for an extension of time to file  
7 comments in response to the Amended Staff Report.

8           30.    On March 12, 2010, West Village filed a response to the Amended Staff Report,  
9 continuing to object to Staff's disallowance of the Company's purchased water expense incurred  
10 during the test year.

11          31.    On May 6, 2010, Staff filed a Notice of Errata, which contained an amended page 9 to  
12 the Amended Staff Report.

13          32.    On May 10, 2010, Staff filed a Notice of Errata, which contained a revised amended  
14 Schedule DWC-4.

15    **Background**

16          33.    Pursuant to authority granted by the Commission, West Village is an Arizona public  
17 service corporation engaged in the business of providing water service to approximately 53 metered  
18 customers in Coconino County, Arizona.

19          34.    West Village's service area is located approximately two miles southwest of  
20 downtown Flagstaff along U.S. Highway 66 and encompasses 1/16 of a square mile.

21          35.    Staff has classified West Village as a class D Utility.

22          36.    The Utilities Division's Consumer Services Section reported that there were no  
23 complaints reported for West Village from January 1, 2006 through December 31, 2008 and five  
24 complaints filed between January 1, 2009 and October 15, 2009. Two of the five complaints were  
25 related to billing, two for service quality, and one disconnection/termination. All complaints have  
26 been resolved and closed.

27          37.    Consumer Services also reported that seven opinions have been filed in opposition to  
28 the proposed rate increase.

1 38. The Commission's Compliance Section found no outstanding compliance issues for  
2 West Village.

3 39. Staff reported that West Village is current on its property and sales tax payments.

4 40. ADEQ has determined that the West Village water system has no deficiencies and is  
5 currently delivering water that meets water quality standards as set forth in the A.A.C.<sup>1</sup>

6 41. West Village is not located within an Active Management Area and is not subject to  
7 conservation and monitoring reporting. However, the Arizona Department of Water Resources  
8 ("ADWR") has determined that the Company is in compliance with ADWR requirements governing  
9 water providers and/or community water systems.

#### 10 Rate Application

11 42. West Village's rate application seeks a permanent rate increase in the amount of  
12 \$99,273 or 310 percent over 2007 test year revenues of \$31,935.

13 43. The Commission approved West Village's current rates in Decision No. 60182 (May  
14 16, 1997).

15 44. West Village's current rates and charges, as proposed in its application, and as  
16 recommended by Staff are as follows:

17 <u>MONTHLY USAGE</u>		<u>Company</u>	<u>Staff</u>
18 <u>CHARGES:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Proposed Rates</u>
19 5/8" x 3/4" Meter	\$ 26.00	\$ 155.00	\$ 26.00
20 3/4" Meter	39.00	232.50	39.00
21 1" Meter	65.00	387.50	65.00
22 1-1/2" Meter	130.00	775.00	130.00
23 2" Meter	208.00	1,240.00	208.00
24 3" Meter	390.00	2,480.00	416.00
25 4" Meter	650.00	3,875.00	650.00
26 6" Meter	1,300.00	7,750.00	1,300.00
27 Financial Surcharge for all meter sizes:	N/A	N/A	\$ 80.31
28 Excess of Minimum (Per 1,000 Gallons)	\$ 5.05	0.00	0.00
Gallons included in minimum:	0	0	0
<u>5/8" x 3/4" Meter</u>			
0 - 3,000 gallons	N/A	5.05	N/A

<sup>1</sup> ADEQ Compliance Status Report dated February 11, 2010.

1	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
2	<u>5/8" x 3/4" Meter</u>			
3	0 – 3,000 gallons	N/A	N/A	5.50
	3,001 – 7,000 gallons	N/A	N/A	8.60
4	Over 7,000 gallons	N/A	N/A	9.95
5	<u>3/4" Meter</u>			
	0 – 3,000 gallons	N/A	5.05	N/A
6	3,001 to 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
7	<u>3/4" Meter</u>			
8	0 – 3,000 gallons	N/A	N/A	5.50
	3,001 – 7,000 gallons	N/A	N/A	8.60
9	Over 7,000 gallons	N/A	N/A	9.95
10	<u>1" Meter</u>			
	0 – 3,000 gallons	N/A	5.05	N/A
11	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
12	0 – 20,000 gallons	N/A	N/A	8.60
13	Over 20,000 gallons	N/A	N/A	9.95
14	<u>1-1/2" Meter</u>			
	0 – 3,000 gallons	N/A	5.05	N/A
15	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
16	0 – 20,000 gallons	N/A	N/A	8.60
17	Over 20,000 gallons	N/A	N/A	9.95
18	<u>2" Meter</u>			
	0 – 3,000 gallons	N/A	5.05	N/A
19	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
20	0 – 40,000 gallons	N/A	N/A	8.60
21	Over 40,000 gallons	N/A	N/A	9.95
22	<u>3" Meter</u>			
	1 – 3,000 gallons	N/A	5.05	N/A
23	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
24	0 – 144,000 gallons	N/A	N/A	8.60
25	Over 144,000 gallons	N/A	N/A	9.95
26	<u>4" Meter</u>			
	1 – 3,000 gallons	N/A	5.05	N/A
27	3,001 – 10,000 gallons	N/A	6.50	N/A
	Over 10,000 gallons	N/A	8.50	N/A
28	0 – 225,000 gallons	N/A	N/A	8.60

1	Over 225,000 gallons	N/A	N/A	9.95
2	<u>6" Meter</u>			
3	1 - 3,000 gallons	N/A	5.05	N/A
4	3,001 - 10,000 gallons	N/A	6.50	N/A
5	Over 10,000 gallons	N/A	8.50	N/A
6	0 - 450,000 gallons	N/A	N/A	8.60
7	Over 450,000 gallons	N/A	N/A	9.95
8	Standpipe (Per 1,000 Gallons)	5.05	6.50	9.95

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

	<u>Company Proposed Charges</u>				<u>Staff Proposed Charges</u>			
	<u>Current Charges</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>	
9	5/8" x 3/4" Meter	\$ 330.00	\$ 430.00	\$ 130.00	\$ 560.00	\$ 430.00	\$ 130.00	\$ 560.00
10	3/4" Meter	375.00	430.00	230.00	660.00	430.00	230.00	660.00
11	1" Meter	440.00	480.00	290.00	770.00	480.00	290.00	770.00
12	1-1/2" Meter	660.00	535.00	500.00	1,035.00	535.00	500.00	1,035.00
13	2" Meter Turbine	1,155.00	815.00	1,020.00	1,835.00	815.00	1,020.00	1,835.00
14	2" Meter Compound	N/A	815.00	1,865.00	2,680.00	815.00	1,865.00	2,680.00
15	3" Meter Turbine	1,625.00	1,030.00	1,645.00	2,675.00	1,030.00	1,645.00	2,675.00
16	3" Meter Compound	N/A	1,150.00	2,520.00	3,670.00	1,150.00	2,520.00	3,670.00
17	4" Meter Turbine	2,540.00	1,460.00	2,620.00	4,080.00	1,460.00	2,620.00	4,080.00
18	4" Meter Compound	N/A	1,640.00	3,595.00	5,235.00	1,640.00	3,595.00	5,235.00
19	6" Meter Turbine	4,875.00	2,180.00	4,975.00	7,155.00	2,180.00	4,975.00	7,155.00
20	6" Meter Compound	N/A	2,300.00	6,870.00	9,170.00	2,300.00	6,870.00	9,170.00

	<u>Present Charges</u>	<u>Company Proposed</u>	<u>Staff Proposed</u>	
21	Establishment	\$ 20.00	\$ 35.00	\$ 35.00
22	Establishment (After Hours)	40.00	45.00	45.00
23	Reconnection (Delinquent)	40.00	45.00	45.00
24	Reconnection (Delinquent)	N/A	50.00	50.00
25	Meter Test (If Correct)	40.00	45.00	45.00
26	Deposit	*	*	*
27	Deposit Interest	*	*	*
28	Re-establishment (Within 12 Months)	**	**	**
29	NSF Check	15.00	25.00	25.00
30	Deferred Payment	1.5%	1.5%	1.5%
31	Meter Re-read (If Correct)	12.50	20.00	20.00
32	Late Payment Charge (Per Month)	1.5%	1.5%	***
33	Charge for Moving Meter	N/A	COST	****

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

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

\*\*\* 1.5 percent on the unpaid balance per month.

\*\*\*\* Main Extension are addressed separately in the Arizona Administrative Code are not part of this tariff and should be removed from this tariff

45. Staff also recommends that:

- 1 • West Village collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule R14-2-409.D.5.
- 2 • West Village file, within 30 days of the effective date of this Decision, a schedule of its approved rates and charges.
- 3 • West Village on a going forward basis use the National Association of Regulatory Utility Commissioners ("NARUC") depreciation rates.

4 46. West Village's proposed fair value rate base ("FVRB") is \$28,968 and is the same as  
5 its original cost less depreciation ("OCLD").<sup>2</sup> The Company waived its rights to Reconstruction Cost  
6 New Rate Base.<sup>3</sup>

7 47. Staff recommends an upward adjustment to West Village's proposed rate base of  
8 \$28,968, to \$32,642. Staff's adjustments to West Village's rate base reflect a decrease in plant-in-  
9 service by \$6,614 from \$106,186 to \$99,572, for removal of an old pump that was retired in 2007; a  
10 decrease in accumulated appreciation by \$6,884 from \$77,218 to \$70,334, removing the cost of the  
11 old pump retired in 2007; and the addition of a cash working capital allowance of \$3,404.<sup>4</sup> Staff's  
12 adjustments increase West Village's rate base by \$3,674 for a total rate base of \$32,642.<sup>5</sup>

13 48. Staff made no adjustments to West Village's proposed test year revenues of \$31,935.<sup>6</sup>

14 49. West Village's proposed test year revenues of \$31,935 are reasonable and will be  
15 adopted.

16 50. Staff made adjustments of \$20,603 to West Village's test year operating expenses  
17 decreasing expenses from \$52,320 to \$31,717. Staff's recommends a downward adjustment of  
18 \$18,765 in purchased water expenses from \$18,765 to \$0; an increase of \$162 in water testing  
19 expenses from \$982 to \$1,144; and a \$2,000 decrease in regulatory rate case expenses from \$5,000 to  
20 \$3,000.<sup>7</sup>

21 51. West Village asserts that the purchased water expense should be included in test year  
22 operating expenses because the Company has had to purchase water over the last five years due to  
23

24  
25 <sup>2</sup> Rate Application at 6.

26 <sup>3</sup> Rate Application at 6.

27 <sup>4</sup> According to Staff, West Village did not claim a cash working capital allowance. Staff states that typically with class D and E utilities Staff recommends the utility have a positive cash working capital allowance. Staff recommends a working capital allowance of \$3,404 for West Village. (ASR at 6)

28 <sup>5</sup> Amended Schedule DWC-2.

<sup>6</sup> Amended Schedule DWC-3.

<sup>7</sup> Id.

1 service outages.<sup>8</sup> West Village points to data from the years 2004 through 2008, showing the  
 2 Company incurred an average of \$6,485 in purchased water expenses.<sup>9</sup> West Village proposes  
 3 including the 5-year average of \$6,485 for purchased water expenses in the test year operating  
 4 expenses.<sup>10</sup>

5 52. According to Staff, West Village had purchased water expenses of \$18,765 during the  
 6 test year related to a pump failure.<sup>11</sup> Staff does not believe the purchased water expense incurred  
 7 during the test year should be included in West Village's test year operating expenses because it was  
 8 the result of a non-recurring event.<sup>12</sup> Further, Staff states that due to the uncertainty whether the  
 9 expense will occur in future years, it is unfair to burden ratepayers with the purchased water expense,  
 10 since the Company has requested a large rate increase to upgrade its water system and the Company  
 11 experienced purchased water expenses in only two of the five years it is requesting to be averaged.<sup>13</sup>  
 12 Based on the above factors, Staff believes it is inappropriate to include the average costs of the  
 13 purchased water expenses from 2004 through 2008 in test year expenses.<sup>14</sup>

14 53. West Village also proposes including a 5-year average of repair and maintenance  
 15 ("R&M") expenses in the amount of \$9,586 in test year operating expenses.<sup>15</sup> West Village argues  
 16 that the amount of the R&M expense widely fluctuated during the years 2004 through 2008 due to the  
 17 Company's ability to pay for necessary repairs only in years when cash was available.<sup>16</sup>

18 54. Staff disagrees with the Company's proposal to include a 5-year average of R&M  
 19 expenses in test year operating expenses.<sup>17</sup> Staff proposes including \$3,817 in test year operating  
 20 expenses, the amount of R&M expenses claimed by the Company during the test year.<sup>18</sup> Staff

21 <sup>8</sup> Applicant's Response at 1.

22 <sup>9</sup> In its response to the Staff Report, West Village states that it had purchased water expenses of \$13,660 in 2005; \$18,765  
 23 in 2007; and no purchased water expenses in 2004, 2006, and 2008. West Village states that the 5 year total is \$32,425  
 and the 5-year average is \$6,485. (Schedule SSR-3)

24 <sup>10</sup> Id.

25 <sup>11</sup> Amended Staff Report at 6.

26 <sup>12</sup> Id. at 7.

27 <sup>13</sup> Id.

28 <sup>14</sup> Id.

<sup>15</sup> The Company states that during the 2004 through 2008 time period it had R&M expenses of \$6,880 in 2004; \$26,323 in  
 2005; \$890 in 2006; \$2,317 in 2007; and \$11,522 in 2008. The Company states that the 5-year average R&M cost are  
 \$9,586. (Schedule SSR-3)

<sup>16</sup> Applicant's Response at 2.

<sup>17</sup> Amended Staff Report at 7.

<sup>18</sup> Schedule CRM-3.

1 opposes the Company's proposal to average the R&M expenses because it does not reflect a  
 2 reasonable and appropriate level of expense because three of the five years the expense level was  
 3 below the actual test year expense; Staff is not confident that the numbers in the Company's  
 4 schedules are accurate based on the wide fluctuations in the amount of the expense; and on a going  
 5 forward basis Staff believes the amount of the expense will be reduced once the Company  
 6 implements the upgrades to its water system, as described in the Company's finance application.<sup>19</sup>

7         55. West Village asserts that taking into consideration Staff's recommended revenues<sup>20</sup>  
 8 which will increase the typical 5/8 inch meter customer's bill by \$1.14, the increase in revenues of  
 9 \$725<sup>21</sup> annually is insufficient to cover R&M costs especially if the Company incurs any type of  
 10 outage.<sup>22</sup> West Village states that the fact that its water system consists of one well and has no  
 11 redundancy increases the likelihood that R&M expenses will occur.<sup>23</sup> The Company states that Staff's  
 12 disallowance of 59 percent of test year expenses related to purchased water and R & M expenses is  
 13 unfair and that the expenses are the result of on-going problems with the Company's pumps and  
 14 well.<sup>24</sup>

15         56. West Village proposes a \$99,273 or 310 percent increase in operating revenue over  
 16 test year revenue of \$31,935, for a total of \$131,208. West Village reports it had an operating income  
 17 of negative \$20,385 during the test year and proposes increasing operating income to \$78,888 or a  
 18 272.33 percent rate of return on the Company's proposed FVRB of \$28,968. West Village's proposed  
 19 operating income would result in an operating margin of 60.12 percent.

20         57. Staff recommends total operating revenues of \$37,315, an increase of \$5,380 over  
 21 Staff's adjusted test year revenues of \$31,935, for a total operating income of \$5,598 or 17.15 percent  
 22 rate of return on Staff's proposed FVRB of \$32,642.<sup>25</sup>

23         58. Staff's proposed rates, without its recommended Water Infrastructure Finance  
 24

25 <sup>19</sup> Amended Staff Report at 7.

26 <sup>20</sup> A full discussion of test year revenues is addressed below.

27 <sup>21</sup> West Village arrived at the \$725 increase in revenues by calculating \$1.14 (increase in typical residential customer bill)  
 x 53 customers = \$60.42 monthly x 12 months = \$725.

28 <sup>22</sup> Applicant Response at 2.

<sup>23</sup> Id.

<sup>24</sup> Id.

<sup>25</sup> Amended Schedule DWC-1A.

1 Authority ("WIFA") loan surcharge, would increase the typical 5/8 inch meter residential bill with a  
2 median usage of 2,534 gallons from \$38.80 to \$39.94, for an increase of \$1.14 or 2.9 percent.<sup>26</sup>

3 59. Staff determined that its adjusted FVRB of \$32,642 is too low to produce an  
4 appropriate level of revenue. Staff recommends using an operating margin of 15 percent to achieve  
5 an appropriate revenue level for the Company.<sup>27</sup>

6 60. Staff recommends restructuring West Village's rate design from a uniform rate design  
7 to an inverted 3-tier commodity rate structure.<sup>28</sup> Staff recommends an inverted tier rate design for all  
8 customer classes and meter sizes.<sup>29</sup> Staff recommends a 3-tier inverted design for 5/8 x 3/4 inch and  
9 3/4 inch meter sizes and a 2-tier inverted rate design for larger sized meters.<sup>30</sup> Staff believes that its  
10 recommended inverted tier rate design will encourage water conservation.<sup>31</sup>

11 61. Staff is recommending West Village implement a construction/bulk water tariff of  
12 \$9.95 per 1,000 gallons.<sup>32</sup>

13 62. Staff recommends approval of its proposed Service Line and Meter Installation  
14 Charges.

15 63. West Village proposes increasing its Establishment charge to \$35; Establishment (after  
16 hours) charge to \$45; Reconnection (delinquent) charge to \$45; Reconnection (delinquent) after hours  
17 to \$50; Meter Test charge to \$45; Not Sufficient Funds charge to \$25; and Meter Re-Read charge to  
18 \$20. Staff concurs with the Company's proposed increase in charges as stated above and  
19 recommends that no changes be made to the Company's Deposit Service charge, Interest on Deposits  
20 charge, and Deferred Payment charge.<sup>33</sup>

21 64. Staff further recommends that West Village include in its rates a Late Fee charge of  
22 1.50 percent on any unpaid balance per month.

23 ...

24 \_\_\_\_\_  
25 <sup>26</sup> Amended Schedule DWC-5A.

26 <sup>27</sup> Id.

27 <sup>28</sup> Amended Staff Report at 8.

28 <sup>29</sup> Id.

<sup>30</sup> Id.

<sup>31</sup> Id.

<sup>32</sup> Id. at 9.

<sup>33</sup> Id.

1 **Finance Application**

2 65. In the financing application, West Village seeks approval to obtain a 20-year  
3 amortizing loan in the amount of \$525,000 through WIFA. The finance application states that the  
4 funds from the WIFA loan will be used to make capital improvements to West Village's water system  
5 by constructing a new deep well and replacing deteriorating service line taps and meters.

6 66. Staff conducted a field inspection on April 10, 2009, of West Village's water system.  
7 According to Staff, the water system consists of one well pumping an estimated 16 gallons per minute  
8 ("GPM"), a 98,000 gallon storage tank, booster system, and a distribution system. Staff noted that the  
9 water system is 50 years old, well production is depleting, and the distribution system is undersized  
10 because it is served by 4-inch or smaller sized water mains. Although West Village is authorized to  
11 provide standpipe service, it is currently not providing that service.

12 67. West Village proposes constructing a new well at a cost of \$351,944.<sup>34</sup> The Company  
13 also proposes replacing the water system's deteriorating service line taps and meters on the  
14 distribution system. Staff believes that the Company will need to locate and map the distribution  
15 system and install gate valves on the system to isolate portions of the system while construction is  
16 being conducted. The estimated cost for the mapping project will be \$173,056.<sup>35</sup>

17 68. According to Staff, ADEQ and WIFA have partnered together to provide regulated  
18 utilities with technical assistance by providing WSEs.<sup>36</sup> Staff reports that the WSEs are used to help  
19 ADEQ and WIFA prioritize capital improvements projects and the funding needs for regulated  
20 utilities.<sup>37</sup> West Village provided a WSE dated July 30, 2009, in support of its financing application.  
21 West Village's WSE identified, among other things, that West Village's service line taps and meters  
22 need immediate attention.<sup>38</sup>

23 <sup>34</sup> The Company provided Staff with an estimate of \$319,944 (dated February 2007) for construction of a new well. In  
24 preparation of the Staff Report, Staff contacted the construction company to update the estimated cost of construction of  
25 the new well and was given the \$351,944 amount. The cost would cover drilling a new well at 2,000 feet and installation  
26 of a 75 HP submersible pump.

27 <sup>35</sup> The Company estimates that the service line tap replacement project will include: locating and mapping the existing  
28 system; installing gate valves; replacing service taps and meters; and engineering-design, construction inspection, and  
county permitting.

<sup>36</sup> Staff's Engineering Report at Attachment B.

<sup>37</sup> Id.

<sup>38</sup> West Village's WSE identified as problematic meters placed four boxes deep, meters located in low elevations, meters  
below ground level, and meters on property lines, meters being underwater, and meters with scratched lenses.

1           69.     Staff concluded that West Village's capital improvement projects are appropriate and  
2 the cost estimate of \$525,000 is reasonable. However, Staff did not make a "used and useful"  
3 determination of the proposed projects and stated that no particular treatment should be inferred for  
4 rate making or rate base purposes in the future.

5           70.     According to Staff's Engineering Report, West Village has an average annual water  
6 consumption of 128 gallons per day ("GPD"), per connection.<sup>39</sup> West Village reported 3,316,900  
7 gallons of water pumped and 2,484,128 gallons of water sold during the test year, resulting in a non-  
8 account water loss of 25.1 percent.<sup>40</sup> Staff reported that in March 2007, West Village replaced the  
9 well pump and had to haul water.<sup>41</sup> Staff expressed concerns that during four months of the test year  
10 West Village reported less gallons pumped than were sold.<sup>42</sup>

11           71.     Based on West Village's 25.1 percent non-account water loss, and the discrepancy in  
12 the gallons pumped and sold, Staff recommends that West Village monitor its water system for a 12  
13 month period and docket as a compliance item a water loss report or a cost benefit analysis discussing  
14 why it cannot reduce its water loss below Staff's recommended minimum amount of 15 percent.<sup>43</sup>  
15 Staff believes that West Village's proposed capital improvements will correct or eliminate its water  
16 loss issue.<sup>44</sup>

17           72.     Staff determined that at the conclusion of the test year, West Village had a capital  
18 structure of 0 percent short-term debt, 0 percent long term debt, and 100 percent equity.<sup>45</sup> According  
19 to Staff, the proposed financing will give West Village a pro-forma capital structure of 2.9 percent  
20 short-term debt, 102.2 percent long-term debt, and negative 5.2 percent equity.<sup>46</sup>

21           73.     Staff has concluded that West Village's test year operating cash flow is insufficient to  
22 meet its proposed long-term debt obligation.<sup>47</sup> West Village proposed including the cost of the WIFA  
23

24 <sup>39</sup> Staff's Engineering Report at Attachment A.

25 <sup>40</sup> Id.

26 <sup>41</sup> Staff's Engineering Report Attachment A.

27 <sup>42</sup> Id.

28 <sup>43</sup> Id.

<sup>44</sup> Id.

<sup>45</sup> Amended Staff Report at 11.

<sup>46</sup> Id.

<sup>47</sup> Id.

1 loan debt in its rates.<sup>48</sup> Staff recommends the use of a surcharge mechanism to calculate the debt  
 2 service payments for the WIFA loan.<sup>49</sup> Using the surcharge mechanism, Staff estimates that the debt  
 3 service payments on a 20-year amortizing loan, at 6.0 percent interest, will be \$3,814 per month, or  
 4 \$45,772 annually.<sup>50</sup> Staff estimates that the total monthly surcharge for residential customers will be  
 5 \$80.31 per customer, per month.<sup>51</sup>

6 74. West Villages proposed rates that would result in operating revenues of \$131,208, an  
 7 operating income of \$78,888 or a 272.33 percent rate of return on the Company's proposed FVRB of  
 8 \$28,968, which is the same as its original cost rate base ("OCRB").<sup>52</sup>

9 75. West Village's proposed rates would increase the typical 5/8 inch meter residential bill  
 10 with a median usage of 2,534 gallons from \$38.80 to \$167.80, an increase of \$129.00 or 332.5  
 11 percent.<sup>53</sup>

12 76. Including Staff's recommended surcharge for the financing, Staff's recommended  
 13 increase in revenue is \$56,457 or a 176.79 percent increase over test year revenue of \$31,935.<sup>54</sup>  
 14 Staff's recommended revenue of \$88,392 results in operating income of \$56,675 or a 173.63 percent  
 15 rate of return on Staff's recommend FVRB of \$32,642, with an operating margin of 64.12 percent.<sup>55</sup>

16 77. Including the surcharge, Staff's recommended rates would increase the typical 5/8  
 17 inch meter residential bill with a median usage of 2,534 gallons from \$38.80 to \$120.25, for an  
 18 increase of \$81.45 or 209.9 percent.

19 78. Staff recommends approval of West Village's finance application using the WIFA  
 20 loan surcharge mechanism.

21 79. Staff further recommends and that:

- 22 a. West Village contact the City of Flagstaff ("City") to explore all available  
 23 alternatives to the capital improvements proposed in the financing application,  
 24 including the possibility of the Company becoming a master-meter customer of

25 <sup>48</sup> Applicant's rate application at 9.

<sup>49</sup> Amended Staff Report at 11.

<sup>50</sup> Id.

<sup>51</sup> Id.

<sup>52</sup> Id. at 3.

<sup>53</sup> Amended Schedule DWC- 5A and 5B.

<sup>54</sup> Amended Staff Report at 3.

<sup>55</sup> Id.

1 the City. Additionally, Staff recommends that, within 30 days of any  
2 discussions with the City, the Company be required to file documents in this  
3 docket: (1) affirming that the Company has explored with the City all available  
4 alternatives, including becoming a master meter customer of the City; (2)  
5 listing the alternatives investigated; (3) describing and explaining all actions  
6 taken by the Company in investigating each alternative, including the names of  
7 persons contacted at the City; and (4) describing and explaining the  
8 Company's rationale in choosing or not choosing a particular alternative. Staff  
9 further recommends that the Company comply with this filing requirement  
10 before securing or closing on the WIFA loan.

11 b. The Commission authorize West Village to obtain a 20-year amortizing loan in  
12 an amount not to exceed \$351,944 and at an interest rate not to exceed the  
13 current WIFA subsidized rate at the time the loan is executed (presently  
14 estimated at 6.0 percent) to finance capital improvement of a new deep well.

15 c. The Commission authorize West Village to obtain a 20-year amortizing loan in  
16 an amount not to exceed \$173,056 and at an interest rate not to exceed the  
17 current WIFA subsidized rate at the time the loan is executed (presently  
18 estimated at 6.0 percent) to finance locating and mapping the distribution  
19 system and install gate valves on the system to isolate portions of the  
20 distribution system.

21 d. The Commission authorize West Village to engage in any transactions and to  
22 execute any documents necessary to effectuate the authorizations granted.

23 e. West Village file copies of the fully-executed loan documents, as a compliance  
24 item in this docket, within 60 days of the execution of any transactions.

25 f. Any authorization to incur debt granted in this proceeding terminate 18 months  
26 from the date a Decision is issued in this matter, unless the financing is  
27 obtained within those 18 months.

28 g. The Commission approve a financing surcharge mechanism to enable the  
Company to meet its principal and interest obligation on the proposed WIFA  
loan.

h. West Village file with the Commission a WIFA loan surcharge tariff  
application within 60 days of the loan closing. The Company shall be required  
to follow the same methodology presented in the Staff Report to calculate the  
additional revenue needed to meet its loan obligations, using the actual loan  
terms and the actual number of customers at the time of loan closing, and using  
the result of that calculation to develop its surcharge tariff application. The  
increase in revenue calculation should be included in the surcharge tariff  
application.

i. Any surcharge be implemented only after Commission approval of the loan  
surcharge tariff.

- 1 j. Approval of the WIFA loan and surcharge be rescinded if West Village has not  
2 drawn funds from the loan within 18 months of the date of the Decision  
3 resulting from this proceeding.
- 4 k. West Village file a new rate case within five years of a Decision in this matter  
5 and that the financing surcharge cease automatically, if West Village fails to  
6 file a rate case within five years.
- 7 l. West Village maintain its records in accordance with the NARUC Uniform  
8 Systems of Accounts and file with Docket Control, a document stating it is in  
9 compliance within 6 months of a Decision in this matter.
- 10 m. West Village monitor its 25.1 percent water loss in its system for a 12-month  
11 period to prepare a water loss reduction report. If the reported water loss is  
12 greater than 10 percent, West Village shall submit the water loss reduction  
13 report containing a detailed analysis and plan to reduce the water loss to 10  
14 percent or less. If West Village believes it is not cost effective to reduce the  
15 water loss to less than 10 percent, it should submit a detailed cost benefit  
16 analysis to support its opinion. In no case shall West Village allow water loss  
17 to be greater than 15 percent. The water loss reduction report or the detailed  
18 analysis, whichever is submitted, shall be filed as a compliance item in this  
19 docket, within 13 months of the effective date of a Decision in this matter.
- 20 n. West Village file with Docket Control, as a compliance item in this docket,  
21 within one year of closing the WIFA loan on the well project, a copy of the  
22 ADEQ Certificate for Approval to Construct for the new deep well project.
- 23 o. West Village file as a compliance item in this docket, within 45 days of the  
24 effective date this Decision, a curtailment tariff for review and certification by  
25 Staff in the form found on the Commission's website.
- 26 p. West Village adopt and use Staff's recommended depreciation rates as  
27 described in Table B of the Engineering Report.

### 28 Analysis

29 80. In its response to the Amended Staff Report, West Village states that it generally  
30 agrees with Staff's recommendations regarding the financing application and the compliance  
31 deadlines set forth in the Amended Staff Report.<sup>56</sup> However, West Village continues to disagree  
32 with Staff's disallowance of the Company's purchased water expense of \$18,765 incurred during the  
33 test year.<sup>57</sup>

34 81. West Village has not had a rate increase since 1997 and had an operating income, as

<sup>56</sup> Applicant's Response to Amended Staff Report at 1.

<sup>57</sup> Id.

1 adjusted by Staff, of \$218 for the test year. The combination of length of time between West  
 2 Village's last rate increase and the myriad of issues related to repairing and maintaining a 50-year old  
 3 water system create the perfect storm. West Village has been undercharging for its services. In  
 4 addition, the aging and deteriorating condition of the water system makes it susceptible to costly  
 5 repairs during outages and to costly routine maintenance. Under West Village's proposed rates, the  
 6 typical median 5/8 x 3/4 inch residential bill would increase by \$129.00 or to \$167.80 per month.<sup>58</sup>  
 7 Staff has stated that inclusion of the purchased water expense in test year expenses would further  
 8 increase the revenue requirement.<sup>59</sup> Although West Village proposes to include the average cost of  
 9 the purchase water expenses incurred between 2004 and 2008, Staff notes that the Company incurred  
 10 the expense in only two out of the five years. Further, Staff has proposed including a \$3,404 working  
 11 cash allowance and \$3,817 for R & M in test year expenses. Staff's recommended proposals should  
 12 give the Company sufficient income to cover any purchased water expenses and R&M expenses on a  
 13 going forward basis and allow the Company to provide quality service to its customers. Therefore,  
 14 we find Staff's recommended adjustments to rate base, operating revenues, operating expenses, return  
 15 on rate base, and rate design reasonable and we will adopt Staff's recommendations. We find that  
 16 Staff's recommendation to implement a WIFA loan surcharge mechanism is the best option to insure  
 17 that the term of the debt is proportionate with the life of the proposed capital improvements and that  
 18 the Company does not over earn on the proposed investment.

19 82. Because an allowance for the property tax expense is included in West Village's rates  
 20 and will be collected from its customers, the Commission seeks assurances from West Village that  
 21 any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has  
 22 come to the Commission's attention that a number of water companies have been unwilling or unable  
 23 to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as  
 24 twenty years. It is reasonable, therefore, that as a preventive measure West Village shall annually  
 25 file, as part of its annual report, an affidavit with the Utilities Division attesting that the company is

26 \_\_\_\_\_  
 27 <sup>58</sup> Applicant's application at 19.

28 <sup>59</sup> The Amended Staff Report notes that West Village did not request inclusion of the average purchased water expense in  
 its application, but later proposed the inclusion in its response to the Amended Staff Report. (ASR at 7)

1 current in paying its property taxes in Arizona.

2 CONCLUSIONS OF LAW

3 1. West Village is a public service corporation within the meaning of Article XV of the  
4 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, and 40-303.

5 2. The Commission has jurisdiction over West Village and of the subject matter of the rate  
6 and finance applications.

7 3. Notice of the rate and finance applications were given in accordance with the law.

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

10 5. The financing approved herein is for lawful purposes, within West Village's powers, is  
11 compatible with the public interest, with sound financial practices, and with the proper performance  
12 by West Village of service as a public service corporation, will not impair West Village's ability to  
13 perform that service.

14 6. The financing approved herein is for the purposes stated in the financing application  
15 and is reasonably necessary for those purposes, and such purposes are not, wholly or in part,  
16 reasonably chargeable to operating expenses or to income.

17 ORDER

18 IT IS THEREFORE ORDERED that F. Wayne & Dorothy Thompson dba West Village  
19 Water Company, shall file by July 30, 2010, revised rate schedules setting forth the following rates  
20 and charges:

21 MONTHLY USAGE CHARGES:

22	5/8" x 3/4" Meter	\$ 26.00
	3/4" Meter	39.00
23	1" Meter	65.00
	1-1/2" Meter	130.00
24	2" Meter	208.00
	3" Meter	416.00
25	4" Meter	650.00
	6" Meter	1,300.00

26  
27 Gallonage charge (per 1,000 gallons):  
28

1	<u>5/8" x 3/4" Meter</u>	
	0 - 3,000 gallons	\$5.50
2	3,001 - 7,000 gallons	8.60
	Over 7,000 gallons	9.95
3		
	<u>3/4" Meter</u>	
4	0 - 3,000 gallons	5.50
	3,001 - 7,000 gallons	8.60
5	Over 7,000 gallons	9.95
6		
	<u>1" Meter</u>	
	0 - 10,000 gallons	8.60
7	Over 10,000 gallons	9.95
8		
	<u>1-1/2" Meter</u>	
	0 - 20,000 gallons	8.60
9	Over 20,000 gallons	9.95
10		
	<u>2" Meter</u>	
	0 - 40,000 gallons	8.60
11	Over 40,000 gallons	9.95
12		
	<u>3" Meter</u>	
	0 - 144,000 gallons	8.60
13	Over 144,000 gallons	9.95
14		
	<u>4" Meter</u>	
	0 - 225,000 gallons	8.60
15	Over 225,000 gallons	9.95
16		
	<u>6" Meter</u>	
	0 - 450,000 gallons	8.60
17	Over 450,000 gallons	9.95
18	Standpipe (Rate)	9.95

19

20 SERVICE LINE AND METER INSTALLATION CHARGES:

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

21		<u>Service Line</u>	<u>Meter</u>	<u>Total</u>
	5/8" x 3/4" Meter	\$ 430.00	130.00	\$560.00
22	3/4" Meter	430.00	230.00	660.00
	1" Meter	480.00	290.00	770.00
23	1-1/2" Meter	535.00	500.00	1,035.00
	2" Meter Turbine	815.00	1,020.00	1,835.00
24	2" Meter Compound	815.00	1,865.00	2,680.00
	3" Meter Turbine	1,030.00	1,645.00	2,675.00
25	3" Meter Compound	1,150.00	2,520.00	3,670.00
	4" Meter Turbine	1,460.00	2,620.00	4,080.00
26	4" Meter Compound	1,640.00	3,595.00	5,235.00
	6" Meter Turbine	2,180.00	4,975.00	7,155.00
27	6" Meter Compound	2,300.00	6,870.00	9,170.00

28

SERVICE CHARGES:

1	Establishment	\$ 35.00
	Establishment (After Hours)	45.00
2	Reconnection (Delinquent)	45.00
	Reconnection (Delinquent)	50.00
3	Meter Test (If Correct)	45.00
	Deposit	*
4	Deposit Interest	*
	Re-establishment (Within 12 Months)	**
5	NSF Check	25.00
	Deferred Payment	1.5%
6	Meter Re-read (If Correct)	20.00
	Late Payment Charge (Per Month)	***
7	Charge for Moving Meter	****

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

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

10 \*\*\* 1.5 percent on the unpaid balance per month.

11 \*\*\*\* Main Extension are addressed separately in the Arizona Administrative Code are not part of this tariff and should be removed from this tariff

12 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all  
13 services provided on and after August 1, 2010.

14 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
15 Company shall notify its customers of the revised rates and charges authorized herein and their  
16 effective date, in a form acceptable to the Commission's Utilities Division Staff, by means of an  
17 insert in its next regular scheduled billing.

18 IT IS FURTHER ORDERED that in addition to collecting its regular rates and charges, F.  
19 Wayne & Dorothy Thompson dba West Village Water Company, shall collect from its customers a  
20 proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

21 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
22 Company shall maintain its records on a going forward basis, in accordance with the National  
23 Association of Regulatory Utility Commissioners Uniform System of Accounts.

24 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
25 Company shall file with Docket Control, as a compliance item in this docket, a document stating it is  
26 in compliance with its record keeping in accordance with the National Association of Regulatory  
27 Utility Commissioners Uniform System of Accounts within six (6) months of the effective date of  
28

1 this Decision.

2 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
3 Company shall monitor its water loss for a 12-month period and prepare a water loss reduction report  
4 in accordance with Findings of Fact No. 79 (m).

5 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
6 Company is authorized to obtain a 20-year amortizing loan through the Water Infrastructure Finance  
7 Authority of Arizona for an amount not to exceed \$351,944, and an interest rate not to exceed the  
8 current Water Infrastructure Finance Authority subsidized rate at the time the loan is executed, to  
9 finance a capital improvement of a new deep well as described herein.

10 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
11 Company is authorized to obtain a 20-year amortizing loan through the Water Infrastructure Finance  
12 Authority of Arizona for an amount not to exceed \$173,056, at an interest rate not to exceed the  
13 current Water Infrastructure Finance Authority subsidized rate at the time the loan is executed, to  
14 finance locating and mapping the distribution system, installing gate valves on the system to isolate  
15 portions of the distribution system, and replacing service taps and meters.

16 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
17 Company shall contact the City of Flagstaff and explore all available alternatives to the capital  
18 improvements described above in accordance with Findings of Fact No. 79 (a).

19 IT IS FURTHER ORDERED that the authorization to obtain the above referenced financing  
20 through the Water Infrastructure Finance Authority shall not become effective until after F. Wayne &  
21 Dorothy Thompson dba West Village Water Company has complied with items listed in Findings of  
22 Fact No. 79 (a), to demonstrate that becoming a master meter customer of the City of Flagstaff is not  
23 a viable alternative to constructing a new well, and has submitted the results of those discussions to  
24 the Commission for its consideration for approval.

25 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
26 Company is hereby authorized to engage in any transactions and to execute any documents necessary  
27 to effectuate the financing authorizations granted herein.  
28

1 IT IS FURTHER ORDERED that such authority is expressly contingent upon F. Wayne &  
2 Dorothy Thompson dba West Village Water Company's use of the proceeds for the purposes set forth  
3 in its finance application.

4 IT IS FURTHER ORDERED that approval of the financing set forth herein does not  
5 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
6 proceeds derived thereby for purposes of establishing just and reasonable rates.

7 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
8 Company shall file, within sixty (60) days of obtaining the financing, with the Commission's Docket  
9 Control, as a compliance item in this docket, copies of all executed documents setting forth the terms  
10 of the financing.

11 IT IS FURTHER ORDERED that the authorization for F. Wayne & Dorothy Thompson dba  
12 West Village Water Company to incur debt, as described herein, shall terminate eighteen (18) months  
13 from the effective date of this Decision.

14 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
15 Company is authorized to implement a financing surcharge mechanism to meet its principal and  
16 interest obligations on the Water Infrastructure Finance Authority loan and as set forth in Findings of  
17 Fact No. 79 and below.

18 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
19 Company shall file with the Commission a Water Infrastructure Finance Authority loan surcharge  
20 tariff application within sixty (60) days of closing on the loan and in accordance with the  
21 methodology set forth in Finding of Fact No. 79 (h).

22 IT IS FURTHER ORDERED that any finance surcharge shall be implemented only after  
23 Commission approval of the loan surcharge tariff.

24 IT IS FURTHER ORDERED that the authorization for F. Wayne & Dorothy Thompson dba  
25 West Village Water Company to collect the finance surcharge and to obtain the Water Infrastructure  
26 Finance Authority loan shall be rescinded if the funds from the Water Infrastructure Finance  
27 Authority loan are not drawn upon within eighteen (18) months of the effective date of this Decision.

28 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water

1 Company shall file a new rate case within five (5) years of the effective date of this Decision and if  
2 F. Wayne & Dorothy Thompson dba West Village Water Company fails to file a new rate case within  
3 the time frame described above, any authorized finance surcharge shall immediately cease.

4 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
5 Company shall file with Docket Control, as a compliance item in this docket, within one (1) year of  
6 closing the Water Infrastructure Finance Authority loan on the well project, a copy of the Arizona  
7 Department of Environmental Quality Certificate of Approval to Construct for the new deep well  
8 project.

9 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
10 Company shall file, as a compliance item in this docket, within forty-five (45) days of the effective  
11 date of this Decision, a curtailment tariff for review and certification by Staff in the form found on  
12 the Commission's website.

13 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
14 Company shall adopt and use Staff's recommended depreciation rates as outlined in Table B of the  
15 Engineering Report.

16 ...  
17 ...  
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27 ...  
28 ...

1 IT IS FURTHER ORDERED that F. Wayne & Dorothy Thompson dba West Village Water  
2 Company shall annually file, as part of its Annual Report, an affidavit with the Utilities Division  
3 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

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 10<sup>th</sup> day of August, 2010.

16   
17 ERNEST G. JOHNSON  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_

20 DISSENT \_\_\_\_\_  
21 YBK:db

1 SERVICE LIST FOR: F. WAYNE & DOROTHY THOMPSON DBA WEST  
2 VILLAGE WATER CO.

3 DOCKET NOS.: W-03211A-08-0621 and W-03211A-08-0622

4  
5 F. Wayne and Dorothy Thompson  
6 WEST VILLAGE WATER COMPANY  
7 P.O. Box 756  
8 Flagstaff, AZ 86002

9 Steve Wene, Esq.  
10 MOYES SELLERS & SIMS LTD.  
11 1850 North Central Avenue, Suite 1100  
12 Phoenix, AZ 85004  
13 Attorneys for West Village Water Company

14 Randy Pellatz  
15 Utilities Division  
16 City of Flagstaff  
17 211 W. Aspen  
18 Flagstaff, AZ 86001

19 Janice Alward, Chief Counsel  
20 Legal Division  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
23 Phoenix, AZ 85007

24 Steve Olea, Director  
25 Utilities Division  
26 ARIZONA CORPORATION COMMISSION  
27 1200 West Washington Street  
28 Phoenix, AZ 85007

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