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BEFORE THE ARIZONA CORPORATION C

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

DEC 10 2010

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

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
WINCHESTER WATER COMPANY, LLC, FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-04081A-10-0173

DECISION NO. 72004

ORDER

Open Meeting
November 22 and 23, 2010
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

PROCEDURAL HISTORY

1. Pursuant to authority granted by the Commission, Winchester Water Company, LLC ("Winchester" or "Company") is an Arizona limited liability company engaged in the business of providing water utility service to 137 customers in an unincorporated area near the City of Willcox, Cochise County, Arizona. Winchester's present rates and charges for water were approved in Decision No. 70291 (April 24, 2008).

2. On May 5, 2010, Winchester filed with the Commission an application for a permanent rate increase ("Application").

3. On June 4 2010, the Commission's Utilities Division Staff ("Staff") notified the Company that its Application was insufficient under Arizona Administrative Code ("A.A.C.") R14-2-103, and provided the Company with Staff's first set of data requests.

4. On June 16, 2010, Winchester filed its responses to Staff's data requests and also filed its verification that the Company had mailed notice of the Application to its customers on June 8, 2010. No customer comments were filed in response to the Company's notice.

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1	0 to 45,000 gallons			1.90
	Over 45,000 gallons			3.30
2	<u>2" Meter</u>			
3	0 -100,000 gallons	1.25	2.55	
	Over 100,000 gallons	1.99	2.95	
4	0 to 76,000 gallons			1.90
	Over 76,000 gallons			3.30
5	<u>3" Meter</u>			
6	0 -220,000 gallons	1.25	2.55	
	Over 220,000 gallons	1.99	2.95	
7	0 to 155,000 gallons			1.90
	Over 155,000 gallons			3.30
8	<u>4" Meter</u>			
9	0 -350,000 gallons	1.25	2.55	
	Over 350,000 gallons	1.99	2.95	
10	0 to 250,000 gallons			1.90
	Over 250,000 gallons			3.30
11	<u>6" Meter</u>			
12	0 - 730,000 gallons	1.25	2.55	
	Over 730,000 gallons	1.99	2.95	
13	0 to 500,000 gallons			1.90
	Over 500,000 gallons			3.30

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

	Current	Company's	Staff	Staff	Staff	
	<u>Charges</u>	<u>Proposed Charges</u>	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>	
			<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>	
16	5/8" x 3/4" Meter	\$450.00	\$450.00	\$360.00	\$90.00	\$450.00
17	3/4" Meter	500.00	500.00	360.00	140.00	500.00
	1" Meter	565.00	565.00	380.00	185.00	565.00
18	1-1/2" Meter	800.00	800.00	415.00	385.00	800.00
	2" Meter	1,390.00	1,390.00	560.00	830.00	1,390.00
19	3" Meter	1,990.00	1,990.00	720.00	1,270.00	1,990.00
	4" Meter	3,055.00	3,055.00	1,040.00	2,015.00	3,055.00
20	6" Meter	5,650.00	5,650.00	1,590.00	4,060.00	5,650.00

	Present	Proposed Rates	Proposed Rates
	<u>Rates</u>	<u>Company</u>	<u>Staff</u>
22	<u>SERVICE CHARGES:</u>		
	Establishment	\$25.00	\$25.00
23	Establishment (After Hours)	40.00	40.00
	Reconnection (Delinquent)	30.00	30.00
24	Meter Test (If Correct)	25.00	25.00
	Deposit	0.00	0.00
25	Deposit Interest	0.00%	0.00%
	Reestablishment (Within 12 Months)	0.00	**
26	NSF Check	\$25.00	\$30.00
	Deferred Payment (Per Month)	1.50%	1.50%
27	Meter Reread (If Correct)	20.00	20.00

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MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:

1	4" or Smaller	\$0.00	\$0.00	***
2	6"	0.00	0.00	***
3	8"	0.00	0.00	***
4	10"	0.00	0.00	***
5	Larger than 10"	0.00	0.00	***

6 * Per Commission rule A.A.C. R-14-2-403(B).

7 ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

8 *** 2.00% of Monthly Minimum for a Comparable Sized 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 9. Staff determined Winchester's original cost rate base ("OCRB") to be \$143,845,
10 which is the same as its fair value rate base ("FVRB"). This is a \$902 increase to Winchester's
11 proposed OCRB of \$142,943, due to Staff's adjustments to land, accumulated depreciation and
12 working capital.

13 10. Staff made several adjustments to Winchester's proposed test year operating loss,
14 resulting in a decrease of \$4,113, from \$(8,190) to \$(4,077). The decrease to Winchester's test year
15 operating loss is due to a number of expense adjustments to repairs and maintenance, water testing
16 and depreciation expense.

17 11. Based on Staff's analysis, Winchester's present water rates and charges produced
18 operating revenues of \$41,367 and adjusted operating expenses of \$45,444, which resulted in
19 operating income of \$(4,077), for no return on its FVRB during the test year.

20 12. The rates and charges proposed by Winchester would produce operating revenues of
21 \$70,102, and operating expenses of \$49,557, resulting in an operating income of \$20,545, or a 14.37
22 percent rate of return on its proposed \$142,943 FVRB, and an operating margin of 29.31 percent.

23 13. The water rates and charges Staff recommended would produce operating revenues of
24 \$60,342 and adjusted operating expenses of \$45,444, resulting in operating income of \$14,898, or a
25 10.36 percent rate of return on Staff's recommended \$143,845 FVRB and an operating margin of
26 24.69 percent.

27 14. Winchester's proposed rate schedules would increase the average monthly residential
28 customer on a 5/8" x 3/4" meter water bill by \$16.94, or 70.4 percent, from \$24.05 to \$40.99, and
increase the median monthly residential customer water bill by \$16.50, or 71.3 percent, from \$23.15
to \$39.65.

1 15. Staff's proposed rate schedules would increase the average monthly residential
2 customer on a 5/8" x 3/4" meter water bill by \$7.25, or 30.1 percent, from \$24.05 to \$31.30, and
3 increase the median monthly residential customer water bill by \$2.47, or 10.7 percent, from \$23.15 to
4 \$25.62.

5 16. The Company did not file any objections to Staff's recommended rates and charges.
6 Accordingly, we find Staff's proposed rates and charges reasonable and we adopt them.

7 17. In addition to the above recommendations, Staff also made the following
8 recommendations:

- 9 (a) Winchester shall file with Docket Control, as a compliance item in this docket,
10 a schedule of its approved rates and charges within 30 days of the effective
11 date of this Order.
12 (b) Winchester may collect from its customers a proportionate share of any
13 privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).
14 (c) Winchester shall adopt the depreciation rates by individual National
15 Association of Regulatory Utility Commissioners category shown in the
16 attached Exhibit 'A.'

17 18. According to Staff, Winchester's current system can adequately serve its present
18 customer base and any reasonable growth.

19 19. The Arizona Department of Environmental Quality ("ADEQ") has determined that
20 Winchester is in full compliance with ADEQ requirements and is currently delivering water that
21 meets water quality standards required by A.A.C., Title 18, Chapter 4.

22 20. Winchester is not within an active management area ("AMA"), and is not subject to
23 the AMA monitoring and reporting requirements.

24 21. Staff stated it received an Arizona Department of Water Resources compliance report
25 on June 23, 2010, indicating that the Company is currently in compliance with departmental
26 requirements governing water providers and/or community water systems.

27 22. According to Staff, Winchester is in compliance with Commission filing requirements,
28 and is in good standing with the Corporations Division of the Commission.

 23. Staff's review of the Commission's Consumer Services records showed no
complaints, one inquiry and no opinions filed against the Company in the past three years.

24. Winchester has approved Curtailment and a Backflow Prevention Tariffs filed with the Commission.

25. Staff's recommendations stated in Findings of Fact No. 17 are reasonable and should be adopted.

26. In Decision No. 70291 (April 27, 2008), the Commission directed the Company to file annually, as part of its annual report, affidavits with the Utilities Division attesting that it is current on payment of its property taxes. We believe it is reasonable to require Winchester to continue to do so.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Winchester and the subject matter of the Application.

3. Notice of the Application was given in accordance with Arizona law.

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

5. Staff's recommendations as set forth in Findings of Fact No. 17 as well as Finding of Fact No. 26 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Winchester Water Company, LLC, is hereby directed to file with Docket Control, as a compliance item in this docket, by November 30, 2010, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$13.50
3/4" Meter	20.25
1" Meter	33.75
1-1/2" Meter	67.50
2" Meter	108.00
3" Meter	216.00
4" Meter	337.50
6" Meter	675.00

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COMMODITY RATE CHARGE

(Per 1,000 Gallons)

2	<u>5/8" x 3/4" Meter</u>	
3	0 - 3,000 gallons	\$1.00
	3,001 - 10,000 gallons	1.90
4	Over 10,000 gallons	3.30
5	<u>3/4" Meter</u>	
	0 - 3,000 gallons	1.00
6	3,001 to 10,000 gallons	1.90
	Over 10,000 gallons	3.30
7	<u>1" Meter</u>	
8	0 - 20,000 gallons	1.90
	Over 20,000 gallons	3.30
9	<u>1-1/2" Meter</u>	
10	0 to 45,000 gallons	1.90
	Over 45,000 gallons	3.30
11	<u>2" Meter</u>	
12	0 to 76,000 gallons	1.90
	Over 76,000 gallons	3.30
13	<u>3" Meter</u>	
14	0 to 155,000 gallons	1.90
	Over 155,000 gallons	3.30
15	<u>4" Meter</u>	
16	0 to 250,000 gallons	1.90
	Over 250,000 gallons	3.30
17	<u>6" Meter</u>	
	0 to 500,000 gallons	1.90
18	Over 500,000 gallons	3.30

SERVICE LINE AND METER INSTALLATION CHARGES:

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

	<u>Service Line</u>	<u>Meter</u>	<u>Total Charges</u>
20	5/8" x 3/4" Meter	\$360.00	\$90.00
			\$450.00
	3/4" Meter	360.00	140.00
21	1" Meter	380.00	185.00
			565.00
	1-1/2" Meter	415.00	385.00
22	2" Meter	560.00	830.00
			1,390.00
	3" Meter	720.00	1,270.00
23	4" Meter	1,040.00	2,015.00
			3,055.00
24	6" Meter	1,590.00	4,060.00
			5,650.00

SERVICE CHARGE:

25	Establishment	\$25.00
26	Establishment (After Hours)	40.00
	Reconnection (Delinquent)	30.00
27	Meter Test (If Correct)	25.00
	Deposit	*
28	Deposit Interest	*

1	Reestablishment (Within 12 Months)	**
	NSF Check	\$30.00
2	Deferred Payment (Per Month)	1.50%
	Meter Reread (If Correct)	20.00

MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:

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

- * Per Commission rule A.A.C. R-14-2-403(B).
- ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
- *** 2.00% of Monthly Minimum for a Comparable Sized 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.

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

IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall notify its customers of the rates and charges authorized herein and their effective date, in a form acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges, Winchester Water Company, LLC, shall collect from its customers a proportionate share of any privilege, sales or use tax per A.A.C. R14-2-409(D).

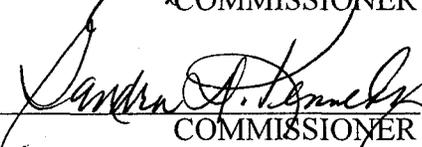
IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall use the depreciation rates by individual National Association of Regulatory Utility Commissioners category shown in the attached Exhibit 'A.'

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1 IT IS FURTHER ORDERED that Winchester Water Company, LLC, shall continue to file
2 annually, as part of its annual report, an affidavit with the Commission's Utilities Division attesting
3 that it is current in paying its property taxes in Arizona.

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

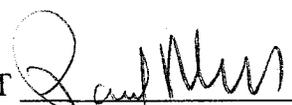
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7  
8 CHAIRMAN COMMISSIONER
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COMMISSIONER COMMISSIONER COMMISSIONER

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 10th day of December, 2010.

16 
17 ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

18
19 DISSENT _____

20
21 DISSENT 
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1 SERVICE LIST FOR: WINCHESTER WATER COMPANY, LLC

2 DOCKET NO.: W-04081A-10-0173

3
4 Phil Auernheimer
5 WINCHESTER WATER COMPANY, LLC
6 7925 North Oracle Road, No. A202
7 Tucson, AZ 85704

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

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15
16
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19
20
21 Steven M. Olea, Director
22 Utilities Division
23 ARIZONA CORPORATION COMMISSION
24 1200 W. Washington Street
25 Phoenix, AZ 85007
26
27
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EXHIBIT "A"

Table B. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	---

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.