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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

JAN - 6 2012

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IN THE MATTER OF THE COMMISSON)
ON ITS OWN MOTION INVESTIGATING)
THE FAILURE OF TRUXTON CANYON)
WATER COMPANY TO COMPLY WITH)
COMMISSION RULES AND)
REGULATIONS.

DOCKET NO. W-02168A-10-0247

DECISION NO. 72724

ORDER

Open Meeting
December 13 - 14, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On August 10, 2010, the Commission issued a decision ordering Truxton to appear and show cause ("OSC") why its actions do not constitute a violation of Arizona law and the Commission's Rules and Regulation. Throughout the course of Staff's investigation regarding the OSC, it came to their attention that the Trust was serving an entity, the VVPOA, within Truxton's CC&N. The VVPOA intervened in the matter, and the issue over Truxton serving the VVPOA and under what terms became a highly contested matter between all of the parties.

2. During the August 16, 2011 Open Meeting ("OM"), the Commissioner's discussed with the parties how the issue of the VVPOA should be handled. At the OM, VVPOA stated that it would adhere to the Agreement rate and time schedule until a new interim rate could be approved to become effective January 1, 2012. The Commission then ordered Truxton to file on or before September 1, 2011 a proposal for an interim tariff for water service to VVPOA to be effective January 1, 2012 and subject to true-up in the Company's next rate case; and if VVPOA

1 wished to file a response to the Company's proposed tariff, it would make a filing within 15 days
2 of the Company's docketing of its proposed tariff.

3 3. On September 1, 2011, the Company docketed a Notice of Filing Interim Tariff and
4 on September 16, 2011, the VVPOA filed its Response to Notice of Filing Interim Tariff.

5 4. The pertinent parts of Company's proposal were: a Monthly Minimum Flat Charge
6 of \$5,200; Commodity Rate of \$1.45 per 1,000 gallons; and required deposit for new customers
7 per A.A.C. R14-2-403(B)(7)(b). Under the Rule, a non-residential deposit is 2.5 times the average
8 monthly bill. Here, VVPOA has had an average monthly bill of \$20,000, thus the deposit would
9 be \$50,000.¹

10 5. The pertinent parts of the VPPOA response and proposed tariff were: Monthly
11 Minimum Charges by meter size under Truxton's existing tariff, Commodity Rate of \$1.1437 per
12 1,000 gallons but would be willing to accept \$1.20 per 1,000 gallons, and a deposit of \$5,000 to be
13 held in a separate interest bearing account, subject to refund following twelve months of timely
14 payments.²

15 STAFF ANALYSIS

16 6. Based on both parties' filings and numerous discussions with the parties' Staff
17 recommends the following interim tariff for the VVPOA:

- 18 • Monthly Minimum Charges: by meter size under Truxton's existing tariff

19	○ 5/8 x 3/4" Meter	\$19.50
20	○ 3/4" Meter	\$19.50
21	○ 1" Meter	\$32.50
22	○ 1 1/2" Meter	\$65.00
23	○ 2" Meter	\$104.00
24	○ 3" Meter	\$195.00
25	○ 4" Meter	\$325.00
26	○ 6" Meter	\$650.00

- 24 • Commodity Rate: \$1.45 per 1,000 gallons as reflected in the first tier
Company's tariff;

- 25 • Deposit: The VVPOA does not have a history of delinquent payments and
26 under the Rules, a deposit would not be required. However, should the
Commission wish to address the Company's cash flow concerns, Staff

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28 ¹ Truxton Canyon Water Company, Notice of Filing Interim Tariff (September 1, 2011).

² Valley Vista Property Owners Association Response to Notice of Filing Interim Tariff (September 16, 2011).

1 recommends a \$20,000 deposit collected January 1, 2012. The deposit shall be
2 refunded, with interest per the Rule, as a credit to VVPOA's May 2012 bill.

- 3 • True Up: All monies collected through the interim tariff will be subject to true
4 up in the Company's currently pending rate case.

5 7. The Company currently serves VVPOA through five meters: one 6", one 4", two 2"
6 and one 3/4"³. Based on the Company's five meters, the monthly minimum charge would be
7 \$1202.50.

8 8. Staff's recommendations take into consideration numerous concerns from both of
9 the parties as well as the concerns voiced by the Commissioners during the August 2011 Open
10 Meeting. The current payment structure requires the VVPOA to pay on the first of the month for
11 water used during that month, a prepayment. The Company at the Open Meeting voiced serious
12 concern about cash flow issues due to a lag in providing water service and receiving payment per
13 normal billing practices. Chairman Pierce suggested the use of a deposit. While the general idea
14 of deposit would upon first glance solve the problem, deposits used for new non-residential
15 customers as utilities are set according to 2.5 times the monthly bill. This would be \$50,000 for the
16 VVPOA, which Staff concludes to be too high considering the circumstances. Also, deposits
17 accrue interest and the Commission often requires utilities to hold deposits in separate interest
18 bearing accounts. Additionally, deposits are generally required when a customer has a history of
19 delinquent payments; VVPOA does not have such a history with Truxton.

20 9. While Staff does not believe a deposit is necessary here, should the Commission
21 wish to provide additional cash flow for the Company during the transitional period, Staff suggests
22 that the VVPOA pay to Truxton \$20,000 on January 1, 2012. The deposit would not need to be
23 segregated from Truxton's other funds. Starting on January 1, 2012, Truxton will begin charging
24 the VVPOA according to this approved interim tariff. The VVPOA will receive a bill sometime in
25 February for its January use, according to Truxton's standard billing practices. The VVPOA will
26 be responsible to pay, in full, each monthly bill received from Truxton. If VVPOA remains current
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³ Valley Vista Property Owners Association Response to Notice of Filing Interim Tariff (September 16, 2011).

1 on its bill, Truxton will refund the deposit, with interest according to the Rule, as a credit to the
2 VVPOA's May 2012 bill.

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4 **STAFF RECOMMENDATIONS**

5 10. Staff recommends the following:

6 1. Monthly Minimum Charges: by meter size under Truxton's existing tariff

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- | | |
|----------------|----------|
| 8 ○ 3/4" Meter | \$19.50 |
| ○ 2" Meter | \$104.00 |
| ○ 4" Meter | \$325.00 |
| 9 ○ 6" Meter | \$650.00 |

10 2. Commodity Rate: \$1.45 per 1,000 gallons as reflected in the first tier
11 Company's tariff;

12 3. Deposit: Zero

13 4. True Up: All monies collected through the interim tariff will be subject to true
14 up in the Company's currently pending rate case.

15 CONCLUSIONS OF LAW

16 1. Truxton Canyon Water Company is a public service corporation within the meaning of
17 Article XV of the Arizona Constitution and A.R.S. §§§ 40-246,40-424, and 40-425.

18 2. The Commission has jurisdiction over Truxton Canyon Water Company and the subject
19 matter of the OSC and rates and charges.

20 3. The issuance of a Certificate of Convenience and Necessity to a public service
21 corporation imposes a duty upon the certificate holder to operate the utility in a lawful manner,
22 to comply with law, and to provide competent management and adequate service to its
23 customers.

24 ORDER

25 IT IS THEREFORE ORDERED that the Commission adopts Staff's above
26 recommendation for the interim tariff for the Valle Vista Property Owners Association, except that
27 the Valle Vista Property Owners Association shall pay a \$20,000 deposit on January 1, 2012; and
28 that deposit shall be refunded with interest, with the August 2012 bill, if the Valle Vista Property
Owners Association remains current on its bills.

IT IS FURTHER ORDERED that Truxton Canyon Water Company shall file as a
compliance item in this docket by January 1, 2012, a conforming tariff.

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

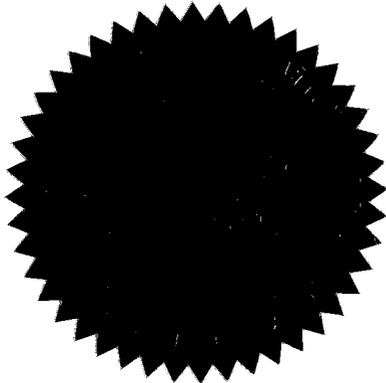
CHAIRMAN

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 this
Commission to be affixed at the Capitol, in the City of Phoenix,
this 6th day of JANUARY, 2012.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT:

Gary A. Deen

DISSENT:

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SERVICE LIST FOR: TRUXTON CANYON WATER COMPANY
DOCKET NO. W-02168A-10-0247

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