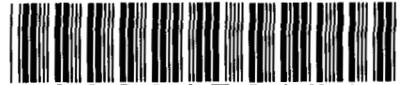


OPEN MEETING ITEM



0000130456

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

ORIGINAL



ARIZONA CORPORATION COMMISSION

RECEIVED

2011 OCT 13 P 2:27

DATE: OCTOBER 13, 2011

AZ CORP COMMISSION
DOCKET CONTROL

DOCKET NO.: W-01546A-11-0004

TO ALL PARTIES:

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

ARIVACA TOWNSITE COOPERATIVE WATER COMPANY
(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:

OCTOBER 24, 2011

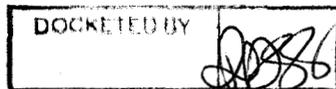
The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

NOVEMBER 8, 2011 and NOVEMBER 9, 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

OCT 13 2011



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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

www.azcc.gov

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SBernal@azcc.gov

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 OF
9 ARIVACA TOWNSITE COOPERATIVE WATER
10 COMPANY FOR A PERMANENT RATE
11 INCREASE.

DOCKET NO. W-01546A-11-0004

DECISION NO. _____

12 ORDER

13 Open Meeting
14 November 8 and 9, 2011
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

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

19 PROCEDURAL HISTORY

20 1. In Decision No. 30452 (August 16, 1957), the Commission granted a Certificate of
21 Convenience and Necessity ("CC&N") to J. Mercer Johnson, Judge of the Superior Court and
22 Trustee of Arivaca Townsite, for provision of water service within Pima County, Arizona. In
23 Decision No. 35610 (December 30, 1964), the Commission approved a transfer of the CC&N to
24 Arivaca Townsite Cooperative Water Company ("Arivaca" or "Company").¹ Arivaca's present rates
25 and charges for water were approved in Decision No. 57213 (January 16, 1991).

26 2. On January 4, 2011, Arivaca filed an application for a permanent rate increase with
27 the Commission.

28 3. On February 3, 2011, Arivaca filed an amendment to the application.

3. On February 3, 2011, the Commission's Utilities Division Staff ("Staff") advised
Arivaca that its application was insufficient and provided the Company with Data Requests.

5. On February 10, 2011, Arivaca filed another amendment to its application. As part of

¹ The Commission granted Arivaca an extension of its CC&N in Decision No. 59546 (March 13, 1996).

1 the amendment, Arivaca averred that it sent notice of the application to all of its customers on
2 February 2, 2011.

3 6. On March 21, 2011, Staff sent a second Insufficiency Letter and additional Data
4 Requests to the Company.

5 7. On April 15, 2011, Arivaca filed a third amendment to its application. (The original
6 application and the first, second and third amendments to the original application shall be collectively
7 referred to as the "Application.")

8 8. On April 29, 2011, Staff filed its Sufficiency Letter stating the Application was
9 sufficient pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, and classifying Arivaca
10 as a Class E utility.

11 9. On June 23, 2011, Staff filed a Motion for Extension of Time to File Staff Report.
12 Staff stated that, because of a Company delay in providing requested information, Staff needed an
13 extension for filing the Staff Report, from June 28, 2011, to July 13, 2011. Staff noted that the
14 Company did not object to the extension.

15 10. On June 27, 2011, a Procedural Order was issued granting Staff's Motion and
16 extending the time clock accordingly.

17 11. On July 13, 2011, Staff filed its Staff Report, recommending approval of the
18 Application using Staff's recommended rates and charges.

19 **FINDINGS OF FACT**

20 12. Arivaca is a nonprofit Arizona public service corporation providing water service to
21 customers southwest of Green Valley in Pima County. During the test year ended December 31,
22 2009, Arivaca served 119 customers on 5/8 x 3/4-inch meters. Average and median water usage by
23 customers during the test year were 4,861 gallons and 2,313 gallons per month, respectively.

24 13. The water rates and charges for Arivaca at present, as proposed by Arivaca in its
25 Application, and as recommended by Staff in its Staff Report, are as follows:

26 ...
27 ...
28 ...

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$8.00	\$16.00	\$10.00
3/4" Meter	12.00	24.00	10.00
1" Meter	15.00	30.00	25.00
Gallons included in Minimum	4,000	2,000	0
<u>Commodity Charge (Per 1,000 gallons over minimum)</u>			
<u>All Size Meters</u>			
4,001 to 20,000 gallons	\$1.25	N/A	N/A
Over 20,000 gallons	1.50	N/A	N/A
<u>All Size Meters</u>			
2,001 to 15,000 gallons	N/A	\$1.25	N/A
Over 15,000 gallons	N/A	1.50	N/A
<u>Residential (All Size Meters)</u>			
0 to 2,000 gallons	N/A	N/A	\$1.25
2,001 to 8,000 gallons	N/A	N/A	2.00
Over 8,000 gallons	N/A	N/A	3.00
<u>Non-Residential (All Size Meters)</u>			
0 to 8,000 gallons	N/A	N/A	\$2.00
Over 8,000 gallons	N/A	N/A	3.00

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

	<u>Current Charges</u>	<u>Company's Proposed Charges</u>	<u>Staff Recommended Service Line</u>	<u>Staff Recommended Meter</u>	<u>Staff Recommended Total Charges</u>
5/8" x 3/4" Meter	\$250.00	\$450.00	\$335.00	\$115.00	\$450.00
3/4" Meter	300.00	500.00	335.00	165.00	500.00
1" Meter	320.00	525.00	405.00	120.00	525.00
1-1/2" Meter	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
2" Meter	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
3" Meter	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
4" Meter	N/A	N/A	Actual Cost	Actual Cost	Actual Cost
6" Meter	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>SERVICE CHARGES:</u>			
Establishment	\$15.00	\$50.00	\$25.00
Establishment (After Hours)	25.00	75.00	N/A
Reconnection (Delinquent)	15.00	25.00	\$25.00
Reconnection (Delinquent-After Hours)	N/A	50.00	N/A
Meter Test (If Correct)	\$35.00	75.00	\$35.00
Deposit	*	*	*
Deposit Interest	*	*	*

	Re-establishment (Within 12 months)	**	**	**
1	NSF Check	\$15.00	\$30.00	\$30.00
	Deferred Payment	N/A	N/A	1.50%
2	Meter Re-Read (If Correct)	\$15.00	\$25.00	\$25.00
	Late Payment Charge-Per Month	N/A	N/A	1.50%
3	Service Charge (After Hours)	N/A	N/A	\$35.00

4 **MONTHLY SERVICE CHARGE FOR FIRE SPRINKERS:**

5	4" or Smaller	N/A	***	***
	6"	N/A	***	***
	8"	N/A	***	***
6	10"	N/A	***	***
7	Larger than 10"	N/A	***	***

8 * Per Commission Rule A.A.C. R-14-2-403(B).
 9 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
 10 *** 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.

11 14. Staff determined Arivaca's original cost rate base ("OCRB") to be (\$14,635), which is
 12 the same as its fair value rate base ("FVRB"). This is a \$15,781 increase to Arivaca's proposed
 13 OCRB of (\$30,416), due to Staff's adjustments to plant-in-service, accumulated depreciation,
 14 contribution in aid of construction ("CIAC"), accumulated amortization of CIAC and working
 15 capital.

16 15. We find Staff's adjustments to Arivaca's FVRB are reasonable and we adopt Staff's
 17 proposed FVRB of (\$14,635).

18 16. Staff made an adjustment to Arivaca's proposed test year operating revenues, resulting
 19 in a \$39 increase in revenues, from \$16,482 to \$16,521.

20 17. Staff made several adjustments to Arivaca's proposed test year operating expenses,
 21 resulting in a increase of \$3,780, from \$20,938 to \$24,718. The increase to Arivaca's test year
 22 operating expenses is due to Staff's adjustments to salaries and wages, purchased power, repairs and
 23 maintenance, outside services, water testing, insurance, miscellaneous expense, depreciation expense
 24 and taxes other than income taxes.

25 18. Based on Staff's analysis, Arivaca's present water rates and charges produced adjusted
 26 operating revenues of \$16,521 and adjusted operating expenses of \$24,718, resulting in operating
 27 income of (\$8,197), for no return on its FVRB during the test year.

28 19. The rates and charges proposed by Arivaca would produce operating revenues of

1 \$35,882 and operating expenses of \$20,938, resulting in operating income of \$14,944, for no return
2 on FVRB.

3 20. The water rates and charges Staff recommended would produce adjusted operating
4 revenues of \$29,173 and adjusted operating expenses of \$24,718, resulting in operating income of
5 \$4,455, for no return on FVRB and an operating margin of 15.0 percent.

6 21. Arivaca's proposed rates would increase the average monthly customer water bill, on a
7 5/8 x 3/4-inch meter, by \$10.50, or 115.6 percent, from \$9.08 to \$19.58, and increase the median
8 monthly customer water bill by \$8.39, or 104.9 percent, from \$8.00 to \$16.39.

9 22. Staff's proposed rates would increase the average monthly customer water bill, on a
10 5/8 x 3/4-inch meter, by \$9.14, or 100.7 percent, from \$9.08 to \$18.22, and increase the median
11 monthly customer water bill by \$5.13, or 64.1 percent, from \$8.00 to \$13.13.

12 23. In its Application, Arivaca proposed increasing its Establishment (After Hours) charge
13 from \$25 to \$75 and proposed adding a Reconnection (Delinquent-after hours) charge of \$50.

14 24. Rather than adopt the Company's proposed change and addition, Staff recommends a
15 general \$35 after-hours service charge. Staff believes it is reasonable for Arivaca to charge an
16 additional fee for service provided after normal business hours, in addition to the charge for the
17 service rendered, in order to compensate Arivaca for the extra costs associated with after-hours
18 service.

19 25. Arivaca did not file objections to any of Staff's recommended rates and charges.

20 26. We find Staff's proposed rates and charges reasonable and we adopt them.

21 27. Staff recommends that Arivaca file with Docket Control, as a compliance item in this
22 docket, a tariff schedule of its approved rates and charges within 30 days of the effective date of this
23 Decision.

24 28. Staff recommends that Arivaca should adopt Staff's typical and customary
25 depreciation rates shown in the attached Exhibit A.

26 29. Arivaca is within the Tucson active management area ("AMA"), and is subject to
27 AMA monitoring and reporting requirements.

28 30. Staff stated that the Arizona Department of Water Resources ("ADWR") has

1 determined that Arivaca is currently in compliance with departmental requirements governing water
2 providers and/or community water systems.

3 31. The Modified Non-Per Capita Conservation Program is a regulatory program
4 administered by ADWR that was added to the Third Management Plan for Arizona's AMAs. It is a
5 performance-based program that requires participating providers to implement water conservation
6 measures that result in water use efficiency in their service areas.² Under the program, water service
7 providers implement a Public Education Program and one or more additional Best Management
8 Practices ("BMPs") based on their total number of residential and non-residential water service
9 connections.

10 32. Staff recommends that Arivaca file with Docket Control, as a compliance item in this
11 docket, within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs
12 that substantially conform to those found on the Commission's website. Staff further recommends
13 that no more than two BMPs may come from the "Public Awareness/Public Relations" or "Education
14 and Training" categories. Staff states that the Company may request recovery of the costs associated
15 with implementation of the BMPs in its next rate application.

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

19 34. According to Staff, Arivaca is in compliance with Commission filing requirements
20 and is in good standing with the Corporations Division.

21 35. Staff's review of the Commission's Consumer Services records showed that between
22 January 1, 2008, and July 12, 2011, there were no complaints against Arivaca. One opinion has been
23 filed in opposition to Arivaca's requested rate increase.

24 36. Arivaca has Commission-approved Backflow and Curtailment tariffs.

25 37. Arivaca is current on its property and sales tax payments.

26 38. We believe it is reasonable to allow Arivaca to collect from its customers a
27 proportionate share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

28 ² See <http://www.azwater.gov/azdwr/Watermanagement/AMAs/documents/MNPCCPFAQs.pdf>.

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

9 40. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos.
10 38 and 39, are reasonable and shall be adopted.

11 **CONCLUSIONS OF LAW**

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

14 2. The Commission has jurisdiction over Arivaca and the subject matter of the
15 Application.

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

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

19 5. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos.
20 38 and 39, are reasonable and should be adopted.

21 **ORDER**

22 IT IS THEREFORE ORDERED that Arivaca Townsite Cooperative Water Company is
23 hereby directed to file with Docket Control, as a compliance item in this docket, by November 30,
24 2011, revised rate schedules setting forth the following rates and charges:

25 ...
26 ...
27 ...
28 ...

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$10.00
3/4" Meter	10.00
1" Meter	25.00

COMMODITY CHARGE:

(Per 1,000 gallons)

Residential (All Size Meters)

0 to 2,000 gallons	\$1.25
2,001 to 8,000 gallons	2.00
Over 8,000 gallons	3.00

Non-Residential (All Size Meters)

0 to 8,000 gallons	\$2.00
Over 8,000 gallons	3.00

SERVICE LINE AND METER INSTALLATION CHARGES:

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

	<u>Service Line</u>	<u>Meter</u>	<u>Total</u> <u>Charges</u>
5/8" x 3/4" Meter	\$335.00	\$115.00	\$450.00
3/4" Meter	335.00	165.00	500.00
1" Meter	405.00	120.00	525.00
1-1/2" Meter	Actual Cost	Actual Cost	Actual Cost
2" Meter	Actual Cost	Actual Cost	Actual Cost
3" Meter	Actual Cost	Actual Cost	Actual Cost
4" Meter	Actual Cost	Actual Cost	Actual Cost
6" Meter	Actual Cost	Actual Cost	Actual Cost

SERVICE CHARGES:

Establishment	\$25.00
Reconnection (Delinquent)	25.00
Meter Test (If Correct)	35.00
Deposit	*
Deposit Interest	*
Re-establishment (Within 12 months)	**
NSF Check	\$30.00
Deferred Payment	1.50%
Meter Re-Read (If Correct)	\$25.00
Late Payment Charge-Per Month	1.50%
Service Charge (After Hours)	\$35.00

MONTHLY SERVICE CHARGE

FOR FIRE SPRINKLER:

4" or Smaller	***
6"	***
8"	***
10"	***
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).

1 *** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per
2 month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct
3 from the primary water service line.

4 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
5 provided on and after December 1, 2011.

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

9 IT IS FURTHER ORDERED that Arivaca Townsite Cooperative Water Company shall file
10 with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this
11 Decision, at least three BMPs in the form of tariffs that substantially conform to those found on the
12 Commission's website. No more that two BMPs may come from the "Public Awareness/Public
13 Relations" or "Education and Training" categories.

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

17 IT IS FURTHER ORDERED that Arivaca Townsite Cooperative Water Company shall use
18 the depreciation rates shown in the attached Exhibit A.

18 ...
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21 ...
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24 ...
25 ...
26 ...
27 ...
28 ...

1 IT IS FURTHER ORDERED that Arivaca Townsite Cooperative Water Company shall 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.
6
7

8 CHAIRMAN _____ COMMISSIONER _____

9
10 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this _____ day of _____, 2011.

17 _____
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____
22
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25
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28

1 SERVICE LIST FOR: ARIVACA TOWNSITES COOPERATIVE WATER
COMPANY

2
3 DOCKET NO.: W-01546A-11-0004

4 Patti Jent
5 ARIVACA TOWNSITE COOPERATIVE
6 WATER COMPANY
P. O. Box 398
Arivaca, AZ 85601

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

10 Steven M. Olea, Director
11 Utilities Division
12 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

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EXHIBIT A

Water Depreciation Rates

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	---	---