OPEN MEETING ITEM

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ARIZONA CORPORATION COMMISSION

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DATE: DECEMBER 14, 2011

DOCKET NO.: W-01416A-10-0450

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Opinion and Order on:

DONEY PARK 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:

DECEMBER 27, 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:

JANUARY 10, 2012 and JANUARY 11, 2012

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.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF DONEY PARK WATER, A MEMBER OWNED NON-PROFIT CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON, AND TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN.	DOCKET NO. W-01416A-10-0450 DECISION NO. _____ **OPINION AND ORDER**

DATE OF HEARING:	August 22, 2011 (Public Comment); October 5, 2011 (Prehearing Conference); October 13, 2011
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Sarah N. Harpring
APPEARANCES:	Mr. William P. Sullivan, CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, P.L.C., on behalf of Doney Park Water; and Ms. Bridget Humphrey, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

This case involves a permanent rate case application filed with the Arizona Corporation Commission ("Commission") by Doney Park Water, a Class B water utility providing service to approximately 3,400 connected meters in an area northeast of Flagstaff, in Coconino County, Arizona.

* * * * * * * * * *

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

. . .

. . .

FINDINGS OF FACT

Background

1. Doney Park Water ("Doney Park") is an Arizona non-profit corporation providing domestic water service to approximately 3,400 connected meters in an approximately 44-acre service area northeast of Flagstaff, in Coconino County, pursuant to a Certificate of Convenience and Necessity ("CC&N") granted by the Commission. (Ex. A-1.) Doney Park was formed in 1936 and is recognized by the Internal Revenue Service as a tax exempt mutual service cooperative. (*Id.*) Each of Doney Park's customers residing within its service area is eligible to be a member of Doney Park and to vote for Doney Park's volunteer five-person Board of Directors. (*Id.*) Doney Park's day-to-day operations are overseen by General Manager Bill Linville. (*Id.*)

2. Doney Park's current rates and charges were approved in Decision No. 58752 (August 31, 1994).[1] Doney Park's current rate design includes different second-tier commodity rates for winter usage (September through April) and summer usage (May through August), with the commodity rate for second-tier summer usage and for standpipe usage being higher than the commodity rate for the same winter usage. Doney Park's current rate design includes 1,000 gallons of water usage within the monthly minimum charge.

3. Doney Park's water system includes seven active wells with a combined total pumping capacity of 2,150 gallons per minute ("GPM"); 22 storage tanks with a combined total capacity of 5,112,100 gallons; hydropneumatic pressure systems; and a distribution system serving approximately 3,378 customers through 5/8" x ¾" meters, 10 customers through 1" meters, 2 customers through 1 1/2" meters, and 6 customers through 2" meters during the test year ending December 31, 2009 ("TY"). (Ex. S-1.) The Commission's Utilities Division ("Staff") determined that Doney Park's system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth. (*Id.*)

4. During the winter months of the TY, median monthly water usage for the 5/8" x ¾"-meter customers on Doney Park's system was 5,500 gallons, and average monthly water usage was

[1] Doney Park has since received approval of a relocation tariff in Decision No. 66030 (July 3, 2003) and revision of a development fee tariff in Decision No. 68862 (July 28, 2006).

6,829 gallons. (Ex. S-2.) During the summer months of the TY, median monthly water usage for the 5/8" x ¾" meter customers on Doney Park's system was 3,500 gallons, and average monthly water usage was 4,958 gallons. (*Id.*)

5. Doney Park pumped 255,414,000 gallons of water and sold 234,137,000 gallons during the TY, reflecting water loss of 8.33 percent, which is within acceptable limits. (Ex. S-1.)

6. Doney Park's water system is in compliance with Arizona Department of Environmental Quality ("ADEQ") requirements and is delivering water meeting the water quality standards required by 40 C.F.R. 141 and Arizona Administrative Code ("A.A.C.") Title 18, Chapter 4. (Ex. S-2.)

7. Doney Park's service area is not located in an Active Management Area ("AMA"), but the Arizona Department of Water Resources ("ADWR") has determined that Doney Park's water system is in compliance with ADWR requirements governing water providers and/or community water systems. (Ex. S-2.)

8. Doney Park is current in its property and sales tax payments. (Ex. S-2.)

9. Doney Park is in good standing with the Commission's Corporations Division. (Ex. S-2.)

10. Staff's Compliance database shows no delinquent compliance items for Doney Park. (Ex. S-2.)

Procedural History

11. On November 3, 2010, Doney Park filed an application for a permanent rate increase. Doney Park stated that its requested rate increase was designed to achieve a 13.0-percent operating margin, which Doney Park stated would provide sufficient cash flows to cover operating expenses, repay Doney Park's indebtedness, and make capital improvements necessary to continue to provide reliable domestic water service to its member-customers. (Ex. A-1.)

12. On December 7, 2010, Staff issued a Letter of Sufficiency, stating that Doney Park's application had met the sufficiency requirements of A.A.C. R14-2-103 and that Doney Park had been classified as a Class "B" water utility.

13. On December 9, 2010, a Procedural Order was issued scheduling the hearing in this

matter to commence on August 22, 2011, and establishing other procedural requirements and deadlines.

14. On February 17, 2011, and February 23, 2011, Doney Park filed Notice, including an Affidavit of Publication and a Postage Statement, showing that notice had been sent to each customer on January 7, 2011, and had been published in the *Arizona Daily Sun*, a Flagstaff newspaper distributed in Doney Park's service area, on January 16, 2011.[2] The notice provided conformed to the requirements of the Procedural Order of December 9, 2010.

15. On May 23, 2011, Doney Park filed revised schedules for its application. The revised schedules corrected a misstatement in Doney Park's current rates, but did not alter the rates proposed by Doney Park.

16. On May 27, 2011, Staff filed Staff's Request for Extension of Time to File Testimony and for Waiver of Time Clock, stating that because many of Doney Park's records were in storage, Doney Park had been unable to provide the documents to Staff in a timely manner, and Staff thus required additional time to prepare and file its testimony. Staff requested that its deadline for filing direct testimony and exhibits be extended by 45 days, that the procedural schedule be adjusted accordingly, and that the time clock be waived until such time as Doney Park had provided complete responses to Staff's First Set of Data Requests.

17. On June 3, 2011, Doney Park filed a Response to Staff's Request for Extension of Time to File Testimony and for Waiver of Time Clock, stating that Doney Park did not oppose a 45-day extension of the dates established by the Procedural Order or a 45-day suspension of the time clock and proposing a revised procedural schedule that would include a hearing the week of October 3, 2011. Doney Park stated that Staff had been consulted and had not objected to the proposed procedural schedule.

18. On June 7, 2011, a Procedural Order was issued changing the August 22, 2011, hearing to a public comment proceeding; vacating other scheduled proceeding dates; scheduling the evidentiary portion of the hearing to commence on October 13, 2011; establishing other revised

[2] Official notice is taken of these Notice filings. Doney Park made the second Notice filing to provide more legible copies of its Affidavit of Publication and Postage Statement.

procedural dates to accommodate Staff's requested extension of time; and extending the time clock in this matter by 49 days.

19. On July 7, 2011, Staff filed Staff's Request for Additional Extension of Time to File Testimony and for Waiver of Time Clock, asserting that Staff would not be able to meet the extended deadline previously granted due to the volume of documents received from Doney Park; requesting that Staff's deadline for direct testimony and exhibits be extended by three weeks; requesting that the remainder of the procedural schedule be adjusted accordingly; and requesting that the time clock be waived to include the three-week extension. Staff included a proposed revised schedule that would include a hearing the week of October 24, 2011.

20. On July 11, 2011, Staff filed Staff's Revised Proposed Procedural Schedule, providing a new proposed revised schedule that would include a hearing the week of October 13, 2011, and stating that Doney Park did not oppose the new proposed revised schedule.

21. On July 13, 2011, a Procedural Order was issued directing that the prehearing conference, hearing for public comment, and evidentiary hearing would occur as scheduled in the Procedural Order of June 7, 2011, but adjusting the dates for the filing of testimony to those proposed by Staff in the new proposed revised schedule.

22. On August 5, 2011, Staff filed Staff's Request for Additional Extension of Time to File Testimony and for Waiver of Time Clock, in which Staff requested a one-business-day extension of time to file its direct testimony. Staff stated that Doney Park did not oppose Staff's request.

23. On August 8, 2011, a Procedural Order was issued granting Staff's request and retaining the remaining provisions in the Procedural Order of July 13, 2011.

24. On August 8, 2011, Staff filed the Direct Testimony of Darak Eaddy, Staff Public Utilities Analyst, and Jian Liu, Staff Utilities Engineer.

25. On August 17, 2011, Staff filed Staff's Notice of Proposed Settlement Discussions, stating that settlement discussions had been scheduled for August 25, 2011.

26. On August 22, 2011, a public comment proceeding was held before a duly authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona. Doney Park and Staff appeared through counsel, and no members of the public attended to provide

comment.

27. On August 31, 2011, Doney Park filed the Rebuttal Testimony of Thomas J. Bourassa, a Certified Public Accountant consultant.

28. On September 16, 2011, Staff filed the Surrebuttal Testimony of Mr. Eaddy and a Notice of Errata striking a small portion of Mr. Eaddy's Direct Testimony.

29. On September 26, 2011, Staff filed a second Notice of Errata, revising a small amount of text in Mr. Eaddy's Direct Testimony and deleting and replacing two schedules from Mr. Eaddy's Surrebuttal Testimony.

30. On September 30, 2011, Doney Park filed the Rejoinder Testimony of Mr. Bourassa.

31. On October 4, 2011, Staff and Doney Park filed summaries of their prefiled testimony.

32. On October 5, 2011, a prehearing conference was held before a duly authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona. Doney Park and Staff appeared through counsel, and each was requested to clarify certain information at hearing.

33. On October 11, 2011, Staff filed a revised schedule to Mr. Eaddy's Surrebuttal Testimony.

34. On October 13, 2011, Staff filed two amended schedules to Mr. Eaddy's Surrebuttal Testimony.

35. On October 13, 2011, an evidentiary hearing was held before a duly authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona, with Doney Park and Staff appearing through counsel. Doney Park presented the testimony of Mr. Bourassa. Staff presented the testimony of Mr. Liu; Mr. Eaddy; and Alfonso Amezcua, Staff Public Utilities Consumer Analyst II. No members of the public attended to provide comment. At the conclusion of the hearing, it was determined that Doney Park would, within 10 days after the hearing, file three late-filed exhibits ("LFEs"): (1) tariff language regarding Doney Park's proposed security deposits for hydrant meters, (2) three additional proposed Best Management Practices tariffs, and (3) tariff language regarding Doney Park's proposed turn off/turn on fee. It was also determined that Staff would review the LFEs and make a filing in the docket within three weeks after the LFEs were

filed.

36. On October 21, 2011, Doney Park filed its LFEs: LFE A-1, proposed tariffs, including revisions to previously proposed tariffs for the turn off/turn on fee as well as new tariff language for hydrant meter and vault key security deposits; LFE A-2, seven proposed Best Management Practices tariffs; and LFE A-3, a copy of Exhibit A to Decision No. 72590 (September 15, 2011), which provided hydrant meter deposit charge tariff language approved by the Commission for another utility.

37. On November 18, 2011, Staff filed Staff's Response to Doney Park's LFEs, stating that Staff did not object to the tariffs submitted by Doney Park, except as to the dollar amount of the fee for the "Turn Off/Turn On At Customer Request" contained in Tariff 8 of LFE A-1. Staff also noted a typographical error in Tariff 8 of LFE A-1.

Customer Comments/Complaints

38. During the period from January 1, 2008, through August 3, 2011, the Commission received 25 complaints against Doney Park and three opinions opposed to the requested rate increase. (Ex. S-2.) Staff reported that the complaints were in the areas of billing, quality of service, new service, rates and tariffs, deposits, disconnection/termination, and other company policy or procedure. (*Id.*) Staff reported that all but three of the complaints had been resolved and closed. (*Id.*; Tr. at 135.) At hearing, Doney Park reported that it believed only one complaint was outstanding and that the open complaint concerned Doney Park's development fee. (*See* Tr. at 58.) Mr. Amezcua testified that three complaints had not yet been officially closed by Staff, although he was uncertain why, but that it could be because Staff was waiting for information from the customer or from Doney Park. (Tr. at 145-46.) Mr. Amezcua testified that Doney Park had definitely responded to two of the complaints and that he believed Doney Park had also responded to the third. (Tr. at 146.)

39. The customer comments opposing the rate increase raised several alleged issues: loss of service during power outages due to lack of a back-up generator, rust in the water, and slow posting of payments. Mr. Bourassa testified that there is no back-up generator, but that water pressure is not lost during any power outage because Doney Park has 3 million gallons of water stored in elevated storage tanks, which provide gravity fed water to the system without the need for

electricity. (*See* Tr. at 56-57.) Mr. Liu also testified that the gravity flow could be used during a power outage and that it would be unusual for a water flow problem to exist with such a system. (*See* Tr. at 75-76.) Doney Park expressed surprise concerning an allegation of rust in the water, stating that it had not received any complaints about rust in the water. (Tr. at 57.) Staff testified that there had been an informal complaint alleging rust in the water, to which Doney Park had responded and which had been closed, and that Staff was not aware of any ongoing problem with rust. (Tr. at 135.) Regarding posting of payments, Mr. Bourassa testified that mail is delivered to Doney Park in the late afternoon each day and that payments received are posted to accounts by the end of the next business day. (Tr. at 58.) Thus, the longest delay would be a delay of two or three days, depending on whether there is a long weekend, for a payment received on Friday. (*See* Tr. at 58.) We find that none of the alleged issues necessitate any action at this time.

Ratemaking

40. Doney Park and Staff have reached agreement on virtually all areas of ratemaking. Doney Park accepted Staff's rate base adjustments, which resulted from Staff's use of individual asset depreciation as opposed to Doney Park's use of group depreciation.[3] (Ex. A-2 at 2, 4-6; Ex. S-2 at 11.) Doney Park also accepted Staff's reductions to other water revenues, made for consistency with Staff's recommended service charges. (Ex. A-2 at 3, 7.) Staff accepted Doney Park's position as to repair and maintenance expense and as to office supplies and expense after Doney Park provided additional supporting documentation. (Ex. S-3 at 3-4.) Doney Park accepted Staff's adjustments to transportation expense, rate case expense, miscellaneous expense, depreciation expense, amortization of contributions in aid of construction ("CIAC"), and property tax expense. (Ex. A-2 at 6-7.) Doney Park accepted Staff's recommended monthly minimum charges, once Staff adopted Doney Park's position that ¾"-meter customers should have the same monthly minimum charge as 5/8" x ¾"-meter customers. (Ex. A-3 at 5-6; Ex. S-3 at 4-5.) Doney Park also accepted Staff's recommended commodity rates and tier break-over points and Staff's recommended flat after-hours service charge. (Ex. A-3 at 5-6; Ex. A-2 at 15.) Thus, in terms of ratemaking, Doney Park and

[3] Staff has recommended that Doney Park be required to use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B of Exhibit JWL. (Ex. S-1.)

Staff disagree only as to Doney Park's proposed turn off/turn on fee.

41. Doney Park's original position and Doney Park and Staff's agreements on rate base and revenue requirements were as follows:

	Doney Park Application[4]	Doney Park & Staff Agreed[5]
Adjusted OCRB/FVRB	$3,841,740	$4,942,252
Adjusted TY Operating Income	($304,503)	($199,788)
Current Rate of Return	-7.93%	-4.04%
Current Operating Margin	-15.35%	-10.16%
Required Rate of Return	8.90%	7.71%
Required Operating Margin	13.00%	14.93%
Required Operating Income	$341,983	$381,218
Operating Income Deficiency	$646,487	$581,006
Gross Revenue Conversion Factor	1.0000	1.0099
Required Revenue Increase	$646,487	$586,777
Adjusted TY Revenue	$1,984,154	$1,966,592
Proposed Annual Revenue	$2,630,641	$2,553,369
Required Increase in Gross Rev. (%)	32.58%	29.84%

42. Doney Park's current rates and charges, and the rates and charges proposed by Doney Park and recommended by Staff, are as follows:

	Present Rates	**Staff Recommended[6] & Company Proposed[7]**
MONTHLY MINIMUM CHARGES:		
5/8" x ¾" & ¾" Meter—Residential	$ 18.75	$ 21.95
5/8" x ¾" & ¾" Meter—Commercial	27.00	21.95
1" Meter—All Classes	50.00	54.88
1 ½" Meter—All Classes	100.00	109.75
2" Meter—All Classes	150.00	175.60
3" Meter—All Classes	200.00	351.20
4" Meter—All Classes	300.00	548.75
6" Meter—All Classes	400.00	1,097.50
Standpipe	N/A	None
Gallons Included in Minimum	1,000	None

[4] The source for this data is Ex. A-1.

[5] The sources for this data are Ex. A-3 and Ex. S-3.

[6] Going into the hearing, Staff recommended a monthly minimum charge for 8" meters, although it had not recommended commodity rates for 8" meters. (Ex. S-3 at DRE-15.) Doney Park indicated that it would prefer that 8" meters not be included in its tariffs. (Ex. A-3 at 6.) Staff appears to have adopted Doney Park's position on 8" meters, as Staff did not object to Doney Park's omission of rates and charges for 8" meters in its LFEs. (*See* LFE A-1; LFE S-1.)

[7] The sources for this data are Ex. A-4, LFE A-1, Ex. S-3, and Ex. S-6.

COMMODITY RATES (Per 1,000 Gallons):

Winter (Sept. – April)—All Customers		
1,001 to 5,000 gallons	$4.30	
Over 5,000 gallons	6.90	
Summer (May – August)—All Customers		
1,001 to 5,000 gallons	$4.30	
Over 5,000 gallons	8.63	
5/8" x ¾" & ¾" Meters		
1 to 4,000 Gallons		$5.70
4,001 to 10,000 Gallons		7.70
Over 10,000 Gallons		9.70
1" Meters		
1 to 22,500 Gallons		$7.70
Over 22,500 Gallons		9.70
1 ½" Meters		
1 to 45,000 Gallons		$7.70
Over 45,000 Gallons		9.70
2" Meters		
1 to 72,000 Gallons		$7.70
Over 72,000 Gallons		9.70
3" Meters		
1 to 144,000 Gallons		$7.70
Over 144,000 Gallons		9.70
4" Meters		
1 to 225,000 Gallons		$7.70
Over 225,000 Gallons		9.70
6" Meters		
1 to 450,000 Gallons		$7.70
Over 450,000 Gallons		9.70
Standpipe		
Winter	$6.90	
Summer	$8.63	
Year-Round, All Usage		$9.70

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

	Present Rates	Company Proposed & Staff Recommended		
	Total	Service	Meter*	Total
5/8" x ¾" Meter	$ 570.00	$ 445.00	$ 155.00	$ 600.00
¾" Meter	570.00	445.00	255.00	700.00
1" Meter	790.00	495.00	315.00	810.00
1 ½" Meter	1,340.00	550.00	525.00	1,075.00
2" Meter (Turbo)	N/A	830.00	1,045.00	1,875.00
2" Meter (Compound)	2,000.00	830.00	1,890.00[8]	2,720.00
3" Meter (Turbo or Compound)	Cost	Cost	Cost	Cost
4" Meter (Turbo or Compound)	Cost	Cost	Cost	Cost
6" Meter (Turbo or Compound)	Cost	Cost	Cost	Cost

* Meter charge includes meter box or vault.

If crossing a road is encountered for installation, customer is also responsible for the cost of road boring and/or road cutting and repairs.

SERVICE CHARGES:	**Present Rates**	**Company**	**Staff**
Establishment	$25.00	$35.00	$35.00
Establishment (After Hours)	$37.50	(a)	(a)
Reconnection (Delinquent)	$25.00	$35.00	$35.00
Reconnection (Delinquent) (After Hours)	$37.50	(a)	(a)
After Hours Service Charge	N/A	$35.00	$35.00
Meter Test (If Correct)	$35.00	$35.00	$35.00
Deposit	*	(b)	(b)
Deposit Interest (Per Year)	**	(c)	(c)
Re-Establishment (Within 12 Months)	***	(d)	(d)
NSF Check	$15.00	$15.00	$15.00
Deferred Payment (Per Month)	****	1.50%	1.50%
Meter Re-Read (If Correct)	$15.00	$15.00[9]	$15.00
Late Fee (Per Month on Unpaid Balance)	****	1.50%	1.50%
Moving Customer Meter, at Customer Request	Cost	Cost	Cost
Turn On/Off, at Customer Request	$25.00	N/A	(e)
Turn On/Off, at Customer Request (After Hours)	$37.50	(a)	(a)
Turn Off/Turn On, at Customer Request	N/A	$35.00	(e)
Damage to Meter	Cost	Cost	Cost

[8] The proposed tariffs filed by Doney Park as LFE A-1 included a meter installation charge of $1,089.00 for a 2" compound meter. (*See* LFE A-1 at Sheet 0, Sheet 7.) Because Doney Park and Staff previously had agreed on a charge of $1,890.00, (*see* Ex. A-4), we have treated this as a typographical error and have corrected it here.

[9] The proposed tariffs filed by Doney Park as LFE A-1 included a $25.00 meter re-read charge. As Doney Park had previously agreed to a $15.00 meter re-read charge, we have treated that as a typographical error and have corrected it here. (*See* Ex. A-4; LFE A-1 at Sheet 0.)

Development Fee	$2,000.00(f)	$2,000.00(g)	$2,000.00(g)
Hydrant Meter Deposit	N/A	$1,500.00	$1,500.00
Meter Vault Key Deposit	N/A	$20.00	$20.00
Monthly Service Charge For Fire Sprinkler:			
All Sizes	*****	(h)	(h)

* Per Commission Rules (R14-2-403(B))

** Established one year Treasury Bill rate as published in the *Wall Street Journal*, as determined annually as of January 1 of each year.

*** Months off system times the monthly minimum charge (R14-2-403(D))

**** 1.50% per month of outstanding balance.

***** Greater of 1 percent of applicable monthly usage charge or $5.00.

(a) Eliminate service charge and replace with After Hours Service Charge.

(b) Residential—two times the average bill. Nonresidential—Two and one-half times the average bill.

(c) Established one year Treasury Bill rate as published in Wall Street Journal annually as of January 1.

(d) Minimum charge times number of full months off the system, per A.A.C. R14-2-403(D).

(e) No charge during regular business hours.

(f) The Development Fee may be assessed only once per lot or parcel; provided, however, if, after the Development Fee is paid, additional dwelling units are located on the lot or parcel or the use for structures not primarily intended for habitation is increased such that the current use on the lot or parcel would have resulted in a higher Development Fee than what has previously been paid for the lot or parcel, the Company shall re-compute the Development Fee and assess the current customer the portion of the Development Fee not previously paid. (Decision No. 68862 (July 28, 2006).[10])

(g) For property with structure/s primarily intended for habitation, charge is per dwelling unit.

For property with structure/s not primarily intended for habitation, charge is per projected water usage for property compared to combined average system-wide water usage.

(h) 2% of the monthly minimum for a comparable sized meter connection, but not less than $10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary service line.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per A.A.C. 14-2-409(D)(5), all advances and/or contributions are to include labor, materials, overheads, and all applicable taxes.

43. The rates agreed upon by Doney Park and Staff represent significant changes to Doney Park's rate design and bring its rate design into conformity with what is currently more typical rate design in Arizona. (Tr. at 121.) The significant changes include elimination of the distinction between summer and winter commodity rates, because there has been a shift among Doney Park's

[10] This Decision was provided by Doney Park as Ex. A-6.

customers toward more water consumption in the winter months; adoption of a three-tiered rate design for small meters, which encourages conservation; and elimination of the 1,000-gallon free water allowance previously included in the monthly minimum, which also encourages conservation. (*See* Tr. at 121-23.)

44. For summer usage, the rates and charges agreed upon by Doney Park and Staff would increase the monthly bill for a 5/8" x ¾"-meter customer with median usage of 3,500 gallons from $29.50 to $41.90, representing an increase of $12.40 or 42.03 percent, and for a 5/8" x ¾"-meter customer with average usage of 4,958 gallons, from $35.77 to $52.13, representing an increase of $16.36 or 45.73 percent.

45. For winter usage, the rates and charges agreed upon by Doney Park and Staff would increase the monthly bill for a 5/8" x ¾"-meter customer with median usage of 5,500 gallons from $39.40 to $56.30, representing an increase of $16.90 or 42.89 percent, and for a 5/8" x ¾"-meter customer with average usage of 6,829 gallons, from $48.57 to $66.53, representing an increase of $17.96 or 36.98 percent.

46. Although the rate increase agreed upon by Doney Park and Staff is not insignificant, we find that it is warranted to allow Doney Park a sufficient revenue stream to cover its operational costs and capital needs. In addition, we note that it has been more than 17 years since Doney Park's rates have been increased and that the adoption of a more conservation-oriented rate design that does not include any free water is just and reasonable. We find that the rates and charges agreed upon by Doney Park and Staff are just and reasonable and should be adopted.

Standpipes, Hydrant Meters, & Meter Vault Keys

47. Doney Park does not currently have any designated standpipes, but provides individually assigned meters, called fire hydrant meters, for use in construction. (Tr. at 50, 53-54.) Doney Park has not requested approval of a monthly minimum charge to cover the costs associated with the use of such a meter, which Doney Park installs on the hydrant to be used. (Tr. at 50-51.) Staff typically does not recommend monthly minimum charges for individually assigned hydrant meters, instead recommending that the highest tier commodity rate be assessed for such usage. (Tr. at 117.) Doney Park and Staff have agreed that the highest tier commodity rate should apply for

hydrant meter usage and for any standpipe usage that may occur in the future. (*See* LFE A-1; Ex. S-6.)

48. Doney Park currently requires a contractor to pay a refundable security deposit to obtain use of a hydrant meter, based upon the replacement cost of the meter, to ensure that the contractor has an incentive to ensure the meter is returned, and that Doney Park is able to replace the meter if it is not returned or if it is damaged. (Tr. at 55.) Doney Park also collects a meter vault key deposit when a customer borrows a meter vault key for temporary use. (LFE A-1.) Doney Park does not currently have any language in its tariff regarding either the hydrant meter security deposit or the meter vault key deposit. (*See* Tr. at 56; LFE A-1.)

49. Staff opined that if Doney Park desires to continue collecting an equipment security deposit, that security deposit should be reflected in the rates and charges approved by the Commission, even though it is not a charge for service per se. (*See* Tr. at 124-25.) In its LFE, Doney Park has included proposed tariff language for both hydrant meter deposits and meter vault key deposits. (*See* LFE A-1 at Sheet 0, Sheet 9a.) The proposed tariff language is modeled after the hydrant meter deposit charge tariff approved by the Commission in Decision No. 72590 (September 15, 2011). (*See* LFE A-1 at Sheet 9a; LFE A-3.) Staff does not object to Doney Park's proposed tariff language for equipment deposits. (LFE S-1.)

50. The location of the last paragraph of Tariff Sheet 9a in LFE A-1 suggests that the provisions in that paragraph apply only for meter vault key deposits. (*See* LFE A-1 at Sheet 9a.) Because the language in the last paragraph of Tariff Sheet 9a should apply equally for hydrant meter deposits, we will require Doney Park to modify its proposed tariff language by adding a heading before the last paragraph that reads, "Interest on Equipment Deposits." With such a modification, the proposed tariff language for equipment deposits is just and reasonable and should be adopted.

Turn Off/Turn On Fees

51. Doney Park currently assesses a $25.00 fee each time one of its personnel is required to come out to a customer's premises to turn the customer's water flow off or on at the customer's request during regular business hours and a $37.50 fee if the same is done after hours. (*See* Decision No. 58752 (August 31, 1994) at 12.) This occurs when a customer needs for the water flow to be

stopped temporarily, such as for remodeling or a leak, although the customer does not desire to have service disconnected or to cease being a customer. (Tr. at 45.) Doney Park asserts that the fee is designed to cover the expenses associated with going out to the customer's property, at the customer's request, to turn water service off or on. (*See* Ex. A-2 at 15-16.) Doney Park's service area is large, at 44 square miles, with customers spread throughout; and Doney Park's offices are located in the far southwest corner of its service area. (Tr. at 48, 60.) Doney Park assessed the charge approximately 42 times during the TY. (Tr. at 42-43.)

52. Staff testified that in recent years, Staff generally has recommended that there be no turn off/turn on fee. (Tr. at 131.) Staff expressed concern that a turn off/turn on fee might be viewed by customers as a penalty for calling when there is a leak and might result in customers' trying to turn off their water using Doney Park's shut-off valves, if the customers cannot find their own shut-off valves or do not have working shut-off valves. (Tr. at 149.) Mr. Amezcua agreed that this risk would only exist if a customer had somehow failed to comply with the requirement to have a shut-off valve on the customer's side of the meter and, further, that a customer would risk a very large bill if a leak were not stopped and would risk being assessed greater costs to repair or replace equipment if the customer were to access and damage equipment on Doney Park's side of the meter rather than having Doney Park come out to turn off the customer's water. (Tr. at 151, 153.) Staff also agreed that responding to a customer's request for turn off due to a leak is more disruptive to Doney Park personnel than a scheduled visit would be; that Doney Park's service area is rather large with customers spread throughout; that Doney Park's service area is relatively rural with roads that are indirect; and that Doney Park's service area receives quite a lot of snow during the winter that can bury meter boxes. (*See* Tr. at 136-37, 140-41, 144.) Staff also acknowledged that the philosophy behind the turn off/turn on fee is the same as that behind the establishment fee, the reconnection fee, and the meter test fee—to make the customer causing a cost be the one who pays the cost. (Tr. at 143.) Staff further conceded that if there is no cost to having Doney Park come out to turn a valve off and on at a customer's request, some customers might choose to do that even though they could turn their valves off and on themselves. (Tr. at 144.) Staff's recommendation is that the turn off/turn on fee be denied, but that if Doney Park is permitted to have a turn off/turn on fee, the fee be set at $25,

chargeable separately for turn off and turn on if the functions are performed on separate trips, but chargeable only once if both functions are performed on the same trip. (Tr. at 146-47.) Staff also supported Doney Park's suggestion for the fees to be waived if the customer provides Doney Park documentation, within 10 days after the service, showing that a shut-off valve has been installed or repaired at the customer's cost.[11] (Tr. at 147-48.)

53. In its LFE, Doney Park proposed a $35.00 fee for turn off/turn on, at customer request. (LFE A-1 at Sheet 0.) The proposed tariff sheet states that a $35.00 turn off/turn on charge would apply when Doney Park makes a trip to turn off water service temporarily and that an additional $25.00 fee would apply when Doney Park makes a separate trip to turn on water service under circumstances that do not constitute an establishment, reestablishment, or reconnection of service. (*See* LFE A-1 at Sheet 0, Sheet 8.) The proposed tariff provides for a waiver of both fees if the customer installs a turn-off valve and provides documentation of its installation in accordance with utility standards[12] within 10 days of the temporary turn off. (*Id.* at Sheet 8.) Staff objected only to the dollar amount of the turn off/turn on fee in the proposed tariff. (LFE S-1.)

54. Because Doney Park has a relatively large and rural service area that can receive a great deal of snow, Doney Park's burden in responding quickly to a customer request for turn off at the customer's premises can be greater than what would be experienced in a smaller, less rural, and warmer service area. Thus, although the Commission has determined at least once recently that a different public service corporation should not be permitted to assess a turn off/turn on fee (alternately referred to as a call out charge) for coming out to a customer's premises during regular business hours, the same reasoning does not apply with equal force to Doney Park. Rather, it is just and reasonable to allow Doney Park to continue charging a $25.00 turn off/turn on fee (at customer request) and, in addition, to allow Doney Park to assess the after hours service charge agreed upon by Doney Park and Staff in the event a turn off/turn on visit must be made after hours or on a weekend or holiday. It is also reasonable to require Doney Park to include in its tariff a provision allowing for waiver of the turn off/turn on fee in the event a customer installs a new or replacement turn-off valve

[11] Commission rules generally require a cut-off valve to be installed within 18 inches from each side of a meter (customer side and utility side). (A.A.C. R14-2-405(B)(3).)

[12] The rule citation included in the proposed tariff is incorrect and should be corrected to read A.A.C. R14-2-405(B)(3).

or incurs expense from having an existing turn-off valve repaired and provides Doney Park documentation of the completion of such installation or repair, which brings the customer into compliance with A.A.C. R14-2-405(B)(3), within 10 days after the on-site visit by Doney Park.

Best Management Practices ("BMPs")[13]

55. Staff recommended that Doney Park be required to file with Docket Control, as a compliance item in this docket, within 90 days after the effective date of the Decision in this matter, for the Commission's review and consideration, at least seven BMPs, in the form of tariffs substantially conforming to the templates created by Staff and available on the Commission's website; that Doney Park be permitted to have a maximum of two of the seven BMPs come from the "Public Awareness/Public Relations" or "Education and Training" BMP categories; and that Doney Park be permitted to request, in its next general rate application, cost recovery of actual costs associated with the BMPs implemented. (Ex. S-1 at 4.) Mr. Liu testified that since April 2011, Staff has consistently recommended a specific number of BMPs based on utility class, with 10 BMPs recommended for Class A utilities, seven BMPs recommended for Class B utilities, five BMPs recommended for Class C utilities, and three BMPs recommended for Class D and E utilities. (Tr. at 69-70.) Mr. Liu indicated that Staff has some flexibility in recommending the number of BMPs on a case-by-case basis and further stated his belief that Doney Park should make greater conservation efforts than the ordinary water company because Doney Park has a history of high peak demand in the summer months. (Tr. at 73, 75, 85.) Mr. Liu also testified that Doney Park's system is unique and complex—because it covers a huge area, with a great deal of elevation change, and has 18 pumping systems and 22 pressure zones—and expressed Staff's hope that Doney Park would create additional conservation measures designed for its system because Staff's recommended BMP templates are not tailored to such a unique and complex system, and none of them address either peak

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[13] Official notice is taken of the following:

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

Decision No. 72498 (July 25, 2011) at 22-23 (footnote omitted).

flow due to holiday usage or peak flow due to fire usage. (Tr. at 78-79, 86.)

56. Doney Park objected to Staff's recommendation for a seven-BMP requirement, which Doney Park stated was not supported by any Staff testimony, apart from the recommendation itself, until the hearing in this matter. (*See* Tr. at 27-28.) Doney Park asserted that if the Commission desires to impose BMP-type requirements, the Commission should impose those BMP-type requirements either through a rulemaking or a generic proceeding that would allow companies to hear the basis for the standards and provide comment on the standards and would result in known standards for all water utilities. (Tr. at 29.) Doney Park asserted that it does not disagree with the concept of promoting conservation, but argued that there has been no legal process or decision through which the Commission has determined that the Commission has the authority to issue BMPs and how many BMPs each class of company or specific company should have.[14] (Tr. at 26-27.)

57. Despite its objections, however, Doney Park desired for the BMP tariff issue to be resolved in the Decision for this matter and thus submitted four proposed BMP tariffs in its prefiled testimony and seven proposed BMP tariffs as an LFE for Staff's review and response. (*See* Tr. at 27-28; LFE A-2.) The proposed BMP tariffs include the following seven BMPs:

- BMP 1.1: Local and/or Regional Messaging Program Tariff
- BMP 3.6: Customer High Water Use Inquiry Resolution Tariff
- BMP 5.2: Water System Tampering Tariff
- BMP 5.5: Low Water Use Landscaping Requirements Tariff for Model Homes in New Residential Developments
- BMP 4.2: Meter Repair and/or Replacement Tariff
- BMP 4.1: Leak Detection Program Tariff
- BMP 3.7: Customer High Water Use Notification Tariff

Staff has reviewed Doney Park's seven proposed BMP tariffs and has stated that it has no objection to them. (LFE S-1.)

58. The Commission has previously determined that it is reasonable and appropriate to

[14] Mr. Liu testified that he was not aware of any formal Commission action to adopt either Staff's April 2011 standard BMP recommendations or Staff's BMP template through a Commission rulemaking or a general order issued in a generic docket. (Tr. at 82-84, 91-92.)

require water utilities with service areas that are not located in AMAs to adopt BMP tariffs to encourage water use efficiency in their service areas. (*See, e.g.,* Decision No. 72498 (July 25, 2011).) Thus, it is just and reasonable to require Doney Park to adopt the seven BMP tariffs that Doney Park has proposed, which Staff has reviewed and found acceptable, and which were submitted by Doney Park as LFE A-2.

Other Tariff Issues

59. Doney Park has a cross connection/backflow tariff that was approved and became effective on June 6, 2006. (Tr. at 129.) Staff recommended in this case that Doney Park file an updated cross connection/backflow tariff, as ADEQ had recently renumbered its rules, and the tariff needed to be modified to reflect the changes. (*Id.*) Staff also recommended that conforming changes be made to Doney Park's terms and conditions of service. (Tr. at 129.) Although Doney Park had submitted a revised cross connection/backflow tariff, Staff believed at the time of hearing that the tariff was not in conformity with Staff's template for such tariffs and thus had not approved it.[15] (Tr. at 129-30.)

60. Doney Park submitted a proposed cross connection/back flow tariff in its LFEs for Staff's review. (*See* LFE A-1 at Sheets 12-12c.) Staff did not express any objection to the proposed cross connection/back flow tariff in its LFE. (*See* LFE S-1.) Thus, it is reasonable and appropriate to approve the proposed cross connection/back flow tariff submitted by Doney Park as LFE A-1 at Sheets 12-12c.

61. Since 1982, Doney Park has been authorized to impose a nonrefundable fee for each new connection, with the fee originally set at $500 and designated as a "hookup fee," subsequently raised to $1,000 and renamed as a "development fee," and most recently raised to $2,000. (*See* Decision No. 58752 at 8.) In Doney Park's last rate case, in which the development fee was raised to $2,000, the following conditions were also adopted:

> a) the development fee may be assessed only once per lot or parcel;
> b) the development fee must be placed in a separate, interest-bearing account;
> c) the development fee may only be used to pay for capital items of

[15] Mr. Amezcua testified that Doney Park had filed a tariff, that the tariff conformed to some extent to the recommendation, but that the tariff was not exactly as it should have been according to Staff's template. (Tr. at 129.)

> backbone plant, and shall not be used for expenses, maintenance, or other operational purposes;
> d) the development fee shall be in addition to any costs associated with main extension agreements for on-site facilities;
> e) the development fee may be used as collateral for and to repay loans for expansion and/or improvements of the Cooperative's backbone plant; and
> f) the Cooperative may request, and the Staff may administratively permit, the development fee to be used for other emergency purposes on such terms and conditions as the Staff may deem appropriate, e.g., repayment within a specified period of time[.][16]

62. In Decision No. 68862 (July 28, 2006),[17] Doney Park's development fee tariff was revised to address situations when a second habitable structure on a lot or parcel is not disclosed to Doney Park or is built after the development fee has been collected for a lot, to allow Doney Park to later collect a development fee for the additional structure. (Decision No. 68862 at 1.) The following revised language was adopted for the development fee tariff:

> The Development Fee may be assessed only once per lot or parcel; provided, however, if, after the Development Fee is paid, additional dwelling units are located on the lot or parcel or the use for structures not primarily intended for habitation is increased such that the current use on the lot or parcel would have resulted in a higher Development Fee than what has previously been paid for the lot or parcel, the Company shall re-compute the Development Fee and assess the current customer the portion of the Development Fee not previously paid.[18]

63. In this case, Staff recommended that the development fee funds be deposited in a separate bank account so that the funds are segregated from funds for general usage and stated that the account need not be interest bearing because the development funds are nonrefundable. (Tr. at 119.) Doney Park is already required to deposit the development fee funds in a separate bank account, pursuant to Decision No. 58752, and we find that it is reasonable and appropriate to allow Doney Park to use a bank account that does not bear interest.

64. Doney Park has submitted a proposed development fee tariff, attached hereto and

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[16] Decision No. 58752 at 7-8 (footnote omitted). The Decision included the following definition of backbone plant:

> Backbone plant is defined as wells, storage tanks and pumping stations, along with the associated controls, piping, electrical line extensions, and appurtenances. Water transmission mains, which add to the water system's overall capacity or reliability, which would not otherwise be recoverable pursuant to an advance-in-aid-of-construction agreement or line extension agreement, may also be included in backbone plant.

(*Id.* at 7.)

[17] Doney Park provided this Decision as Ex. A-6.

[18] Decision No. 68862 at 2.

incorporated herein as Exhibit A, in which Doney Park has clarified the applicability of the fee to dwelling units and has eliminated the requirement for the separate bank account to be interest-bearing. (*See* Tr. at 33-35; Ex. A-7.) Staff has no objection to the development fee tariff proposed by Doney Park. (Tr. at 120, 135-36, 146; LFE S-1.) We find that it is just and reasonable to authorize Doney Park to adopt the development fee tariff proposed herein and attached hereto as Exhibit A.

CONCLUSIONS OF LAW

1. Doney Park is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-367.

2. The Commission has jurisdiction over Doney Park and the subject matter of the application.

3. Notice of the application and hearing in this matter was given in accordance with the law.

4. Doney Park's fair value rate base is $4,942,252.

5. The rates, charges, and conditions of service established herein are just and reasonable and in the public interest.

6. It is just and reasonable and in the public interest to take the actions described in Findings of Fact Nos. 46, 50, 54, 58, 60, and 64 and to require Doney Park to use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B of Exhibit JWL of Exhibit S-1.

ORDER

IT IS THEREFORE ORDERED that Doney Park Water is hereby authorized and directed to file with the Commission's Docket Control, as a compliance item in this docket, on or before February 1, 2012, a revised tariff setting forth the following rates and charges:

MONTHLY MINIMUM CHARGES:

5/8" x ¾" & ¾" Meter—Residential	$ 21.95
5/8" x ¾" & ¾" Meter—Commercial	21.95
1" Meter—All Classes	54.88
1 ½" Meter—All Classes	109.75
2" Meter—All Classes	175.60

3" Meter—All Classes	351.20
4" Meter—All Classes	548.75
6" Meter—All Classes	1,097.50
Standpipe	None

COMMODITY RATES (Per 1,000 Gallons):

5/8" x ¾" & ¾" Meters	
1 to 4,000 Gallons	$5.70
4,001 to 10,000 Gallons	7.70
Over 10,000 Gallons	9.70
1" Meters	
1 to 22,500 Gallons	$7.70
Over 22,500 Gallons	9.70
1 ½" Meters	
1 to 45,000 Gallons	$7.70
Over 45,000 Gallons	9.70
2" Meters	
1 to 72,000 Gallons	$7.70
Over 72,000 Gallons	9.70
3" Meters	
1 to 144,000 Gallons	$7.70
Over 144,000 Gallons	9.70
4" Meters	
1 to 225,000 Gallons	$7.70
Over 225,000 Gallons	9.70
6" Meters	
1 to 450,000 Gallons	$7.70
Over 450,000 Gallons	9.70
Standpipe	
Year-Round, All Usage	$9.70

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

	Service	Meter*	Total
5/8" x ¾" Meter	$ 445.00	$ 155.00	$ 600.00
¾" Meter	445.00	255.00	700.00
1" Meter	495.00	315.00	810.00
1 ½" Meter	550.00	525.00	1,075.00

2" Meter (Turbo)	830.00	1,045.00	1,875.00
2" Meter (Compound)	830.00	1,890.00	2,720.00
3" Meter (Turbo or Compound)	Cost	Cost	Cost
4" Meter (Turbo or Compound)	Cost	Cost	Cost
6" Meter (Turbo or Compound)	Cost	Cost	Cost

* Meter charge includes meter box or vault.

If crossing a road is encountered for installation, customer is also responsible for the cost of road boring and/or road cutting and repairs.

SERVICE CHARGES:

Establishment	$35.00
Reconnection (Delinquent)	$35.00
After Hours Service Charge	$35.00
Meter Test (If Correct)	$35.00
Deposit	*
Deposit Interest (Per Year)	**
Re-Establishment (Within 12 Months)	***
NSF Check	$15.00
Deferred Payment (Per Month)	1.50%
Meter Re-Read (If Correct)	$15.00
Late Fee (Per Month on Unpaid Balance)	1.50%
Moving Customer Meter, at Customer Request	Cost
Turn Off/Turn On, at Customer Request	$25.00
Damage to Meter	Cost
Development Fee	$2,000.00[1]
Hydrant Meter Deposit	$1,500.00
Meter Vault Key Deposit	$20.00

Monthly Service Charge for Fire Sprinkler:

All Sizes	****

* Residential—two times the average bill. Nonresidential—Two and one-half times the average bill.

** Established one year Treasury Bill rate as published in *Wall Street Journal* annually as of January 1.

*** Minimum charge times number of full months off the system, per A.A.C. R14-2-403(D).

**** 2% of the monthly minimum for a comparable sized meter connection, but not less than $10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary service line.

[1] For property with structure/s primarily intended for habitation, charge is per dwelling unit.

For property with structure/s not primarily intended for habitation, charge is per projected water usage for property compared to combined average system-wide water usage.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per A.A.C. 14-2-409(D)(5), all advances and/or contributions are to include labor, materials, overheads, and all applicable taxes.

IT IS FURTHER ORDERED that the rates and charges set forth above shall be effective for all services rendered by Doney Park Water on and after February 1, 2012.

IT IS FURTHER ORDERED that Doney Park Water shall notify its customers of the revised schedule of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, or by separate mailing, in a form acceptable to the Commission's Utilities Division Staff.

IT IS FURTHER ORDERED that Doney Park Water shall adopt the typical and customary depreciation rates, by individual National Association of Regulatory Utility Commissioners category, delineated in Table B of Exhibit JWL of Exhibit S-1 in this matter.

IT IS FURTHER ORDERED that Doney Park Water shall file with the Commission's Docket Control, as a compliance item in this docket, within 30 days after the effective date of the Decision in this matter, a revised set of the tariffs provided by Doney Park Water as LFE A-1 in this matter, which shall include rates and charges and terms and conditions of service conforming in all respects to the rates and charges and terms and conditions of service established herein, and shall include the specific modifications discussed in Findings of Fact Nos. 50 and 54, and as so modified are hereby approved.

IT IS FURTHER ORDERED that Doney Park Water shall file with the Commission's Docket Control, as a compliance item in this docket, within 30 days after the effective date of the Decision in this matter, a finalized set of the Best Management Practices tariffs provided by Doney Park Water as LFE A-2 in this matter, which are hereby approved.

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IT IS FURTHER ORDERED that Doney Park Water may defer the direct costs of implementing its Best Management Practices for consideration of recovery in a future rate proceeding.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____ 2012.

ERNEST G. JOHNSON
EXCUTIVE DIRECTOR

DISSENT _____

DISSENT _____

SERVICE LIST FOR: DONEY PARK WATER

DOCKET NO.: W-01416A-10-0450

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EXHIBIT A

TARIFF SCHEDULE

UTILITY: Doney Park Water

TARIFF SHEET NO. 10

REPLACES SHEET NO. 11

DOCKET NO. W-1416A-10-0450

DECISION NO. _____

TELEPHONE NO. 928-526-1080

EFFECTIVE _____

No. 10

DEVELOPMENT FEE

Each customer desiring water service from Company for a structure, lot or parcel shall, in addition to any other rate or charge, pay a development fee pursuant to this Tariff.

A $2,000 Development Fee shall be assessed for each dwelling unit consisting of at least a separate entry, toilet, shower and/or bath, a sleeping area and cooking area with a sink (e.g., trailer space, multi-family dwelling, apartments, condominium, guest quarters, mother-in-law quarters, etc.) located within the main structure or in a separate structure.

The Development Fee for structures not primarily intended for habitation (e.g., an office building, shopping center store, restaurant, etc.) shall be subject to an upward adjustment based upon the relationship the customer's projected water usage has to the combined average system-wide water usage. For example, where projected water use is 18,000 gallons per month and average system is 6,000 gallons per month (18,000/6,000 or 3/1), the Development Fee would be $6,000.

The Development Fee shall be subject to the following provisions:

a. The Development Fee may be assessed only once per structure, lot or parcel; provided, however, if, after the Development Fee is paid, Company determines: (i) additional dwelling units are located on the lot or parcel for which the development fee has not been paid or (ii) the use for structures not primarily intended for habitation the use has increased such that the current use on the lot or parcel would have resulted in a higher Development Fee than what has previously been paid for the lot or parcel, Company shall re-compute the Development Fee and assess the current customer the portion of the Development Fee not previously paid.

b. Notwithstanding subparagraph (a), where a service is abandoned pursuant to Company's Termination/Abandonment Tariff, Company shall collect the difference between the current Development Fee and any development fee previously collected by Company.

c. The Development Fee shall be placed in a separate account and Company shall account for all receipts and expenditure of development fees.

d. The Development Fee may only be used to pay for capital items of backbone plant and shall not be used for expenses, maintenance or other operation purposes.

TARIFF SCHEDULE

UTILITY: Doney Park Water

TARIFF SHEET NO. 10a

REPLACES SHEET NO. 11b

DOCKET NO. W-1416A-10-0450

DECISION NO. _____

TELEPHONE NO. 928-526-1080

EFFECTIVE _____

No. 10 (cont.) DEVELOPMENT FEE

e. The Development Fee shall be in addition to any costs associated with main extension agreements for on-site facilities.

f. The Development Fee may be used as collateral for and to repay loans for expansion and/or improvements of Company's backbone plant.

g. Company may request, and ACC Staff may administratively permit, the Development Fee to be used for other emergency purposes on such terms and conditions as the Staff may deem appropriate, e.g., repayment within a specified period of time.

Backbone plant, as used herein, is defined as wells, storage tanks and pumping stations, along with the associated controls, piping, electrical line extensions, and appurtenances. Water transmission mains, which add to the water system's overall capacity or reliability, which would not otherwise be recoverable pursuant to an advance-in-aid-of –construction agreement or line extension agreement, may also be included in backbone plant.

Adjustments

Plus any special assessments, taxes or surcharges that are or may be imposed by any governmental agency.