

OPEN MEETING ITEM



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



ARIZONA CORPORATION COMMISSION

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EXECUTIVE DIRECTOR

2010 NOV 16 A 10:41

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: NOVEMBER 16, 2010

DOCKET NOS.: W-01990A-09-0572 and W-01990A-09-0573

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian. The recommendation has been filed in the form of an Order on:

CASA GRANDE WEST WATER COMPANY, INC.  
(RATES/FINANCE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

NOVEMBER 26, 2010

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

DECEMBER 1, 2010

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

NOV 16 2010

DOCKETED BY

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF  
CASA GRANDE WEST WATER COMPANY,  
INC. FOR APPROVAL OF FINANCING.

DOCKET NO. W-01990A-09-0572

IN THE MATTER OF THE APPLICATION OF  
CASA GRANDE WEST WATER COMPANY,  
INC. FOR A RATE INCREASE.

DOCKET NO. W-01990A-09-0573

ORDER

Open Meeting  
December 1, 2010  
Phoenix, Arizona

**BY THE COMMISSION:**

\* \* \* \* \*

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

1. On December 21, 2009, Casa Grande West Water Company, Inc. ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its permanent rates and charges.
2. Also on December 21, 2009, the Company filed an application requesting approval of a loan from the Water Infrastructure Financing Authority ("WIFA") in the approximate face amount of \$250,000 at an interest rate of approximately 5.5 percent, payable over 30 years, secured by the Company's assets for the purpose of funding construction of an arsenic adsorption system to allow the Company to provide safe drinking water. The financing application included estimated construction costs, and stated that the Company has passed a resolution authorizing the borrowing of the funds.

1           3.       With its December 21, 2009 rate application, the Company filed proof of mailing  
2 on December 18, 2009, that it had mailed notice to its customers of its application for a  
3 permanent rate increase.

4           4.       On January 20, 2010, the Commission's Utilities Division ("Staff") issued a Notice  
5 of Insufficiency pursuant to A.A.C. R14-2-103.

6           5.       On April 21, 2010, the Company filed an amended rate application in response to  
7 Staff's Notice of Insufficiency.

8           6.       On May 20, 2010, Staff issued a Notice of Sufficiency indicating that the  
9 Company's rate application was sufficient, and classifying the Company as a Class D utility.

10          7.       On May 27, 2010, the Company filed a proposed Curtailment Tariff and Cross-  
11 Connection Tariff.

12          8.       On June 17, 2010, Staff filed a Motion to Consolidate the rate application and the  
13 financing application.

14          9.       On July 1, 2010, a procedural order was issued consolidating the rate application  
15 and financing application dockets.

16          10.       On July 20, 2010, the Company filed a response to Staff's third set of data  
17 requests.

18          11.       On July 23, 2010, Staff filed a Request for an Extension of Time to File Staff  
19 Report. Staff stated that due to Applicant's slow and sometimes incomplete responses to data  
20 requests, Staff required an additional three weeks to appropriately and fairly analyze the  
21 applications, and to complete its Staff Report.

22          12.       Applicant filed no response to Staff's request for additional time.

23          13.       By Procedural Order issued August 2, 2010, the deadline for filing the Staff  
24 Report was extended until August 24, 2010, and pursuant to A.A.C. R14-2-103(B)(11)(e), the  
25 timeclock for this matter was accordingly extended by 21 days.

26          14.       On August 24, 2009, Staff, after conducting an investigation of Applicant's  
27 proposed rates and charges for water service, filed its Staff Report on the Company's rate  
28 application and financing application. The Staff Report recommended that the Commission

1 approve Staff's recommended rates and charges, and that the financing application also be  
2 approved. Staff additionally recommended that the Company be authorized to file an  
3 application for an Arsenic Remediation Surcharge Mechanism ("ARSM") once the Company  
4 has secured its WIFA loan. The Staff Report indicated that any party wishing to file comments  
5 to the Staff Report should file them with the Commission's Docket Control by 4:00 p.m. on or  
6 before September 3, 2010.

7 15. No comments to the Staff Report were filed.

8 16. On November 9, 2010, a procedural order was issued directing Applicant to file  
9 proof of providing notice to its customers of its application for financing as soon as possible, but  
10 no later than December 31, 2010, and suspending the timeclock in this matter pursuant to  
11 A.A.C. R14-2-103(B)(11)(e) pending the filing of the proof of notice.

12 17. On November 10, 2010, Applicant filed proof that it had mailed notice to its  
13 customers on October 28, 2010, informing them of the December 21, 2009 financing  
14 application. The notice stated that Staff has recommended approval of long-term debt  
15 financing in an amount not to exceed \$259,335, and provided contact information in the event  
16 that customers wish to contact the Commission. The notice stated that the Commission may act  
17 upon the application without a hearing, and that customers should contact the Commission  
18 within 15 days of the notice.

19 **Rate Application**

20 18. Pursuant to authority granted by the Commission in Decision No. 47665  
21 (February 15, 1997) Applicant provides water utility service to the public in a territory located  
22 west of the City of Casa Grande in Pinal County, Arizona. Applicant is organized as a C  
23 Corporation.

24 19. Applicant's present rates and charges for water service were approved in  
25 Decision No. 55350 (December 17, 1986), based on a test year ended December 31, 1985.

26 20. During the test year ended June 30, 2009, Applicant provided service to  
27 approximately 294 customers, who are primarily residential users.

28 21. The water rates and charges for Applicant at present, as proposed by the

1 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	\$ 9.00	\$ 30.00	\$ 12.00
3/4" Meter	22.00	30.00	18.00
1" Meter	28.00	36.00	30.00
1-1/2" Meter	40.00	48.00	60.00
2" Meter	60.00	75.00	96.00
3" Meter	100.00	125.00	192.00
4" Meter	175.00	205.00	300.00
5" Meter	250.00	310.00	450.00
6" Meter	300.00	385.00	600.00

8 COMMODITY RATES:

Tier One Rate (0 – 4,000 gallons)	\$ 2.45	\$3.18	2.52
Tier Two Rate (4,001 – 9,000 gallons)	3.83	4.98	2.92
Tier Three Rate (Over 9,000 gallons)	5.20	6.76	3.32
Standpipe (Per 1,000 gallons)	3.00	5.65	3.32

12 SERVICE LINE AND METER INSTALLATION CHARGES:

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

	<u>Present</u>	<u>Company</u>	<u>Staff Recommended</u>		
	<u>Rates</u>	<u>Proposed</u>	<u>Service Line Charge</u>	<u>Meter Installation*</u>	<u>Total</u>
5/8" x 3/4 " Meter	\$160.00	\$415.00	\$ 331.00	\$ 84.00	\$ 415.00
3/4 " Meter	175.00	415.00	331.00	107.00	438.00
1" Meter	200.00	465.00	340.00	125.00	465.00
1-1/2" Meter	350.00	520.00	360.00	160.00	520.00
2" Meter Turbo	450.00	800.00	400.00	400.00	800.00
2" Meter Compound	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
3" Meter Turbo	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
3" Meter Compound	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
4" Meter Turbo	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
4" Meter Compound	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
6" Meter Turbo	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
6" Meter Compound	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
Over 6-inch	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

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

<u>SERVICE CHARGES:</u>	<u>Current Charges</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
Establishment	\$20.00	\$50.00	\$25.00
Establishment (After Hours)	25.00	75.00	40.00
Reconnection (Delinquent)	25.00	50.00	40.00
Reconnection(Delinquent) After Hours		75.00	50.00
Meter Test (If Correct)	25.00	50.00	40.00
Deposit	*	75.00	*
Deposit Interest	**	**	**
Re-Establishment (Within 12 Months)	***	50.00	***
NSF Check	\$10.00	25.00	25.00
Deferred Payment	N/A	N/A	****
Meter Re-Read (If Correct)	5.00	25.00	25.00

1 Late Payment Charge – Per Month N/A N/A \*\*\*\*

2 **MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:**

3	4" or Smaller	\$0.00	\$0.00	*****
3	6"	\$0.00	\$0.00	*****
3	8"	\$0.00	\$0.00	*****
4	10"	\$0.00	\$0.00	*****
4	Larger than 10"	\$0.00	\$0.00	*****

5 \* Per Commission Rule A.A.C. R14-2-403(B)(7).

6 \*\* Per Commission Rule A.A.C. R14-2-403(B)(3).

6 \*\*\* Months off system times the monthly minimum A.A.C. R14-2-403(D)

7 \*\*\*\* 1.5% of unpaid monthly balance.

7 \*\*\*\*\* 2.0% of Monthly Usage Charge 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 from the primary water service line.

9 22. Staff recommended a downward adjustment of \$25,467 to the Company's  
10 proposed original cost rate base ("OCRB") of \$141,765, for an OCRB of \$116,298. Staff's  
11 reduction to the Company's proposed OCRB resulted primarily from a \$30,860 decrease  
12 increase to gross utility plant in service. Staff adjusted plant in service to restate \$74,961 of  
13 plant balances approved in the prior rate case, to eliminate \$42,098 related to claimed  
14 acquisition cost, and to remove \$2,000 related to a retired well. Based on its recalculation of  
15 accumulated depreciation since the last rate case through the end of the test year and its  
16 elimination of \$2,000 related to the retired well, Staff increased accumulated depreciation by  
17 \$55,071 over the Company's reported \$70,908, for an accumulated depreciation balance of  
18 \$125,979. Staff also recalculated working capital, based on Staff's adjustments to operating  
19 expenses, which resulted in a net decrease to rate base of \$1,256.

20 23. Applicant's fair value rate base ("FVRB"), which is the same as its OCRB, is  
21 determined to be \$116,298.

22 24. Based on its analysis, Staff recommended total test year Operating Expense of  
23 \$116,617, a decrease of \$16,725 from the Company's proposed \$133,342. Staff's test year  
24 Operating Expense of \$116,617 is the result of adjustments to the Company's proposals in  
25 several expense accounts. Staff annualized the salary of the Company's only employee,  
26 resulting in a decrease of \$8,728 from the Company's proposed \$33,688, for total Salaries and  
27 Wages Expense of \$24,960. Staff reduced Office Supplies and Expense by \$937, rent by \$714,  
28

1 and Miscellaneous Expense by \$270, to reflect recorded test year costs. Staff reduced  
2 Transportation Expense by \$2,000 to eliminate unsupported travel expenses, and adjusted  
3 Outside Services Expense upward by \$5,628 to \$22,817, to reflect annualization of consulting  
4 fee costs and a disallowance of accounting fees incurred outside the test year. Based on Staff's  
5 recommended depreciation rates and water testing expense analysis, Staff reduced  
6 Depreciation Expense by \$2,933 and increased Water Testing Expense by \$86. Staff  
7 recalculated Income Tax Expense for an increase of \$2,141, Tax Other than Income Expense  
8 for a reduction of \$8,145, and Property Tax Expense for a reduction of \$853.

9 25. Applicant's adjusted test year Operating Expense was \$116,617.

10 26. Applicant's present water rates and charges produced test year Operating  
11 Revenue of \$124,898. With adjusted Operating Expense of \$116,617, the Company had total  
12 adjusted test year Operating Income of \$8,281, for a rate of return of 7.12 percent on FVRB, or  
13 an operating margin of 6.63 percent.

14 27. The water rates and charges proposed by the Company would produce  
15 Operating Revenue of \$183,878 and adjusted Operating Expenses of \$133,342, resulting in an  
16 Operating Income of \$50,536 for a 35.65 percent rate of return on FVRB, or an operating  
17 margin of 27.48 percent. The Company's proposal would constitute a \$58,980, or 47.22  
18 percent, increase over test year revenues.

19 28. The water rates and charges as recommended by Staff would produce total  
20 Operating Revenue of \$141,515 and adjusted Operating Expenses of \$120,288 resulting in an  
21 Operating Income of \$21,227, for an 18.25 percent rate of return on FVRB, or a 15.0 percent  
22 operating margin. Staff's recommendation constitutes a \$16,617, or 13.30 percent, increase  
23 over test year revenues.

24 29. Staff derived its recommended revenue requirement based on a 15.0 percent  
25 operating margin due to the Company's negligible rate base. Staff stated in the Staff Report  
26 that Operating Income is typically determined by multiplying rate base by a rate of return  
27 (which is derived from a cost of capital analysis), but that because most small utilities lack  
28 adequate capital structure and sizeable rate base, an operating margin or cash flow

1 requirement method is used to determine their Operating Income. Staff stated that the  
2 operating margin method yields adequate cash flow to enable small utilities to effectively cover  
3 operating expenses and manage contingencies, and keeps small utilities viable on a going  
4 forward basis.

5 30. The Company's proposed rates would increase the average monthly 5/8 by 3/4-  
6 inch meter customer water bill by \$40.87 or 153.82 percent, from \$26.57 to \$67.44, and increase  
7 the median monthly 5/8 by 3/4-inch meter customer water bill by \$35.98 or 171.50 percent,  
8 from \$20.98 to \$56.96.

9 31. Staff's recommended rates would increase the average monthly metered  
10 customer water bill by \$8.53 or 32.10 percent, from \$26.57 to \$35.10, and increase the median  
11 monthly 5/8 by 3/4-inch meter customer water bill by \$7.32 or 34.89 percent, from \$20.98 to  
12 \$28.30.

13 32. The Company proposes to maintain its current single-tier rate structure with  
14 1,000 gallons included in the monthly minimum. Staff recommends a three-tiered rate  
15 structure, with the first tier lower than the median usage of 5,992 gallons/month. Staff's  
16 recommendation for a second tier is higher than the average usage of 8,320 gallons/month.  
17 Staff designed its recommended rate structure to encourage a more efficient use of water.

18 33. The Company is located within the Pinal Active Management Area ("AMA").  
19 The Staff Report indicated that the Arizona Department of Water Resources ("ADWR") issued  
20 a compliance status report, emailed on May 6, 2010, indicating that the Company is in  
21 compliance with its requirements governing providers and/or community water systems.

22 **Engineering Analysis/ADEQ Compliance**

23 34. Staff conducted a field inspection of the Company's plant facilities on June 22,  
24 2010.

25 35. The Company has no fire hydrants or fireflow requirements in its service area.

26 36. Because there is no wastewater service in the Company's certificated area, septic  
27 tanks are used for wastewater disposal.

28 37. Staff reviewed the calculated water loss for the Company and determined that it

1 was 6.6 percent, which is within reasonable limits.

2 38. Staff reviewed the Company's proposed Cross-Connection Backflow Prevention  
3 Tariff, and recommended approval.

4 39. Staff reviewed the Company's proposed Curtailment Tariff. Staff stated that the  
5 Company's proposal is inconsistent with the Commission prescribed format, and therefore  
6 recommended that the Company be required to file a new proposed Curtailment Tariff for  
7 Staff's review and certification.

8 40. The Company's water system is comprised of one active well ("Well No. 3") with  
9 a production capacity of 100 gallons per minute, three storage tanks with a combined capacity  
10 of 27,000 gallons, one 2,500 gallon pressure tank, a booster pump station, and a distribution  
11 system. The Company also has an inactive well, formerly used as a back-up well, but which has  
12 been disconnected from the system due to its arsenic contamination.

13 41. Staff determined that the Company does not have adequate storage capacity to  
14 serve its existing customers. Using recent water use data provided by the Company, Staff  
15 calculated that the Company needs to add 100,000 gallons of additional storage capacity in  
16 order to adequately serve its existing customers.

17 42. The Company's Well No. 3 has arsenic contamination of 19 micrograms per liter  
18 (" $\mu\text{l}$ "), which is in excess of the allowable Maximum Contaminant Level ("MCL") of 10 parts  
19 per billion ("ppb").

20 43. The Company is not in compliance with the requirements of the Arizona  
21 Department of Environmental Quality ("ADEQ"). According to the Staff Report, ADEQ issued  
22 a compliance status report on February 11, 2010, for the Company indicating major  
23 deficiencies due to: (1) ongoing arsenic levels that exceed the MCL; (2) failure to collect  
24 disinfection byproducts ("DBP") at the appropriate sampling location; (3) inappropriate  
25 sampling times during the year; (4) failure to report DBP from 2004 through 2008; and (5)  
26 failure to report lead and copper testing results from 2002 to 2007. The Staff report indicated  
27 that based on those findings, ADEQ reported that the Company's system is not in compliance  
28 with ADEQ requirements, and that ADEQ cannot determine if the Company is currently

1 delivering water that meets water quality standards required by A.A.C. Title 18, Chapter 4.

2 44. The Staff Report indicated that on March 10, 2010, ADEQ issued a Consent  
3 Order due to the elevated arsenic levels in the Company's water source, and ordered the  
4 Company to complete an arsenic treatment plant by December 2010.

5 45. The Staff Report further indicated that on June 9, 2010, ADEQ issued a  
6 Certificate of Approval to Construct ("ATC") for the Company to install an arsenic treatment  
7 plant.

8 **Financing Application**

9 46. The Company seeks authority to incur debt in order to finance its planned  
10 centralized arsenic treatment facility and water storage facility projects.

11 47. Staff separately evaluated the company's proposed arsenic treatment plant and  
12 storage facility projects.

13 48. Staff stated in the Staff Report that its analysis confirms that the proposed  
14 arsenic remediation project is necessary to bring the Company in compliance with ADEQ  
15 requirements. Staff found that the Company's projected cost of \$142,835 is reasonable for the  
16 arsenic remediation project and recommended approval.

17 49. Staff determined that the Company's proposal to install 50,000 gallons of storage  
18 capacity would be inadequate, and recommended that the Company be required to install a  
19 100,000 gallon storage tank instead. Staff stated that its analysis indicates that a total cost of  
20 \$116,500 is adequate to complete the storage facility project.

21 50. Staff concluded that the proposed projects set forth in the financing application  
22 for arsenic treatment plant and storage facility projects are appropriate, necessary for the  
23 Company to be in compliance with ADEQ requirements and to insure it has adequate capacity  
24 available to serve its customers, and that the cost estimates as adjusted by Staff are reasonable.  
25 Based on its analysis of the arsenic remediation project and the storage facility project, Staff  
26 recommended that the Company be authorized to incur debt not to exceed \$259,335 for their  
27 construction.

28 51. Staff bifurcated its financial analysis of the two projects proposed in the

1 financing application.

2 52. In relation to the Company's ability to meet its debt obligation related to the  
3 \$116,500 required to construct its proposed storage facility, Staff stated that its recommended  
4 revenue requirement of \$21,227 provides the Company with a Times Interest Earned Ratio  
5 ("TIER")<sup>1</sup> of 4.22 and a Debt Service Coverage Ratio ("DSC")<sup>2</sup> of 4.28.

6 53. In relation to the Company's ability to meet its debt obligation related to the  
7 arsenic remediation project, Staff stated that due to the size of the Company and its limited  
8 cash flow, Staff believes an ARSM would provide an appropriate means for the Company to  
9 collect, via a surcharge, the amount necessary to pay its debt service obligations on any  
10 authorized financing, as well as the related income taxes arising from the surcharge revenue.  
11 Staff recommended that the Company be authorized to file, after it has secured its proposed  
12 WIFA loan, an ARSM proposal that shows an appropriate amount of arsenic surcharge  
13 required for the debt service obligation related to arsenic remediation. Staff recommended  
14 that the Company be ordered to base its ARSM proposal on the methodology depicted on  
15 Schedule AII-6 attached to its Staff Report. A copy of Schedule AII-6 is attached hereto and  
16 incorporated herein as Exhibit A.

17 **Staff Recommendations**

18 54. Staff recommended approval of its recommended rates and charges. Staff also  
19 recommended the following:

- 20 • that the Company be authorized to collect from its customers an appropriate  
21 share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-  
22 409(D);  
23 • that the Company be required to adopt the depreciation rates delineated by  
24 Staff in Exhibit 6 of the Engineering Report attached to the Staff Report;<sup>3</sup>

25 <sup>1</sup> TIER represents the number of times earnings will cover interest expense on short-term and long-term debt. A TIER  
greater than 1.0 means that operating income is greater than interest expense. A TIER of less than 1.0 is not sustainable  
in the long term but does not necessarily mean that debt obligations cannot be met in the short term.

26 <sup>2</sup> DSC represents the number of times internally generated cash will cover required principal and interest payments on  
short term and long term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt  
obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations  
and that another source of funds is needed to avoid default.

27 <sup>3</sup> A copy of Exhibit 6 of the Engineering Report attached to the Staff Report is attached hereto and incorporated herein as  
28 Exhibit B.

- 1 • that the Company be required to file with the Commission's Docket Control,  
2 within 30 days of this Decision, as a compliance item in this docket, a schedule  
3 of its approved rates and charges;
- 4 • that the Commission approve the Company's application for authority to  
5 incur long-term debt, in an amount not to exceed \$259,335;
- 6 • that the Commission authorize the Company to file for an ARSM under this  
7 docket;
- 8 • that the Company be required to file with Docket Control, as a compliance  
9 item in this docket, by March 31, 2011, an ADEQ Water Quality Compliance  
10 Status Report showing that water system PWS No. 11-024 is in compliance  
11 with ADEQ requirements and that the system is currently delivering water  
12 that meets water quality standards required by Arizona Administrative Code,  
13 Title 18, Chapter 4;
- 14 • that the Company be required to file as soon as possible, but no later than 45  
15 days of this Decision, with Docket Control as a compliance item in this  
16 matter, a Curtailment Tariff for Staff's review and certification;
- 17 • that the Commission approve the Company's Cross Connection or Backflow  
18 Prevention tariff as filed in this docket;
- 19 • that the Company be required to file with Docket Control, as a compliance  
20 item in this docket, by March 31, 2011, a copy of the ADEQ Approval of  
21 Construction ("AOC") for the arsenic treatment plant; and
- 22 • that the Company be required to file with Docket Control, as a compliance  
23 item in this docket, by May 31, 2011, a copy of the ADEQ AOC for 100,000  
24 gallons of additional storage capacity.

25 55. Staff reviewed the Commission's records and found zero complaints or opinions  
26 from 2007 through 2009. Since 2010, the Company has had one complaint and one inquiry. All  
27 complaints have been fully resolved and closed.

28 56. The Staff Report stated that a search of the Utilities Division Compliance  
Section's database indicated that as of June 24, 2010, the Company had no outstanding  
compliance issues.

57. As of October 27, 2010, Applicant is in good standing with the Commission's  
Corporations Division.

58. Staff's recommendations set forth in Findings of Fact No. 54 above are  
reasonable and should be adopted.

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

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

8 **CONCLUSIONS OF LAW**

9 1. Applicant is a public service corporation within the meaning of Article XV of the  
10 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, 40-302, and 40-303.

11 2. The Commission has jurisdiction over Applicant and the subject matter of the  
12 rate application and the financing application.

13 3. Notice of the financing application and the rate application were provided in the  
14 manner prescribed by law.

15 4. The rates and charges proposed by Staff and authorized hereinafter are just and  
16 reasonable and should be approved without a hearing.

17 5. Staff's recommendations as set forth in Findings of Fact No. 54 are reasonable and  
18 should be adopted.

19 6. The financing approved herein is for lawful purposes within Applicant's  
20 corporate powers, is compatible with the public interest, with sound financial practices, and  
21 with the proper performance by Applicant of service as a public service corporation, and will  
22 not impair Applicant's ability to perform the service.

23 7. The financing approved herein is for the purposes stated in the application and is  
24 reasonably necessary for those purposes, and such purposes are not, wholly or in part,  
25 reasonably chargeable to operating expenses or to income.

26 8. Approval of the proposed financing should not guarantee or imply any specific  
27 treatment of any capital additions for rate base or ratemaking purposes.

28 ...

**ORDER**

IT IS THEREFORE ORDERED that Casa Grande West Water Company, Inc. shall file, on or before December 31, 2010, a revised rate schedule setting forth the following rates and charges:

**MONTHLY USAGE CHARGE:**

5/8" x 3/4" Meter	\$ 12.00
3/4" Meter	18.00
1" Meter	30.00
1-1/2" Meter	60.00
2" Meter	96.00
3" Meter	192.00
4" Meter	300.00
5" Meter	450.00
6" Meter	600.00

**COMMODITY RATES:**

Tier One Rate (0 – 4,000 gallons)	2.52
Tier Two Rate (4,001 – 9,000 gallons)	2.92
Tier Three Rate (Over 9,000 gallons)	3.32
Standpipe (Per 1,000 gallons)	3.32

	Service Line Charge	Meter Installation*	Total
5/8" x 3/4 " Meter	\$ 331.00	\$ 84.00	\$ 415.00
3/4 " Meter	331.00	107.00	438.00
1" Meter	340.00	125.00	465.00
1-1/2" Meter	360.00	160.00	520.00
2" Meter Turbo	400.00	400.00	800.00
2" Meter Compound	Actual Cost	Actual Cost	Actual Cost
3" Meter Turbo	Actual Cost	Actual Cost	Actual Cost
3" Meter Compound	Actual Cost	Actual Cost	Actual Cost
4" Meter Turbo	Actual Cost	Actual Cost	Actual Cost
4" Meter Compound	Actual Cost	Actual Cost	Actual Cost
6" Meter Turbo	Actual Cost	Actual Cost	Actual Cost
6" Meter Compound	Actual Cost	Actual Cost	Actual Cost
Over 6-inch	Actual Cost	Actual Cost	Actual Cost

**SERVICE CHARGES:**

Establishment	\$ 25.00
Establishment (After Hours)	40.00
Reconnection (Delinquent)	40.00
Reconnection(Delinquent) After Hours	50.00
Meter Test (If Correct)	40.00
Deposit	*
Deposit Interest	**
Re-Establishment (Within 12 Months)	***
NSF Check	25.00
Deferred Payment	****
Meter Re-Read (If Correct)	25.00
Late Payment Charge – Per Month	****

**MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:**

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

\* Per Commission Rule A.A.C. R14-2-403(B)(7).

\*\* Per Commission Rule A.A.C. R14-2-403(B)(3).

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

\*\*\*\* 1.5% of unpaid monthly balance.

\*\*\*\*\* 2.0% of Monthly Usage Charge 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.

IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall notify its customers of the water rates and charges approved herein, and their effective date, by means of an insert in its next monthly billing. Casa Grande West Water Company, Inc. shall file a copy of the notice when sent to its customers with the Commission's Docket Control as a compliance item in this docket.

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

IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc., in addition to the collection of its regular rates and charges, shall collect from its customers their proportionate share of any privilege, sale, or use tax as provided in A.A.C. R14-2-409(D).

IT IS FURTHER ORDERED that the Cross-Connection Backflow Prevention Tariff filed in this docket on May 27, 2010, by Casa Grande West Water Company, Inc. is hereby approved.

IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall file as soon as possible, but within no less than 45 days, with Docket Control as a compliance item in this matter, a Curtailment Tariff for Staff's review and certification.

IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall adopt the depreciation rates recommended by Staff as set forth in Exhibit B.

1 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. is hereby  
2 authorized to incur a loan in an amount not to exceed \$259,335, for a term not to exceed 30  
3 years, pursuant to a loan agreement with the Water Infrastructure Finance Authority of  
4 Arizona, at an interest rate not to exceed that available from the Water Infrastructure Finance  
5 Authority of Arizona.

6 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. is hereby  
7 authorized to engage in any transaction and to execute any documents necessary to effectuate  
8 the authorization granted herein.

9 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall,  
10 within 60 days after the date of execution, file with Docket Control, as a compliance item in this  
11 docket, copies of all executed financing documents related to the authorization granted herein.

12 IT IS FURTHER ORDERED that any unused debt authorization granted in this  
13 proceeding shall terminate on December 31, 2012.

14 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall file,  
15 by March 31, 2011, as a compliance item in this docket, a copy of the Arizona Department of  
16 Environmental Quality Approval of Construction for the arsenic treatment facilities.

17 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall file,  
18 by March 31, 2011, as a compliance item in this docket, a copy of the Arizona Department of  
19 Environmental Quality Water Quality Compliance Status Report showing that water system  
20 PWS No. 11-024 is in compliance with Arizona Department of Environmental Quality  
21 requirements and that the system is currently delivering water that meets water quality  
22 standards required by Arizona Administrative Code, Title 18, Chapter 4.

23 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall file,  
24 by May 31, 2011, as a compliance item in this docket, a copy of the Arizona Department of  
25 Environmental Quality Approval of Construction for 100,000 gallons of additional storage  
26 capacity.

27 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. is hereby  
28 authorized to file in this docket, after it has secured its proposed WIFA loan, a proposal based

1 on the methodology set forth in Exhibit A for an Arsenic Remediation Surcharge Mechanism  
2 for an appropriate amount of arsenic surcharge required for the debt service obligation related  
3 to arsenic remediation.

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

8 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall  
9 annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that  
10 it is current in paying its property taxes in Arizona.

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

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

13  
14  
15 CHAIRMAN

COMMISSIONER

16  
17 COMMISSIONER

COMMISSIONER

COMMISSIONER

18 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
19 Executive Director of the Arizona Corporation Commission,  
20 have hereunto set my hand and caused the official seal of  
21 the Commission to be affixed at the Capitol, in the City of  
22 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

23 \_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

24 DISSENT: \_\_\_\_\_

25  
26 DISSENT: \_\_\_\_\_

1 SERVICE LIST FOR: CASA GRANDE WEST WATER COMPANY, INC.

2 DOCKET NOS.: W-01990A-09-0572 and W-01990A-09-0573

3  
4 CASA GRANDE WEST WATER CO. INC.  
5 c/o Jere Hansen, CPA  
6 109 W. Second St.  
7 Casa Grande, AZ 85122

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

13 Steve Olea, Director  
14 Utilities Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 W. Washington St  
17 Phoenix, AZ 85007

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## EXHIBIT A

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**CALCULATION OF SURCHARGE ON PROPOSED ARSENIC PLANT**


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## Arsenic Surcharge - as determined by Arsenic Remediation Surcharge Mechanism

Arsenic Remedial Plant Loan Amount		\$	142,835
Total Yearly Interest and Principal Payments Based on a 30-year WIFA Loan and a 5.50% Interest Rate.		\$	9,732
Annual Income Tax Component of the Surcharge Revenue		\$	509
Total Annual Surcharge Revenue Requirement for the Loan		\$	10,241
Total Equivalent Annual Bills			4,962
5/8" x 3/4" Meter Surcharge Amount	(\$10,241/4,962)	\$	2.06
3/4" Meter Surcharge Amount	\$2.06 * 1.5	\$	3.10
1" Meter Surcharge Amount	\$2.06 * 2.5	\$	5.16
1 1/2" Meter Surcharge Amount	\$2.06 * 5	\$	10.32
2" Meter Surcharge Amount	\$2.06 * 8	\$	16.51
3" Meter Surcharge Amount	\$2.06 * 16	\$	33.02
4" Meter Surcharge Amount	\$2.06 * 25	\$	51.60
6" Meter Surcharge Amount	\$2.06 * 50	\$	103.20

Meter Size	Number of Customers	Customer Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	59	1	59	708	\$ 2.06	24.77	\$ 1,461.25
3/4" Meter	233	1.5	350	4,194	3.10	37.15	8,656.03
1" Meter	2	2.5	5	60	5.16	61.92	123.83
1 1/2" Meter	-	5	-	-	10.32	-	-
2" Meter	-	8	-	-	16.51	-	-
3" Meter	-	16	-	-	33.02	-	-
4" Meter	-	25	-	-	51.60	-	-
6" Meter	-	50	-	-	103.20	-	-
TOTAL	294		414	4,962			\$ 10,241.11

## EXHIBIT B

## DEPRECIATION RATES FOR CASA GRANDE WEST WATER COMPANY

NARUC Acct #	Depreciable Plant	Approved Rate (Decision # 55350)	Proposed Rate (%) <sup>1</sup>	Staff Recommended Rate (%)
301	Organization	N/A	0	0
302	Franchises	N/A	0	0
303	Land & Land Rights	N/A	0	0
304	Structures & Improvements	N/A	5	3.33
305	Collection & Impounding reservoirs	N/A	N/A	2.50
306	Lake, River, Canal Intakes	N/A	N/A	2.50
307	Wells & Springs	N/A	5	3.33
308	Infiltration Galleries	N/A	N/A	6.67
309	Raw Water Supply Mains	N/A	N/A	2.00
310	Power Generation Equip Other	N/A	N/A	5.00
311	Pumping Equipment	N/A	5	12.5
320	Water Treatment			
320.1	Water Treatment Plants	N/A	5	3.33
320.2	Solution Chemical Feeders	N/A		20.0
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tank	N/A	5	2.22
330.2	Pressure Tank	N/A	5.00	5.00
331	Transmission and Distribution Mains	N/A	5.00	2.00
333	Services	N/A	5.00	3.33
334	Meters	N/A	5.00	8.33
335	Hydrants	N/A	N/A	2.00
336	Backflow Prevention Devices	N/A	N/A	6.67
339	Other Plant & Misc Equipment	N/A	5.00	6.67
340	Office Furniture & Equipments		5.00	6.67
340.1	Computer Software	N/A	5.00	20.00
341	Transportation Equipment	N/A	5.00	20.00
342	Store Equipments	N/A	N/A	4.00
343	Tools, Shop & Garage Equipments	N/A	5.00	5.00
344	Lab equipments	N/A	N/A	10.00
345	Power operated equipments	N/A	5.00	5.00
346	Communication Equipments	N/A	N/A	10.00
347	Miscellaneous Equipment	N/A	5.00	10.00
348	Other Tangible Plant	N/A	5.00	10.00

Note: 1. Per the Company's Response.