

OPEN MEETING ITEM



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COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ORIGINAL



ARIZONA CORPORATION COMMISSION

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2011 JUN 28 P 3:36

DATE: JUNE 28, 2011

DOCKET NO.: W-02353A-10-0242

AZ CORP COMMISSION
DOCKET CONTROL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette B. Kinsey. The recommendation has been filed in the form of an Opinion and Order on:

**PARK WATER COMPANY, INC.
(RATES)**

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:

JULY 7, 2011

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:

JULY 12, 2011 and JULY 13, 2011

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

JUN 28 2011

DOCKETED BY	
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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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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE - Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
7 BRENDA BURNS

8 IN THE MATTER OF THE APPLICATION
9 OF PARK WATER COMPANY, INC. FOR
10 APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02353A-10-0242

DECISION NO. _____

ORDER

11 Open Meeting
12 July 12 and July 13, 2011
13 Phoenix, Arizona

14 **BY THE COMMISSION:**

15 * * * * *

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

18 FINDINGS OF FACT

19 **A. Procedural History**

20 1. On June 15, 2010, Park Water Company, Inc. ("Park Water" or "Company") filed with
21 the Arizona Corporation Commission ("Commission") an application for an increase in its water rates
22 and charges, using a test year ending December 31, 2009. Park Water's application requests an
23 increase of \$26,319 or 37.50 percent over total test year revenues of \$70,191.

24 2. On July 14, 2010, the Commission's Utilities Division ("Staff") filed a Letter of
25 Deficiency stating that Park Water's application had not met the sufficiency requirements as outlined
26 in the Arizona Administrative Code ("A.A.C.").

27 3. On July 29, 2010, and August 19, 2010, Park Water filed responses to Staff's Letter of
28 Deficiency and Data Request.

1 4. On August 26, 2010, Staff filed a Letter of Sufficiency in this docket stating that Park
2 Water's application had met the sufficiency requirements as outlined in A.A.C. R14-2-103 and that
3 Park Water has been classified as a Class D utility.

4 5. On September 29, 2010, Park Water filed a Request for Extension of Time. The
5 Company requested an additional 60 days to submit supplemental documentation related to the plant
6 that was financed with the Water Infrastructure Finance Authority of Arizona ("WIFA") emergency
7 surcharge approved in Decision No. 71421 (December 8, 2009). The Company stated that completion
8 of the plant was imminent and that the plant would be placed into service as soon as the required
9 testing and Arizona Department of Environmental Quality ("ADEQ") approvals were obtained.

10 6. On October 20, 2010, the Company filed an amended request for an extension of time
11 requesting waiver of the time clock so that the Company could complete the plant needed and obtain
12 the required testing and ADEQ approvals. Park Water's amended request stated that the Company
13 needed the cash flow that will be generated from the plant to help pay for the WIFA loan
14 requirements as well as to pay for unforeseen emergencies. Staff indicated that it did not object to the
15 Company's request to waive the time clock.

16 7. On October 22, 2010, by Procedural Order, a Procedural Conference was scheduled
17 for November 8, 2010, to discuss the approximate timeframe for the Company to file its supplemental
18 documentation and, given the timeframe for filing the additional information, whether the 2009 test
19 year was appropriate. The Procedural Order temporarily suspended the time clock.

20 8. On November 8, 2010, the Procedural Conference was held as scheduled. Staff
21 appeared through counsel and Patricia O'Connor, President of Park Water appeared telephonically on
22 behalf of the Company. During the Procedural Conference, Ms. O'Connor stated that she believed
23 the Company would provide Staff with the supplemental documentation within a week and that all
24 testing, and ADEQ approvals would be completed within the next 30 days. Based on the timeframe
25 described by the Company, Staff stated that using the 2009 test year would save the Company two to
26 three months administrative review; that Staff believed the 2009 and 2010 test year numbers would
27 be similar; and that the 2009 test year was still appropriate. At the conclusion of the Procedural
28

1 Conference, Staff was directed to make a filing updating the Commission on the status of Staff's
2 review of the Company's supplemental documentation within the next 30 days.

3 9. On November 9, 2010, by Procedural Order, Staff was ordered to file a Status Report
4 updating the Commission on Staff's review of the Company's supplemental documentation by
5 December 10, 2010.

6 10. On December 10, 2010, Staff filed a Status Report stating Park Water had failed to
7 include with its supplemental filing all supporting documentation (invoices) for the new plant put into
8 service. Except for the missing invoices, Staff stated the supplemental filings by the Company were
9 sufficient. Staff recommended that the Staff Report in this matter be filed 60 days after Staff
10 received the remaining missing documentation.

11 11. On January 5, 2011, by Procedural Order, Staff was ordered to file a Staff Report in
12 this matter within 60 days of receiving all remaining documentation related to Park Water's new
13 plant. Staff was also directed to file notice, within ten days of receipt of all the remaining
14 documentation.

15 12. On February 22, 2011, Staff filed notice that all missing documentation had been
16 received from Park Water as of February 10, 2011. Staff requested that the timeclock be restarted.

17 13. On April 11, 2011, Staff filed a Staff Report on Park Water's application. Staff
18 recommended approval of the rate increase using Staff's recommended rates and charges. Staff also
19 recommended that Park Water be required to re-notice its customers regarding Staff's proposed rates
20 and charges.

21 14. On April 28, 2011, by Procedural Order, Staff's request to restart the timeclock was
22 granted.

23 15. On May 4, 2011, Staff filed a Notice of Errata correcting information contained in the
24 Staff Report.

25 16. On May 27, 2011, by Procedural Order, Park Water was directed, by June 13, 2011, to
26 re-notice its customers of Staff's recommended rates and charges.

27 17. On June 14, 2011, Park Water filed a Certificate of Mailing and Posting of Public
28 Notice, stating that on June 11, 2011, the Company sent via U.S. Mail, public notice to each of its

1 customers showing Staff's and the Company's proposed rates and charges and certifying that the
 2 public notice of the proposed rates and charges had been posted in a conspicuous area in Park
 3 Water's offices.

4 18. On June 16 and 20, 2011, two opinions were docketed opposing the rate increase.¹

5 **B. Background**

6 19. Pursuant to authority granted by the Commission, Park Water is a for-profit, Class D
 7 utility, engaged in the business of providing water service to approximately 133 metered customers in
 8 the vicinity of Florence, Arizona, in Pinal County.

9 20. Park Water's service area is located approximately 10 miles southeast of Florence and
 10 encompasses approximately two square miles.

11 21. Park water is currently operating under rates and charges authorized in Decision No.
 12 67165 (August 10, 2004).

13 22. Park Water's existing water system is comprised of two wells, three storage tanks with
 14 a combined storage capacity for 52,000 gallons; three booster pumps; two pressure tanks; and a five
 15 and one half mile distribution system serving 133 metered customers.²

16 23. After filing of its rate application, the Company constructed a new well (South Well #2),
 17 which is pumping 110 GPM.³ The Company's booster system was also modified and construction of
 18 the new well and booster system was completed in October and November 2010, respectively.⁴

19 24. ADEQ issued a Certificate of Approval of Construction for the new well and booster
 20 system on January 20, 2011.⁵ On March 2, 2011, Staff inspected the new well and booster system
 21 and confirmed that they were operational.⁶ Based on the ADEQ approvals, and the field inspection,
 22 Staff determined that post test year plant is used and useful for the provision of service to customers.⁷

23

24

25 ¹ Between January 1, 2008, and March 23, 2011, two complaints were lodged with the Commission regarding the
 26 Company's quality of service, billing, and one opinion opposing the rate case. The Commission's Consumer Services
 Division states the complaints have been resolved and are closed.

26 ² Staff Engineering Report at 4.

27 ³ Id.

27 ⁴ Id.

27 ⁵ Staff Engineering Report at 7.

28 ⁶ Id.

28 ⁷ Id.

1 25. Park Water's wells have a combined source capacity of 176 GPM and Staff concluded
2 that the water system has adequate storage and capacity to serve its present customers as well as
3 reasonable growth in the future.⁸

4 26. During the test year, Park Water reported that it pumped 14,506,700 gallons of water
5 and sold 12,120,081 gallons, resulting in a 16.4 percent water loss.⁹

6 27. Staff recommends that the Company submit a water loss reduction report containing a
7 detailed analysis and plan to reduce the water loss to 10 percent or less. Staff further stated that, if
8 the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should
9 submit a detailed cost benefit analysis in support of its position.

10 28. ADEQ has determined that Park Water's water system has no deficiencies and is
11 delivering water that meets water quality standards as required by the A.A.C.¹⁰

12 29. The Company is located within the Pinal Active Management Area.

13 30. The Arizona Department of Water Resources ("ADWR") has determined that Park
14 Water is in compliance with the requirements governing water providers and/or community water
15 systems.¹¹

16 31. According to Staff, Park Water has no delinquent A.C.C. compliance items.

17 32. Park Water has approved curtailment and backflow prevention tariffs on file with the
18 Commission.

19 33. Park Water is in good standing the Commission's Corporations Division and the
20 Company is current on its property and sales tax payments.

21 **C. Rate Application**

22 34. Prior to filing the above captioned rate case, the Commission approved an emergency
23 rate surcharge for Park Water in Decision No. 71412 (December 8, 2009). The Decision authorized a
24 \$12 emergency surcharge, for a 12-month period, to cover costs related to a water outage, which
25 required the Company to incur costs of approximately \$28,000 to clean its well, repair its pump, and
26

27 ⁸ Staff Engineering Report at 11.
28 ⁹ Id.
¹⁰ ADEQ Compliance Status Report dated June 9, 2010.
¹¹ ADWR Compliance Status Report dated October 26, 2010.

1 haul water during the outage.¹² In the same Decision, Park Water was authorized to obtain a
 2 \$198,000 WIFA loan needed to construct a new well and to implement a WIFA loan surcharge to
 3 service the debt on the loan.¹³

4 35. In Decision No. 71954 (November 1, 2010), the Commission approved a WIFA loan
 5 surcharge of \$9.75 for 5/8 x 3/4-inch meters, which remains in effect until new rates are set in this
 6 Decision. The \$12 emergency rate surcharge ended as of December 2010.

7 36. Park Water's current rate application seeks a permanent rate increase of \$26,319 over
 8 test year revenues of \$70,191, to \$96,510.¹⁴ Park Water's proposed increase to test year revenues
 9 would result in a 37.50 percent increase in base rates.

10 37. Staff recommends a base rate increase of \$40,145 over Staff adjusted test year
 11 revenues of \$70,491, to \$110,636.¹⁵ Staff's recommended test year revenues would result in a 56.95
 12 percent increase in base rates.¹⁶

13 38. Park Water did not oppose Staff's recommended revenues.

14 39. Park Water's current rates and charges, as proposed in its application, and as
 15 recommended by Staff are as follows:

<u>MONTHLY USAGE CHARGES:</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Proposed Rates</u>
5/8" x 3/4" Meter	\$ 20.00	\$ 30.00	\$ 25.00
3/4" Meter	30.00	40.00	25.00
1" Meter	50.00	60.00	62.50
1-1/2" Meter	80.00	100.00	125.00
2" Meter	150.00	200.00	200.00
3" Meter	250.00	300.00	400.00
4" Meter	400.00	450.00	625.00
6" Meter	600.00	650.00	1,250.00
<u>COMMODITY RATES:</u>			
<u>(Per 1,000 Gallons)</u>			
<u>Company Proposed – All Sizes</u>			
First Tier: 0 – 1,000 gallons	\$ 2.60	\$ 3.20	
Second Tier: 1,001 – 5,000 gallons	2.60	3.75	
Third Tier: 5,001 – 20,000 gallons	3.56	5.35	
Fourth Tier: Over 20,000 gallons	4.25	6.50	

12 Decision No. 71421, FOF 38 at 12.

13 Decision No. 71421, FOF 39 at 13.

14 Applicant application at 6.

15 Staff Schedule BCA-4.

16 However, Staff's recommended base rate increase does not take into account the discontinuance of the current \$9.75 per month WIFA surcharge.

Staff Recommended – All Sizes

1	First Tier: 0 – 3,000 gallons	\$ 3.00
2	Second Tier: 3,001 – 9,000 gallons	5.00
3	Third Tier: Over 9,000 gallons	8.80

SERVICE LINE AND METER INSTALLATION CHARGES:

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

	Company		Staff Proposed Charges			
	Current Charges	Proposed Charges	Service Line	Meter	Total	
6	5/8" x 3/4" Meter	\$ 450.00	\$ 575.00	\$ 435.00	\$ 140.00	\$ 575.00
7	3/4" Meter	500.00	680.00	435.00	245.00	680.00
8	1" Meter	600.00	775.00	480.00	295.00	775.00
9	1-1/2" Meter	800.00	1,020.00	530.00	490.00	1020.00
10	2" Meter	1,400.00	1,875.00	830.00	1,045.00	1,875.00
11	3" Meter	2,000.00	2,715.00	1,045.00	1,670.00	2,715.00
12	4" Meter	3,100.00	4,160.00	1,490.00	2,670.00	4,160.00
13	6" Meter	5,700.00	6,500.00	1,950.00	4,550.00	6,500.00

	Present Charges	Company Proposed	Staff Proposed	
11	<u>SERVICE CHARGES:</u>			
12	Establishment	\$ 20.00	\$ 30.00	\$ 25.00
13	Establishment (After Hours)	30.00	35.00	NT
14	Reconnection (Delinquent)	20.00	30.00	25.00
15	Reconnection (Delinquent) After Hours)	30.00	50.00	NT
16	Meter Test (If Correct)	15.00	45.00	20.00
17	Deposit	*	*	*
18	Deposit Interest Per Annum	*	*	*
19	Re-establishment (Within 12 Months)	**	**	**
20	NSF Check	\$ 20.00	\$ 30.00	\$ 25.00
21	Deferred Payment (Per Month)	***	***	1.50%
22	Meter Re-read (If Correct)	\$ 10.00	\$ 15.00	\$ 15.00
23	Late Payment Charge (Per Month)	1.50%	1.50%	1.50%
24	Service Charge (After Hours)	N/A	N/A	\$ 35.00

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

20	4" or smaller	\$ 0.00	\$ 0.00	***
21	6"	0.00	0.00	***
22	8"	0.00	0.00	***
23	10"	0.00	0.00	***
24	Larger than 10"	0.00	0.00	***

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

** Number of 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 size meter connection but no less than \$10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

NT No Tariff

1 **Rate Base**

2 40. Park Water did not propose a fair value rate base ("FVRB") that differs from its
3 proposed Original Cost Rate Base ("OCRB") of \$227,263.¹⁷ Staff recommends an OCRB of
4 \$191,331, a \$35,932 reduction from the Company's proposed rate base of \$227,263.¹⁸

5 41. Staff recommends downward adjustments of \$42,219 to Park Water's Plant-in-Service
6 accounts. Staff's recommended adjustments include a decrease of \$328 to the Company's Structures
7 and Improvements accounts to reflect ending account balances in Park Water's last rate case;¹⁹ and a
8 decrease of \$117,979 to the Wells and Springs account, to reflect a decrease of \$24,203 to coincide
9 with the ending balance approved in the Company's last rate case, a decrease of \$81,976 to reflect
10 actual cost for plant additions, and a decrease of \$11,800 to reflect the retirement of a well no longer
11 in service.²⁰ Staff also recommends an upward adjustment of \$78,652 to Park Water's Pumping and
12 Equipment account, to reflect an increase of \$34,102 to coincide with ending account balances
13 approved in the Company's last rate case, an increase of \$50,569 for post-test year plant Staff
14 deemed used and useful for current customers, and a decrease of \$6,019 for plant retirements.²¹
15 Further, Staff recommends an increase of \$328 to Park Water's Distribution Reservoirs and
16 Standpipes account to reflect ending balances approved in its last rate case; a decrease of \$1,858 to
17 the Transmission and Distribution Mains account to reflect the removal of plant not yet in service;
18 and a decrease of \$1,034 to the Meters and Meter Installation account to reflect the ending balance
19 approved in Park Water's last rate case.²²

20 42. Staff recommends an upward adjustment of \$1,254 to the Company's accumulated
21 depreciation to reflect the reconciliation of accumulated depreciation balances approved during Park
22 Water's last rate case; adjustments for plant additions and retirements; and the application of the
23 Commission-approved depreciation rates.²³

24
25
26 ¹⁷ The Company did not present information for Reconstruction Cost New Rate Base.

¹⁸ Staff Schedule BCA-2.

¹⁹ Commission Decision No. 67165.

²⁰ Staff Schedule BCA-2.

²¹ Id.

²² Staff Schedule BCA-2.

²³ Id.

1 43. Park Water did not propose a working capital allowance, but Staff recommends the
 2 addition of a working capital allowance in the amount of \$7,541.²⁴ Staff has previously stated that
 3 for Class D and E utilities, Staff recommends that utilities have a positive cash working capital
 4 allowance.²⁵ Park Water had a \$0 working cash allowance during the test year.²⁶ Staff recommended
 5 adjustments results in a net increase of \$7,541 for a working capital allowance.²⁷

6 44. We adopt Staff's adjustments to Rate Base and find that Park Water's FVRB is
 7 \$191,331.

8 Revenues

9 45. The Company proposed test year adjusted total revenues of \$70,191.²⁸ Staff
 10 recommends test year adjusted revenues of \$70,491, based on Staff's calculation for metered water
 11 revenue using the Company's billing documentation.²⁹

12 46. Staff also made adjustments to Park Water's operating expenses resulting in an
 13 increase of \$363. Staff's adjustments include an upward adjustment of \$5,116 to Salaries and Wages
 14 expenses that had been misclassified as outside services expenses; a decrease of \$1,040 to Repair
 15 and Maintenance expenses to delete meter costs erroneously placed in this category; a downward
 16 adjustment of \$100 from Office Supplies and Expense related to penalties and late fees; a decrease in
 17 Outside Services expenses of \$5,416 to reclassify \$5,116 to salaries and wages and the removal of
 18 \$300 in unsupported wages; a downward adjust of \$253 to reflect Annual Water Testing costs; an
 19 increase of \$34 to Insurance-General Liability expenses to reflect the actual amount shown in the
 20 Company's documents; an upward adjustment of \$747 to Rate Case expenses to include the cost of
 21 hiring a Certified Public Account (\$6,989 normalized over four years, the amount of time Staff
 22 anticipates the Company will file its next rate case); a decrease of \$1,753 to Miscellaneous Expense
 23 related to billing errors for accounts not terminated after meters were discontinued; an increase in
 24 Depreciation Expense of \$5,273 to reflect Staff's recommended depreciation rates to Staff's

25 ²⁴ Staff Schedule BCA-2.

26 ²⁵ See, Staff Report Docket No. W-03211A-08-0621.

26 ²⁶ Staff Schedule BCA-2.

27 ²⁷ According to Staff, the working capital allowance is calculated by taking 1/8th of the operating & maintenance expenses
 (\$7,018) less depreciation, taxes, purchased power, and purchased water expenses plus 1/24th of purchased power and
 purchased water expenses (\$523). SR at 6 and Staff Schedule BCA-2.

28 ²⁸ Application at 6.

28 ²⁹ Staff Report at 6.

1 recommended plant balances; a downward adjustment of \$1,411 related to property tax amounts for
 2 the Company using the Arizona Department of Revenue's property tax method; and a decrease of
 3 \$835 in Income Tax expenses to reflect Staff's adjusted operating income for the test year which
 4 shows the Company had an operating income loss of \$19,112 and effectively did not owe property
 5 taxes during the test year.³⁰

6 47. Staff recommends total operating revenues of \$110,636, an increase of \$40,145, or
 7 56.95 percent above the Staff-adjusted test year revenues of \$70,491.³¹ Staff's recommended
 8 revenue requirement will provide an 8 percent rate of return ("ROR") on the Staff recommended
 9 OCRB of \$191,331.³²

10 48. Staff believes its proposed ROR is consistent with prior Commission Decisions and
 11 that the ROR will provide Park Water with adequate cash flow to meet its normal operating expenses,
 12 make payments on the Commission approved WIFA loan as well fund contingencies.³³

13 49. The Company did not oppose Staff's recommended adjustments to test year operating
 14 expenses. We adopt Staff's adjustments to test year operating expenses and find that test year
 15 revenues were \$70,491, test year adjusted operating expenses were \$89,775, for a test year operating
 16 loss of \$19,284.³⁴ We also adopt Staff's recommendation for an overall ROR of 8 percent.

17 50. Based on our findings herein, we determine that Park Water's revenues should
 18 increase by \$40,145.

19 Rate Design

20 51. The Company proposed no changes to its current rate design.

21 52. Using a typical bill analysis for residential customers with a 5/8 x 3/4 inch meter, Park
 22 Water's proposed rates for a median usage of 4,917 gallons would increase rates from \$33.00 to
 23 \$48.20, or a 46.1 percent increase.³⁵ Staff's recommended base rates for the same meter size and
 24 median usage would increase base rates from \$33.00 to \$43.58, or 32.1 percent.³⁶ However, taking

25 ³⁰ Although Staff recommended no income tax expense be included in the Company's test year expenses, Staff's
 26 recommended revenue requirement included \$4,048 to cover income tax expenses on a going forward basis.

³¹ Staff Schedule BCA-1.

³² Id.

³³ Staff Report at 8.

³⁴ Staff Schedule BCA-3 pg. 1.

³⁵ Staff Schedule BCA-5.

³⁶ Id.

1 into account the termination of the current \$9.75 per month surcharge, the actual bill impact on a
2 median usage customer would be a monthly increase of \$0.85.³⁷

3 53. Staff stated that although its recommended total revenue increase is larger than the
4 Company's proposed revenue increase, Staff's commodity rates result in a lower percentage increase
5 for median and average users because Staff's proposed rates shift more of the revenue requirement to
6 higher users.³⁸

7 54. Regarding service charges, Staff recommends Establishment (\$25); Service Charge
8 after hours (\$35, in addition to the charge for any utility service provided after hours at the
9 customer's request or for the customer's convenience); Reconnection (\$25); Meter Test if correct
10 (\$20); Not Sufficient Funds (\$25); and Meter Re-Read if correct (\$15).³⁹

11 55. Staff concurs with the Company's proposed service line and meter installation
12 charges.⁴⁰

13 56. Park Water has one Commission approved long-term loan (see above discussion).
14 Staff determined that Park Water's Debt Service Coverage ratio ("DSC")⁴¹ on the WIFA loan was not
15 meaningful during the test year.⁴² Staff conducted a pro-forma analysis using Staff's recommended
16 revenue requirement and operating income (discussed above). Staff concluded that with Staff's
17 recommended revenues Park Water's DSC would be 2.10 and sufficient to cover the Company's debt
18 obligation.⁴³

19 57. Park Water did not oppose Staff's proposed rate design.

20 58. Staff's proposed rate design will generate Staff's recommended revenue requirement
21 of \$110,636, approved herein, which is derived from \$109,250 meter water sales and \$1,386 from
22 other water revenues.⁴⁴ We adopt Staff's recommended rate design.

23

24 ³⁷ Current median rates of \$33.00 + \$9.75 (WIFA surcharge) = \$42.75. The difference between Staff's recommended
rates of \$43.58-\$42.75, results in a \$0.85 difference.

25 ³⁸ Staff Report, Executive Summary.

26 ³⁹ Staff Schedule BCA-4.

27 ⁴⁰ Staff Schedule BCA-4.

28 ⁴¹ According to Staff, a DSC greater than 1.0 indicates that the Company has sufficient cash flow to cover its debt
obligations; while a DSC of less than 1.0 indicates debt obligations cannot be met by cash generated from operations, and
that another source of funds is needed.

⁴² Staff Report at 10.

⁴³ Staff Schedule BCA-6.

⁴⁴ Staff Schedule BCA-1.

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

9 **CONCLUSIONS OF LAW**

10 1. Park Water Company is a public service corporation within the meaning of Article XV
11 of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

12 2. The Commission has jurisdiction over Park Water and of the subject matter of the
13 application.

14 3. Notice of the application was provided in the manner prescribed by law.

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

17 5. Staff's recommendations, as set forth herein, are reasonable and should be adopted.

18 **ORDER**

19 IT IS THEREFORE ORDERED that Park Water Company shall file by July 29, 2011, revised
20 rate schedules setting forth the following rates and charges:

21 **MONTHLY USAGE CHARGES:**

- 22 5/8" x 3/4" Meter
- 23 3/4" Meter
- 24 1" Meter
- 25 1-1/2" Meter
- 26 2" Meter
- 27 3" Meter
- 28 4" Meter
- 6" Meter

COMMODITY RATES (Per 1,000 Gallons):

1	<u>All Sizes</u>	
2	First Tier: 0 –3,000 gallons	\$ 3.00
	Second Tier: 3,001 – 9,000 gallons	5.00
3	Third Tier: Over 9,000 gallons	8.80

4	<u>SERVICE LINE AND METER</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>
	<u>INSTALLATION CHARGES:</u>			
5	5/8" x 3/4" Meter	\$ 435.00	\$ 140.00	\$ 575.00
	3/4" Meter	435.00	245.00	680.00
6	1" Meter	480.00	295.00	775.00
	1-1/2" Meter	530.00	490.00	1,020.00
7	2" Meter	830.00	1,045.00	1,875.00
	3" Meter	1,045.00	1,670.00	2,715.00
8	4" Meter	1,490.00	2,670.00	4,160.00
	6" Meter	1,950.00	4,550.00	6,500.00

9	<u>SERVICE CHARGES:</u>	
10	Establishment	\$ 25.00
	Establishment (After Hours)	NT
11	Reconnection (Delinquent)	25.00
	Reconnection (Delinquent) After Hours)	NT
12	Meter Test (If Correct)	20.00
	Deposit	*
13	Deposit Interest Per Annum	*
	Re-establishment (Within 12 Months)	**
14	NSF Check	\$ 25.00
	Deferred Payment (Per Month)	1.50%
15	Meter Re-read (If Correct)	\$ 15.00
	Late Payment Charge (Per Month)	1.50%
16	Service Charge (After Hours)	\$35.00

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

17	4" or smaller	***
18	6"	***
	8"	***
19	10"	***
	Larger than 10"	***
20	* Per Commission Rule A.A.C. R14-2-403(B)	
21	** Number of months off system times the monthly minimum, per Commission Rule A.A.C. R14-2-403(D)	
22	*** 2.00% of monthly minimum for a comparable size meter connection but no less than \$10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.	
23	NT No Tariff	

24 IT IS FURTHER ORDERED that the above rates and charges shall be effective August 1,
25 2011.

26 IT IS FURTHER ORDERED that the Water Infrastructure Finance Authority loan emergency
27 surcharge, approved in Decision No. 71954 (November 1, 2010), shall be discontinued effective
28 August 1, 2011.

1 IT IS FURTHER ORDERED that Park Water Company shall notify its customers of the
2 revised rates and charges authorized herein and their effective date, in a form acceptable to the
3 Commission's Utilities Division Staff, including an explanation of termination of the current
4 surcharge, by means of an insert in its next regular scheduled billing.

5 IT IS FURTHER ORDERED that in addition to collecting its regular rates and charges, Park
6 Water Company shall collect from its customers a proportionate share of any privilege, sales, or use
7 tax as provided in A.A.C. R14-2-409(D).

8 IT IS FURTHER ORDERED that Park Water Company shall adopt and use, on a going-
9 forward basis, Staff's depreciation rates by individual National Association of Regulatory Utility
10 Commissioners category.

11 IT IS FURTHER ORDERED that Park Water Company shall, on a going-forward basis,
12 maintain its books and records in conformity with the National Association of Regulatory Utility
13 Commissioners Uniform Systems of Accounts, and keep general and auxiliary accounting records
14 reflecting the actual cost of its properties, operating income and expense, assets and liabilities, and all
15 accounting data necessary to give complete and authentic information as to its properties and
16 operations.

17 IT IS FURTHER ORDERED that Park Water Company shall file with Docket Control, as a
18 compliance item in this docket, a detailed analysis and plan to reduce its water loss to 10 percent or
19 less. If Park Water Company believes it is not cost effective to reduce the water loss to less than 10
20 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the
21 Company allow water loss to be greater than 15 percent. The water loss reduction report or detailed
22 analysis, whichever is submitted, shall be docketed, as a compliance item in this docket, within one
23 year of the effective date of this Decision.

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1 IT IS FURTHER ORDERED that Park Water Company shall annually file as part of its
2 annual report, an affidavit with the Utilities Division attesting that the Company is current in paying
3 its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN _____ COMMISSIONER

9
10 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 _____ day of _____, 2011.

16 _____
17 ERNEST G. JOHNSON
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20
21 DISSENT _____

22 YBK:db
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28

1 SERVICE LIST FOR: PARK WATER COMPANY, INC.

2 DOCKET NO. W-02353A-10-0242

3 Patricia O'Connor
4 PARK WATER COMPANY, INC.
5 P.O. Box 16173
6 Phoenix, AZ 85011-6173

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

12 Steven M. Olea, Director
13 Utilities Division
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington Street
16 Phoenix, AZ 85007

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