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Transcript Exhibit(s)

Docket #(s): W-02068A-10-0376

Arizona Corporation Commission
DOCKETED

DEC 8 2010

DOCKETED BY 

Exhibit #: A1, A2, S1.

AZ CORP COMMISSION
DOCKET CONTROL

2010 DEC -8 P 2:34

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AZ CORP COMM

PAGE 02/09

2010-11-17 12:38

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P 1/8

EDEN WATER COMPANY

COVER SHEET FOR FACESMILE MESSAGE

MY DIRECT NUMBER: (928) 792-7138 Cell Phone or (928) 485-9250 (Office)

DATE: Wednesday, November 17, 2010 # OF PAGES (INCLUDE COVER SHEET) 8

SENT TO: Jane I. Rodda
Administrative Law Judge

FAX NUMBER (520) 628-6559

From: Sebrina Davis

Edenwaterco@aznecx.net

COMMENTS: Here is a copy of the authorization letter for Jay D Colvin. I am also sending a coping of the letter we had sent out to the public. Please give me a call if you did not received all the fax or if you have any question regarding these paper work.

Thank You,

Sebrina Davis



EDEN WATER CO.,
9488 N Hot Springs RD
EDEN, AZ 85535

Docket # W-02008A-10-0376

Eden Water Company Inc.
9528 N. Hot Springs Rd.
Eden, Arizona 85535
Phone: 928-485-9250
Fax: 928-485-9281
Edenwater@aznecx.com

Monday, September 20, 2010

Arizona Corporation Commission
Dorothy Hains, PE
Utilities Division
602-542-7274
602-542-0766
dhains@azcc.gov

Resolution authorization to act in behalf of Eden Water Co. Inc.

ER 10-0376
Request for an emergency rate increase

Dear Sir/Madam:

The board authorizes Jay D. Colvin President of the Eden Water Company to act on behalf of the Eden Water Company in all manors concerning the rate increase process.

Motion by Al Summers

Second by Steve Marshall

Board members in favor

Steve Marshall [Signature]

Al Summers [Signature]

2010-11-17 12:38

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P 3/8

**EDEN WATER CO.,
9488 N Hot Springs RD
EDEN, AZ 85535**

Marco Palmer *out of town*

Joe Penrod *[Signature]*

Tom Colvin *[Signature]*

Jack Stewart *[Signature]*

Eden Water Company

[Signature]

Jay D. Colvin President

**EDEN WATER CO.,
9488 N Hot Springs RD
EDEN, AZ 85535**

**(928)485-9230 or (928) 792-7138
EDENWATER@AZNEX.NET**



Friday, October 15, 2010

Arizona Corporation Commission
Docket Control
1200 W Washington
Phoenix, AZ 85007

Re: Application for Emergency Rate Increase

Docket No. W-02068A-10-0376

Dear Sir or Maim,

We have sent out the public notice of the hearing on the application of Eden Water Company for an emergency Rate Increase on October 13, 2010.

Eden Water Company



**EDEN WATER CO.,
9488 N HOT SPRINGS
EDEN, ARIZONA 85535**

**(928) 792-7138
EDENWATER@AZNEX.NET**

Tuesday, October 12, 2010

To All Customer of Eden Water Company

The Eden Water Company has found itself in a very important emergency rate increase. Graham County Utilities whom we buy our water at a wholesale rate have increased their rates over 27 percent. We are unable to pay for the water that we are delivering. EWC have asked the Arizona Corporation Commissioner to raise our rates to 3.50 per thousand and increase the meter fees by 5 dollars. This will pass the cost of the higher cost of water to the customer.

The Eden Water Company will go through a formal rate increase after the emergency rate increase is obtained. The boards of directors have been consulted and agree that we need this increase. We had not had one since 1995.

The reason for such a sharp increase is due to Graham County Utilities had to develop new water. Their old water supply did not meet the new standards for Arsenic. They were able to obtain new supply with water that meets the standards.

The boards of directors who make decisions for our company are: Jay Colvin, President; Marco Palmer, Vice President; Al Summers, Secretary; Joe Penrod, Tom Colvin, Jack Stewart and Steve Marshall. The company office is located at 9488 N Hot Springs Road, Eden, Az 85535. Sebrina Davis is a company part time employer who manages the office and takes care of billing. She tries to be in the office during the morning hours.

If you have any question regarding this please contact us at anytime.
You may speak with Jay Colvin at 485-9250 or Speak with Sebrina Davis on her cell 792-7138

Jay D. Colvin
President

DOCKET NO. W-02068A-10-0376

1 **PUBLIC NOTICE OF THE HEARING**
 2 **ON THE APPLICATION OF**
 3 **EDEN WATER COMPANY FOR**
 4 **AN EMERGENCY RATE INCREASE.**
 5 **DOCKET NO. W-02068A-10-0376**

6 On September 10, 2010, Eden Water Company ("Company") filed with the Arizona
 7 Corporation Commission ("Commission") an application for an emergency rate
 8 increase. The Company obtains its water from Graham County Utilities which was
 9 recently granted a rate increase, and the Company alleges that with the increase in
 10 the water rates it pays it cannot meet its on-going operating expenses. The Company
 11 is requesting an emergency increase in annual revenues of \$24,036.

12 Under the Company's proposal, the monthly charge for a 5/8 inch meter would
 13 increase from \$17.50 per month to \$20.00 per month and the commodity rates would
 14 increase from \$2.70 per 1,000 gallons to \$3.50 per 1,000 gallons; and the monthly
 15 charge for a 2 inch meter would increase from \$25 to \$35, and the commodity rate
 16 would increase from \$2.70 to \$3.50. The charge for bulk water sales would also
 17 increase from \$2.70 to \$3.50 per 1,000 gallons. The Commission may approve the
 18 amount of the request or modify the amount higher or lower, or may deny the
 19 request.

20 The Commission will conduct a hearing on this matter on November 16, 2010,
 21 commencing at 10:00 a.m., or as soon thereafter as is practical, at the
 22 Commission's Tucson offices, Room 158, 400 West Congress, Tucson 85701.

23 As a customer of the Company, you have the right to file written comments
 24 concerning the application, to request intervention, and to appear at hearing. If you
 25 do not wish to file written comments concerning the application, to request
 26 intervention, you are not required to take any action.

27 The application is available for inspection during regular business hours at the
 28 offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix,
 Arizona, and in Tucson, at 400 West Congress Street, Suite 118, Tucson, Arizona,
 and at the offices of the Applicant, [APPLICANT INSERT ADDRESS]. The
 application is also available on the Commission's website, www.azccc.gov, using the
 e-Docket link.

The law provides for an open public hearing at which, under appropriate
 circumstances, interested persons may intervene in the proceedings and participate
 as a party. Persons desiring to intervene must file a written motion to intervene
 with the Commission and send such motion to Applicant or its counsel and to all
 parties of record. The motion must, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of the Applicant, a member or shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

2010-11-17 12:30

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P 7/8

DOCKET NO. W-02068A-10-0376

1 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
 2 that all motions to intervene must be filed on or before November 5, 2010. If
 3 representation by counsel is required by Rule 31 of the Rules of the Arizona
 4 Supreme Court, intervention will be conditioned upon the intervenor obtaining
 5 counsel to represent the intervenor. For information about requesting intervention,
 6 visit the Arizona Corporation Commission's webpage at
 7 <http://www.azcc.gov/divisions/utilities/forms.asp>. The granting of intervention,
 8 among other things, entitles a party to present sworn evidence at hearing and to
 9 cross-examine other witnesses. However, failure to intervene will not preclude any
 10 customer from appearing at a hearing and making a statement on such customer's
 11 own behalf.

12 If you have any questions about the application or this notice, you may contact
 13 Applicant at [APPLICANT insert contact name, address and telephone
 14 number]. If you want further information on intervention or have questions on how
 15 to file comments you may contact the Consumer Services Section of the
 16 Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-
 17 800-222-7000 or (520) 628-6550. All correspondence should reference Docket No.
 18 W-02068A-10-0376.

19 The Commission does not discriminate on the basis of disability in admission to its
 20 public meetings. Persons with a disability may request a reasonable
 21 accommodation such as a sign language interpreter, as well as request this
 22 document in an alternative format, by contacting Shaylin Bernal, ADA Coordinator,
 23 voice phone number 602/542-3931, E-mail: SABernal@azcc.gov. Requests should
 24 be made as early as possible to allow time to arrange the accommodation.

25 IT IS FURTHER ORDERED that Eden shall mail by first-class U.S. Mail, to each customer a
 26 copy of this notice to begin as soon as possible, and to be completed on or before October 25, 2010.

27 IT IS FURTHER ORDERED that Eden shall file a certification of mailing of the above notice
 28 as soon a practical.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing,
 notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that intervention shall be in accordance with the A.A.C. R14-
 3-105, except that all motions to intervene must be filed on or before November 5, 2010.

IT IS FURTHER ORDERED that prior to the date of the hearing, the Company shall file
 with Docket Control a Resolution of the Board of Directors of the Company authorizing Mr.
 Colvin to represent it at hearing.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized
 Communications) applies to this proceeding as the matter is now set for public hearing.

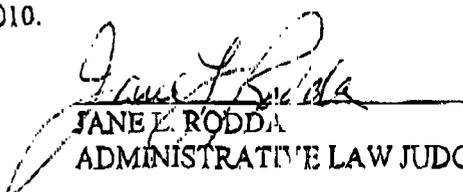
DOCKET NO. W-02068A-10-0376

1 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
2 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

3 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
4 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*
5 *hac vice*.

6 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
7 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

8 DATED this 14th day of October, 2010.


JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

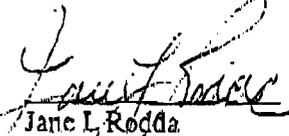
9
10
11
12 Copies of the foregoing mailed
13 this 14th day of October, 2010 to:

14 Jay D. Colvin
15 Sebrina Davis
16 Eden Water Co.
9488 N. Hot Springs Rd
Eden, AZ 85535

17 Janice Alward, Chief Counsel
18 LEGAL DIVISION
19 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

20 Steve Olea, Director
21 UTILITIES DIVISION
22 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

23 ARIZONA REPORTING SERVICE, INC.
24 2200 N. Central Avenue, Suite 502
Phoenix, Arizona 85004-1481

25
26 By: 
Jane L. Rodda

27
28

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NOV 5 2010

LEGAL UNIT
ARIZ. CORPORATION COMMISSION

MEMORANDUM

ALL-STATE LEGAL®
EXHIBIT
S-1
RECEIVED

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

2010 NOV -5 P 3:01
ARIZ CORP COMMISSION
DOCKET CONTROL

DATE: November 5, 2010

RE: STAFF REPORT FOR EDEN WATER COMPANY'S APPLICATION FOR AN EMERGENCY RATE INCREASE (DOCKET NO. W-02068A-10-0376)

Attached is the Staff Report for Eden Water Company's ("Eden" or "Company") application for an emergency rate increase. Staff recommends approval of the Company's request for an emergency rate increase using Staff's recommended rates, along with Staff's additional recommendations.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before November 15, 2010.

SMO:DRE:red

Originator: Darak R. Eaddy

Attachment: Original and thirteen copies

FILE COPY

Service List for: Eden Water Company
Docket No. W-02068A-10-0376

Mr. Jay D. Colvin
Ms. Sebrina Davis
Eden Water Company
9488 North Hot Springs Road
Eden, Arizona 85535

Ms. Janice Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**EDEN WATER COMPANY
DOCKET NO. W-02068A-10-0376**

**APPLICATION FOR AN
EMERGENCY RATE INCREASE**

NOVEMBER 5, 2010

STAFF ACKNOWLEDGMENT

The Staff Report for Eden Water Co., Docket No. W-02068A-10-0376, was the responsibility of the Staff members listed below. Darak R. Eaddy was responsible for the financial review and analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis. Carmen Madrid was responsible for reviewing the Commission's records on customer complaints filed with the Commission.



Darak R. Eaddy
Public Utilities Analyst II



Dorothy Hains
Utilities Engineer



Carmen Madrid
Public Utilities Consumer Analyst

**EXECUTIVE SUMMARY
EDEN WATER COMPANY
DOCKET NO. W-02068A-10-0376**

Eden Water Company ("Eden" or "Company") is a Class D water utility located in the town of Eden in Graham County, Arizona. Eden provides potable water to approximately 129 metered customers in its certificated area.

Eden filed a request for an emergency rate increase on September 10, 2010. The Company stated in its emergency rate application that its request was due to an increase in the cost of water that it receives from Graham County Utilities ("GCU"), and that it could not cover its cost with its current rates. In Decision No. 71690 dated May 3, 2010, the Arizona Corporation Commission ("Commission") granted a resale water rate increase to GCU of \$0.41 from \$1.51 per thousand gallons to \$1.92 per thousand gallons. This increase is higher than what was anticipated by Eden. The resulting severe financial impact on the Company's operations has created the need for emergency rate relief, as the Company has been unable to generate revenues sufficient to meet its operating expenses.

Eden's application requested that an emergency rate increase be added to the Company's existing volumetric and minimum charges. The emergency volumetric surcharge requested is \$0.80 per thousand. This would result in an increase of 29.6 percent over the current volumetric charge of \$2.70 per thousand. The emergency monthly minimum surcharge requested is \$4.25 per month per customer for the 5/8-inch meter customer and \$10.00 per month per customer for the 2-inch meter customer. The 5/8-inch customer would experience a 27 percent increase from the current monthly minimum of \$15.75 per month for a total monthly minimum charge of \$20.00 per month. The 2-inch meter customer would experience a 40 percent increase from the current monthly minimum of \$25.00 per month for a total monthly minimum charge of \$35.00 per month.

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with an approximated average usage of 7,500 gallons from \$36.00 to \$46.25, an increase of \$10.25 or 28.5 percent.

Staff has recommended an emergency surcharge of \$0.41 per thousand gallons of usage. Staff's recommended emergency surcharge would produce the exact amount of revenue required to cover the additional cost to the Company as a result of the GCU resale water rate increase.

Staff's recommended rates would increase the typical 5/8-inch meter residential bill with an approximated average usage of 7,500 gallons from \$36.00 to \$39.08, an increase of \$3.08 or 8.6 percent. Staff's recommended rates utilizing the 2009 water sold amount of 17,493,000 gallons would produce an additional \$7,172.13 in revenue for the Company.

Staff recommends approval of an emergency rate increase sought by Eden utilizing Staff's recommended emergency surcharge of \$0.41 per 1,000 gallons of usage.

Staff further recommends that the emergency surcharge be interim.

Staff further recommends that the interim rate be subject to refund pending the decision resulting from the permanent rate increase case required to be filed in this proceeding.

Staff further recommends that the Company be directed to file within 30 days of the Order, a revised rate schedule reflecting the emergency surcharge with Docket Control, as a compliance item in this docket.

Staff further recommends that the Company notify its customers of the revised rates, and its effective date, in a form acceptable to Staff, by means of an insertion in the Company's next regularly-scheduled billing.

Staff further recommends that the Company file a full rate application within 6 months of the Decision issued in the instant case.

Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, documentary evidence that the Company has posted a bond, an irrevocable sight draft letter of credit, or cashier's check in the amount of \$20.00, prior to implementing the emergency rate increase authorized in this proceeding.

Staff further recommends that the Company monitor its system and record the gallons purchased and sold to determine the non-account water for calendar year 2010. The Company should coordinate when it reads the source meters each month with when it reads the customer meters so that an accurate accounting of the water pumped and the water delivered to customers is determined. The results of this monitoring and reporting shall be filed in the Company's 2011 Annual Report filed with the Commission. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 180 days of the effective date of the order issued in this proceeding.

Staff further recommends that the Company file with the Commission's Docket Control as a compliance item in this docket, Arizona Department of Water Resources ("ADWR") documentation showing compliance with ADWR requirements. Staff further recommends that this documentation be filed within 90 days of the effective date of the Commission's Decision in this matter.

Staff further recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five (45) days after the effective date of the Commission Decision in this matter.

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INTRODUCTION

On September 10, 2010, Eden Water Company ("Eden" or "Company") filed an application for an emergency rate increase with the Arizona Corporation Commission ("Commission"). On October 12, 2010, a Procedural Order was issued setting November 16, 2010, as the date for the hearing on the application.

Eden has stated that the Company is experiencing a severe financial impact to its financial operations due to the increase in the cost of water. The Company stated in its emergency rate application that, due to an increase in the cost of water that it receives from Graham County Utilities ("GCU") it could not cover its cost with its current rates. In Decision No. 71690 dated May 3, 2010, the Commission granted a resale water rate increase to GCU of \$0.41, from \$1.51 per thousand gallons to \$1.92 per thousand gallons. This increase is higher than what was anticipated by Eden.

In 2009, the Company posted a \$10,603 operating loss as shown on the income statement filed by the Company with its emergency application. By a significant degree, purchased water comprised the largest operating expense in 2009. Based on these findings, Staff has concluded that the Company will be unable to generate sufficient funds to meet its operating costs with its current rates, and without emergency rate relief the Company will not be able to continue to provide water. The Company is also in the process of replacing some smaller lines to enhance the distribution of its water system.

BACKGROUND

Eden is an Arizona class D utility engaged in the business of providing potable water service.

The current rates have been in effect since September 1, 1995, per Decision No. 59261.

ENGINEERING ANALYSIS

A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report.

Existing Water System

According to data contained in the Company's 2009 Annual Report filed with the Commission, the Company water system consists of two spring wells with a combined production rate of 45 gallons per minute ("GPM"), three storage tanks with a total storage capacity of 205,000 gallons, a booster pump station and distribution system. The Company's water system is also interconnected with GCU's water system via a 4-inch master meter located west of the Town of Pima ("Pima") on US Highway 70 and a 6-inch master meter located on Bryce-Eden Rd approximately four miles northwest of Pima. On January 8, 1978, the Company

signed a Service Agreement ("Agreement") with GCU, in this Agreement GCU agrees to provide water to Eden. The agreement does not limit the amount of water that will be delivered to Eden.

Arizona Department of Environmental Quality determined that the Company's spring wells were producing surface-related water and that further treatment would be necessary if this water were going to be used for potable water purposes. The Company determined that it would not be cost effective to treat the water produced by its spring wells because of the high cost to treat the limited amount of water these wells would have produced.

Conclusions

Staff concludes that the Company has adequate production through the Agreement with GCU.

COMPLIANCE

The Utilities Division Compliance Section shows no outstanding compliance issues.

CONSUMER SERVICES

A review of the Consumer Services Section database from January 1, 2007, to September 23, 2010, revealed that there have been no complaints filed on Eden.

The Company is in good standing with the Corporations Division of the Commission.

FINANCIAL ANALYSIS

In its emergency rate application, the Company stated that due to the rate increase received by GCU from the Commission, the Company is experiencing financial hardship in covering its operating costs with existing tariff rates. The resale water rate authorized by the Commission in Decision No. 71690 dated May 3, 2010, increased to \$1.92 per thousand, a \$0.41 increase from the previous rate of \$1.51 per thousand.

Eden's application requested that an emergency rate increase be added to the Company's existing volumetric and minimum charges. The emergency volumetric surcharge requested is \$0.80 per thousand. This would result in an increase of 29.6 percent over the current volumetric charge of \$2.70 per thousand. The emergency monthly minimum surcharge requested is \$4.25 per month per customer for the 5/8-inch meter customer and \$10.00 per month per customer for the 2-inch meter customer. The 5/8-inch customer would experience a 27 percent increase from the current monthly minimum of \$15.75 per month for a total monthly minimum charge of \$20.00 per month. The 2-inch meter customer would experience a 40 percent increase from the current monthly minimum of \$25.00 per month for a total monthly minimum charge of \$35.00 per month.

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with an approximated average usage of 7,500 gallons from \$36.00 to \$46.25, an increase of \$10.25 or 28.5 percent as shown on Schedule DRE-1. The typical bill analysis was performed with an approximated average usage provided by Company representatives as the median usage was not available.

Staff calculates that under the Company's proposed emergency surcharges and based on the 2009 water sold amount of 17,493,000 gallons, the Company will receive an additional \$18,044.50 in revenue.

Staff has recommended an emergency surcharge of \$0.41 per thousand gallons of usage. Staff's recommended emergency surcharge would produce the exact amount of revenue required to cover the additional cost to the Company as a result of the GCU resale water rate increase.

Staff's recommended rates would increase the typical 5/8-inch meter residential bill with an approximated average usage of 7,500 gallons from \$36.00 to \$39.08, an increase of \$3.08 or 8.6 percent as shown on Schedule DRE-1. Staff's recommended rates utilizing the 2009 water sold amount of 17,493,000 gallons would produce an additional \$7,172.13 in revenue for the Company.

Staff agrees with the Company that an emergency situation exists from a financial standpoint. Staff believes that Eden's current situation meets the general conditions necessary for interim emergency rate consideration as set forth in Attorney General Opinion No. 71 - 17. Staff believes that Eden has experienced a situation of sudden change that brings hardship to the Company, and a situation where the ability of Eden to maintain service, pending a formal rate determination, is in serious doubt.

However, Staff does not recommend Eden's proposed rate design for its emergency surcharge. Staff does not recommend an emergency rate design methodology that includes emergency rate increases to the Company's volumetric and monthly minimum charges. In emergency rate applications, simplicity in rate design is preferable given the lack of financial information. Given this criteria, Staff recommends an emergency surcharge of \$0.41 per thousand gallons of usage.

Staff's recommendation is derived from the rate increase authorized by the Commission to GCU of \$0.41. Staff's recommended rate of \$0.41 would provide the Company the exact amount of additional revenue needed to address the emergency situation. In the Company's emergency rate application it did not request or provide information for coverage of any additional cost beyond the GCU resale water rate increase. Therefore Staff believes its recommended emergency surcharge of \$0.41 per 1,000 gallons of usage is the most appropriate rate to remedy the Company's financial emergency.

Staff also recommends that the Company be required to post a nominal bond, irrevocable sight draft letter of credit, or cashier's check in the amount of \$20.00 to meet the requirements of emergency rate applications.

CONCLUSIONS

The Company's current situation does constitute an emergency from a financial standpoint.

The Company should be granted emergency rate relief in the form of an emergency surcharge in order to meet its financial operating obligations.

STAFF RECOMMENDATIONS

Staff has recommended an emergency surcharge of \$0.41 per thousand gallons of usage. Staff's recommended emergency surcharge would produce the exact amount of revenue required to cover the additional cost to the Company as a result of the GCU resale water rate increase.

Staff's recommended rates would increase the typical 5/8-inch meter residential bill with an approximated average usage of 7,500 gallons from \$36.00 to \$39.08, an increase of \$3.08 or 8.6 percent. Staff's recommended rates utilizing the 2009 water sold amount of 17,493,000 gallons would produce an additional \$7,172.13 in revenue for the Company.

Staff recommends approval of an emergency rate increase sought by Eden utilizing Staff's recommended emergency surcharge of \$0.41 per 1,000 gallons of usage.

Staff further recommends that the emergency surcharge be interim.

Staff further recommends that the interim rate be subject to refund pending the decision resulting from the permanent rate increase case required to be filed in this proceeding.

Staff further recommends that the Company be directed to file within 30 days of the Order, a revised rate schedule reflecting the emergency surcharge with Docket Control, as a compliance item in this docket.

Staff further recommends that the Company notify its customers of the revised rates, and its effective date, in a form acceptable to Staff, by means of an insertion in the Company's next regularly-scheduled billing.

Staff further recommends that the Company file a full rate application within 6 months of the Decision issued in the instant case.

Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, documentary evidence that the Company has posted a bond, an irrevocable

sight draft letter of credit, or cashier's check in the amount of \$20.00, prior to implementing the emergency rate increase authorized in this proceeding.

Staff further recommends that the Company monitor its system and record the gallons purchased and sold to determine the non-account water for calendar year 2010. The Company should coordinate when it reads the source meters each month with when it reads the customer meters so that an accurate accounting of the water pumped and the water delivered to customers is determined. The results of this monitoring and reporting shall be filed in the Company's 2011 Annual Report filed with the Commission. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 180 days of the effective date of the order issued in this proceeding.

Staff further recommends that the Company file with the Commission's Docket Control as a compliance item in this docket, Arizona Department of Water Resources ("ADWR") documentation showing compliance with ADWR requirements. Staff further recommends that this documentation be filed within 90 days of the effective date of the Commission's Decision in this matter.

Staff further recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five (45) days after the effective date of the Commission Decision in this matter.

TYPICAL BILL ANALYSIS

General Service 5/8 x 3/4 - Inch Meter

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	7,500	\$36.00	\$46.25	\$10.25	28.5%
Median Usage	7,500	\$36.00	\$46.25	\$10.25	28.5%
<u>Staff Recommend</u>					
Average Usage	7,500	\$36.00	\$39.08	\$3.08	8.6%
Median Usage	7,500	\$36.00	\$39.08	\$3.08	8.6%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$15.75	\$20.00	27.0%	\$15.75	0.0%
1,000	18.45	23.50	27.4%	18.86	2.2%
2,000	21.15	27.00	27.7%	21.97	3.9%
3,000	23.85	30.50	27.9%	25.08	5.2%
4,000	26.55	34.00	28.1%	28.19	6.2%
5,000	29.25	37.50	28.2%	31.30	7.0%
6,000	31.95	41.00	28.3%	34.41	7.7%
7,000	34.65	44.50	28.4%	37.52	8.3%
8,000	37.35	48.00	28.5%	40.63	8.8%
9,000	40.05	51.50	28.6%	43.74	9.2%
10,000	42.75	55.00	28.7%	46.85	9.6%
15,000	56.25	72.50	28.9%	62.40	10.9%
20,000	69.75	90.00	29.0%	77.95	11.8%
25,000	83.25	107.50	29.1%	93.50	12.3%
50,000	150.75	195.00	29.4%	171.25	13.6%
75,000	218.25	282.50	29.4%	249.00	14.1%
100,000	285.75	370.00	29.5%	326.75	14.3%
125,000	353.25	457.50	29.5%	404.50	14.5%
150,000	420.75	545.00	29.5%	482.25	14.6%
175,000	488.25	632.50	29.5%	560.00	14.7%
200,000	555.75	720.00	29.6%	637.75	14.8%

MEMORANDUM

DATE September 28, 2010

TO: Darak Eaddy
Public Utility Analyst II

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

RE: **Eden Water Company, Inc.**
Application for Emergency Rate Increase (Docket No. W-02068A-10-0376)

INTRODUCTION

Eden Water Company ("Eden" or "Company") serves the community of Eden in Graham County. The Company's service area is located approximately 13 miles northwest of Safford along U. S. Highway 70. The Company serves approximately a 12.5 square mile area in Sections 20, 21, 27, 28, 29, 30, 31, 32, and 33 of Township 5 South and Range 24 East and Sections 4, 5, 9, 10, 11, 13 and 14 of Township 6 South and Range 24 East. During 2009 the Company served 127 customers.

On September 13, 2010, the Company filed with the Arizona Corporation Commission ("Commission" or "ACC") a request for an emergency rate increase. The Company indicated that its request for an emergency rate increase was necessary, because the Company's water provider, Graham County Utility Co. ("GCU") raised its rates. Eden operates a consecutive water system to GCU and purchases the water and delivers it to its customers. The Commission in Decision No. 71690 approved higher rates for GCU. According to Eden it needs additional funds to help pay for the water it has purchased from GCU since May 2010.

EDEN WATER SYSTEMSystem Analysis

According to data contained in the Company's 2009 Annual Report filed with the Commission, the Company water system consists of two spring wells with a combined production rate of 45 gallons per minute ("GPM"), three storage tanks with a total storage capacity of 205,000 gallons, a booster pump station and distribution system. The Company's water system is also interconnected with GCU's water system via a 4-inch master meter located west of the Town of Pima ("Pima") on US Highway 70 and a 6-inch master meter located on Bryce-Eden Rd. approximately four miles northwest of Pima. On January 8, 1978, the Company signed a Service Agreement ("Agreement") with GCU, in this Agreement GCU agrees to provide water to Eden. The agreement does not limit the amount of water that will be delivered to Eden.

Arizona Department of Environmental Quality ("ADEQ") determined that the Company's spring wells were producing surface related water and that further treatment would be necessary if this water were going to be used for potable water purposes. The Company determined that it would not be cost effective to treat the water produced by its spring wells because of the high cost to treat the limited amount of water these wells would have produced.

Commission Utilities Division Staff ("Staff") concludes that the Company has adequate production through the Agreement with GCU.

Water Loss

Water use data reported by the Company indicates that in 2009 there was 19.48% water loss in the system which exceeds Staff's recommended allowable water loss limit of 10%. Staff recommends that the Company monitor its system and record the gallons purchased and sold to determine the non-account water for calendar year 2010. The Company should coordinate when it reads the source meters each month with when it reads the customer meters so that an accurate accounting of the water purchased and the water delivered to customers is determined. The results of this monitoring and reporting shall be filed in the Company's 2011 Annual Report filed with the Commission. If the reported water loss is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce the water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 180 days of the effective date of the order issued in this proceeding.

ADEQ COMPLIANCE

Eden

Staff received an ADEQ Drinking Water Compliance Status Report dated September 21, 2010, in which ADEQ reported that the Eden water system, Public Water System ("PWS") No. 05-003, is in compliance with ADEQ requirements and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

GCU

Staff received an ADEQ Drinking Water Compliance Status Report dated September 30, 2010, in which ADEQ reported both GCU water systems (PWS #05-001 and 05-002) were in full compliance with ADEQ requirements and were currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Eden

Eden is not located in any ADWR Active Management Area ("AMA"). Staff received a Water Provider Compliance Status Report dated September 22, 2010, in which ADWR reported that Eden had not filed a community water system plan with the department. Staff recommends that the Company file with the Commission's Docket Control as a compliance item in this docket, ADWR documentation showing compliance with ADWR requirements. Staff further recommends that this documentation be filed within 90 days of the effective date of the Commission's Decision in this matter.

GCU

GCU is not located in any ADWR AMA. Staff received a Water Provider Compliance Status Report dated September 22, 2010, in which ADWR reported that GCU is currently compliant with departmental requirements governing water providers and/or community water systems.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no delinquent compliance items for Eden.

OTHER ISSUES

Cross Connection /Backflow Tariff

The Company has an approved Cross Connection Tariff.

Curtailment Tariff

The Company does not have an approved Curtailment Tariff. Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five (45) days after the effective date of the Commission Decision in this matter. The tariff shall be filed with Docket Control as a compliance item under this same docket number for Staff's review and certification. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at <http://www.azcc.gov/Divisions/Utilities/forms/Curtailment%20Consecutive%202009.doc>.

SUMMARY

Conclusions

1. ADEQ reported that the both Eden and Graham County Utilities water systems are in compliance with ADEQ requirements and are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
2. A check of the Utilities Division Compliance Database indicates that there are currently no delinquent compliance items for Eden.
3. ADWR reported that Graham County Utilities was currently in compliance with departmental requirements governing water providers and/or community water systems.
4. The Company has an approved Cross Connection Tariff.

Recommendations

1. Staff recommends that the Company monitor its system and record the gallons purchased and sold to determine the non-account water for calendar year 2010. The Company should coordinate when it reads the source meters each month with when it reads the customer meters so that an accurate accounting of the water pumped and the water delivered to customers is determined. The results of this monitoring and reporting shall be filed in the Company's 2011 Annual Report filed with the Commission. If the reported water loss is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce the water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 180 days of the effective date of the order issued in this proceeding.
2. Staff recommends that the Company file with the Commission's Docket Control as a compliance item in this docket, ADWR documentation showing compliance with ADWR requirements. Staff further recommends that this documentation be filed within 90 days of the effective date of the Commission's Decision in this matter.
3. Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five (45) days after the effective date of the Commission Decision in this matter.