

**COMMISSIONERS**  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

OPEN MEETING ITEM



**ARIZONA CORPORATION COMMISSION**

DATE: JANUARY 14, 2013

DOCKET NO.: W-02126A-11-0480

TO ALL PARTIES:

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

AVRA WATER CO-OP, 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:

JANUARY 23, 2013

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 30, 2013 AND JANUARY 31, 2013

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

JAN 14 2013

DOCKETED BY

*ASM*

*Jodi A. Jerich*  
JODI JERICH  
EXECUTIVE DIRECTOR

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ARIZONA CORPORATION COMMISSION  
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 BOB STUMP – Chairman  
4 GARY PIERCE  
5 BRENDA BURNS  
6 BOB BURNS  
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF  
9 AVRA WATER CO-OP, INC. FOR A  
10 DETERMINATION OF THE FAIR VALUE OF ITS  
11 UTILITY PROPERTY AND FOR AN INCREASE  
12 IN ITS WATER RATES AND CHARGES FOR  
13 UTILITY SERVICE.

DOCKET NO. W-02126A-11-0480

DECISION NO. \_\_\_\_\_

**OPINION AND ORDER**

14 DATE OF PUBLIC COMMENT October 23, 2012  
15 PLACE OF PUBLIC COMMENT Tucson, Arizona  
16 DATE OF HEARING: November 5, 2012  
17 PLACE OF HEARING: Tucson, Arizona  
18 ADMINISTRATIVE LAW JUDGE: Jane L. Rodda  
19 APPEARANCES: Mr. Robert Metli, MUNGER, CHADWICK, PLC on  
20 behalf of Avra Water Co-op, Inc.; and  
21 Mr. Wesley Van Cleve and Mr. Scott Hesla, Staff  
22 Attorneys, Legal Division on behalf of the Arizona  
23 Corporation Commission Utilities Division.

24 **BY THE COMMISSION:**

25 \* \* \* \* \*

26 Having considered the entire record herein and being fully advised in the premises, the  
27 Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

28 **FINDINGS OF FACT**

Procedural History and Background

1. Avra Water Co-op, Inc. (“Avra” or “Co-op”) is a community-owned domestic water provider located in Avra Valley in Pima County, Arizona. Its service area encompasses 12.48 square miles comprising four noncontiguous areas, and is located west of the Tucson Mountains adjacent to the Saguaro National Park on the northwest side of the Tucson metropolitan area.

1           2.     On December 30, 2011, the Co-op filed an application for a rate increase  
2 (“Application”).

3           3.     On January 24, 2012, Avra filed a revision to the Application which corrected  
4 Schedule H-3.

5           4.     On January 30, 2012, the Commission’s Utilities Division (“Staff”) notified the Co-op  
6 that its Application was sufficient, and classified Avra as a Class A utility.

7           5.     By Procedural Orders dated February 8, 2012, and July 24, 2012, a hearing was  
8 scheduled for November 5, 2012, at the Commission’s Tucson offices.<sup>1</sup>

9           6.     On March 12, 2012, Avra filed an Affidavit of Publication and Affidavit of Mailing  
10 Customer Notice, in which it indicated that it had notice of the hearing in this matter published in *The*  
11 *Arizona Daily Star* on February 28, 2012, and that it mailed a copy of the Notice to all of its  
12 customers on March 2, 2012.

13          7.     On August 15, 2012, Staff filed the Direct Testimonies of Gerald Becker and Marlin  
14 Scott.

15          8.     On September 24, 2012, Avra filed the Rebuttal Testimonies of Tom Bourassa and  
16 Chris Ward.

17          9.     On October 16, 2012, Staff filed the Surrebuttal Testimonies of Mr. Becker and Mr.  
18 Scott.

19          10.    On October 23, 2012, the Commission convened a Public Comment session. No  
20 members of the public appeared to provide comment.

21          11.    On October 30, 2012, Avra filed the Rejoinder Testimony of Mr. Bourassa.

22          12.    The hearing convened on November 5, 2012, before a duly authorized Administrative  
23 Law Judge. Mr. Bourassa and Mr. Ward testified for the Co-op, and Mr. Becker and Mr. Scott  
24 testified for Staff.

25          13.    On November 15, 2012, Staff filed Final Schedules. On November 19, 2012, Avra  
26 filed its Final Rate Schedules. The parties are in agreement on all matters, except for rate design

27 <sup>1</sup> Originally, the hearing was set to commence on October 23, 2012, but on July 20, 2012, Staff requested a short  
28 continuance. The Co-op did not object, and the hearing was continued to November 5, 2012. Because notice had already  
been sent to customers, the original hearing date was used as an opportunity for public comment.

1 related to the smaller residential meters.

2 14. Avra's current rates and charges were approved in Decision No. 69681 (June 28,  
3 2007).

4 15. Avra served approximately 2,535 customers during the test year ended August 31,  
5 2011.

6 Summary of Application

7 16. In its Application, the Co-op requested total revenues of \$1,799,892, an increase of  
8 \$187,331, or 11.62 percent, over test year revenues of \$1,612,561. The Co-op's proposed revenues  
9 and expenses would have produced operating income of \$305,982, for a rate of return of 5.66 percent  
10 on a Fair Value Rate Base ("FVRB") of \$6,560,000.<sup>2</sup> The Co-op stated that the increase is needed to  
11 provide a 17 percent operating margin to service long-term debt, cover on-going operating expenses,  
12 and fund expected future capital improvements.<sup>3</sup>

13 17. In its Direct Testimony, Staff recommended total annual revenue of \$1,797,913 and  
14 operating income of \$305,982, for a 17.02 percent operating margin. Staff's recommend revenue  
15 was an increase of \$151,368, or 9.19 percent over Staff's adjusted test year revenue of \$1,646,545,  
16 and would have yielded a 4.66 percent rate or return on FVRB.<sup>4</sup>

17 18. After Staff's Direct Testimony, there were no issues affecting rate base and only three  
18 disputed issues affecting adjustments to operating revenues and expenses – whether to annualize  
19 Avra's revenue to account for a billing cycle change during the test year; the appropriate amount of  
20 rate case expense; and the property tax calculation. By the time of the hearing, the Co-op and Staff  
21 had resolved all of these issues.<sup>5</sup> Staff agreed that the Co-op's adjustment to test year revenue was  
22 appropriate;<sup>6</sup> the parties agreed on a middle ground for rate case expense based on updated actual  
23 costs;<sup>7</sup> and Staff agreed with the Co-op's property tax calculation.<sup>8</sup>

24 <sup>2</sup> Ex A-1, Schedule A-1.

25 <sup>3</sup> Ex A-1, Bourassa Dir at 2.

26 <sup>4</sup> Ex S-3, Becker Dir at 4.

27 <sup>5</sup> Transcript of the November 5, 2012 hearing ("Tr.") at 7.

28 <sup>6</sup> The Co-op adjusted test year revenue by \$39,498 to remove the extra billing determinants associated with a change to its  
billing cycle in June of the test year. Ex A-5 Bourassa Rejoinder at 5-11. Staff ultimately agreed that the Co-op's  
adjustment was appropriate. Tr. at 9 and 58.

<sup>7</sup> The parties agreed to a Rate Case Expense of \$50,000 amortized over four years, for an annual Rate Case Expense of  
\$12,500. Staff Final Schedules at GWB-10; Tr. at 23.

1 Rate Base

2 19. The Co-op proposed an Original Cost Rate Base (“OCRB”) of \$6,560,563. Staff re-  
3 categorized Service Line and Meter Installation Charges as Advances in Aid of Construction, but the  
4 adjustment did not affect the total amount of Rate Base.<sup>9</sup> The Company based its FVRB on its  
5 OCRB. The parties’ adjustments to rate base are reasonable and we find that Avra’s FVRB is  
6 \$6,560,563 as indicated in Staff’s Final Schedules.

7 Revenue and Expenses

8 20. The parties agreed that in the test year, Avra had total operating revenues of  
9 \$1,612,561, and total operating expenses of \$1,482,492, resulting in operating income of \$130,069.<sup>10</sup>  
10 Based on the FVRB of \$6,560,563, Avra’s test year operating income resulted in a rate of return of  
11 1.98 percent, and an operating margin of 8.06 percent.

12 21. Because it is a non-profit member-owned cooperative, Avra relied on an analysis of its  
13 cash flow needs to determine its requested revenue level. The Co-op requested a 17 percent  
14 operating margin, and Staff concurred that the request was reasonable.<sup>11</sup> Avra and Staff are in accord  
15 that it is just and reasonable for the Commission to approve annual revenues of \$1,792,231, which  
16 after operating expenses of \$1,486,249, results in operating income of \$305,982, a 4.66 percent rate  
17 of return on FVRB, and an operating margin of 17.1 percent. The recommendations result in an  
18 increase of \$179,670, or 11.14 percent, over test year revenues.

19 22. We concur with the parties that their recommended revenue level is fair and  
20 reasonable. Consequently, we authorize a total revenue requirement of \$1,792,231.

21 Rate Design

22 23. By the time of the hearing, the only disagreement between the parties in this case was  
23 on the appropriate rate design. Both parties’ rates are designed to produce annual revenues of  
24 \$1,792,231. The Co-op’s current and proposed rates and Staff’s recommended rates are as follows:  
25

26 <sup>8</sup> Ex S-4 Becker Surr at 2.

27 <sup>9</sup> Ex S-3 at 5.

<sup>10</sup> Staff Final Schedules GWB-10.

28 <sup>11</sup> Tr. at 72-73; Ex S-3 at 7-8. In the test year, the Co-op had a Debt Service Coverage (“DSC”) ratio of 1.4; under the proposed revenue requirement, the DSC would be approximately 1.96. Tr. at 77.

	<u>Present Rates</u>	<u>Proposed Company</u>	<u>Recommended Staff</u>	
1				
2				
3	<u>MONTHLY USAGE CHARGE:</u>			
4	5/8" x 3/4" Meter	\$28.29	\$28.29	\$27.25
5	5/8" x 3/4" Meter - 2 family	42.44	42.44	40.88
6	5/8" x 3/4" Meter - 3 family	56.58	56.58	54.50
7	3/4" Meter	42.44	42.44	42.44
8	3/4" Meter - 7 family	169.76	169.76	169.76
9	1" Meter	70.73	70.73	70.73
10	1-1/2" Meter	141.46	141.46	141.46
11	2" Meter	226.34	226.34	226.34
12	3" Meter	452.69	452.69	452.69
13	4" Meter	707.32	707.32	707.32
14	6" Meter	1,414.65	1,414.65	1,414.55
15	<u>COMMODITY RATES:</u>			
16	(Per 1,000 gallons)			
17	5/8" x 3/4" Meter and 3/4" Meter (All)			
18	0 to 8,500 gallons	\$2.20	N/A	N/A
19	8,501 to 16,500 gallons	2.35	N/A	N/A
20	Over 16,500 gallons	2.50	N/A	N/A
21	0 to 7,500 gallons	N/A	\$2.50	N/A
22	7,501 to 15,000 gallons	N/A	\$3.06	N/A
23	Over 15,000 gallons	N/A	\$3.66	N/A
24	0 to 5,000 gallons	N/A	N/A	\$2.50
25	5,001 to 12,000 gallons	N/A	N/A	\$3.06
26	Over 12,000 gallons	N/A	N/A	\$3.66
27	1" Meter (Residential/Commercial)			
28	0 to 20,000 gallons	\$2.20	N/A	N/A
29	20,001 to 40,000 gallons	2.35	N/A	N/A
30	Over 40,000	2.50	N/A	N/A
31	0 to 22,500 gallons	N/A	\$3.06	\$3.06
32	Over 22,500 gallons	N/A	\$3.66	\$3.66
33	1 1/2" Meter (Residential/Commercial)			
34	0 to 20,000 gallons	\$2.20	N/A	N/A
35	20,001 to 40,000 gallons	2.35	N/A	N/A
36	Over 40,000 gallons	2.50	N/A	N/A
37	0 to 45,000 gallons	N/A	3.06	3.06
38	Over 45,000 gallons	N/A	3.66	3.66

1	2" Meter (Residential/Commercial)			
2	0 to 20,000 gallons	\$2.20	N/A	N/A
	20,001 to 40,000 gallons	2.35	N/A	N/A
3	Over 40,000 gallons	2.50	N/A	N/A
4	0 to 72,000 gallons	N/A	3.06	3.06
5	Over 72,000 gallons	N/A	3.66	3.66
6	3" Meter (Residential/Commercial)			
	0 to 20,000 gallons	\$2.20	N/A	N/A
7	20,001 to 40,000 gallons	2.35	N/A	N/A
	Over 40,000 gallons	2.50	N/A	N/A
8				
9	0 to 144,000 gallons	N/A	3.06	3.06
	Over 144,000 gallons	N/A	3.66	3.66
10	4" Meter (Residential/Commercial)			
11	0 to 20,000 gallons	\$2.20	N/A	N/A
	20,001 to 40,000 gallons	2.35	N/A	N/A
12	Over 40,000 gallons	2.50	N/A	N/A
13				
14	0 to 450,000 gallons	N/A	3.06	3.06
	Over 450,000 gallons	N/A	3.66	3.66
15	6" Meter (Residential/Commercial)			
16	0 to 20,000 gallons	\$2.20	N/A	N/A
	20,001 to 40,000 gallons	2.35	N/A	N/A
17	Over 40,000 gallons	2.50	N/A	N/A
18				
19	0 to 720,000 gallons	N/A	3.06	3.06
	Over 720,000 gallons	N/A	3.66	3.66
20	Construction/Standpipe All Usage	\$4.00	\$4.00	\$4.00
21	<u>SERVICE CHARGES:</u>			
22	Establishment	\$25.00	\$25.00	\$25.00
23	Establishment (After Hours)	50.00	50.00	N/A
	Reconnection (Delinquent)	50.00	50.00	35.00
24	Reconnection (After Hours)	75.00	75.00	N/A
25	Service Charge – after hours at customer request	N/A	N/A	50.00
26	Meter Test (calibration or leak detection)	50.00	50.00	N/A
27	Meter Test- Remove & test meter (Customer Request, if correct)	35.00	35.00	40.00
28				

1	Deposit	(a)	(a)	(a)
	Deposit Interest	6.00%	6.00%	6.00%
2	Reestablishment (Within 12 Months)	(b)	(b)	(b)
	NSF Check	25.00	25.00	25.00
3	Deferred Payment	1.50%	1.50%	1.50%
	Meter Reread (If Correct)	--	--	--
4	Late Charge, per month	(c)	(c)	(c)
5	Hourly Charge for after hours service at customer request	Cost	Cost	N/A
6	Water line crossing paved road	(d)	(d)	(d)
	Charges for emergency services not caused by Company	Cost	Cost	Cost
7	Line Extension Agreement	Cost	Cost	Cost
8	Sprinkler Rate	(d)	(e)	(e)
9	Master Metering	(f)	(f)	(f)
10	Meter installation tampering (cutting lock or angle meter stops)	Cost	Cost	Cost

(a) Per A.A.C. 14-2-403.D

(b) Per A.A.C. 14-2-403.D Monthly minimum times the number of months off system.

(c) Greater of \$5.00 or 1.5% of unpaid balance

(d) Customer expense to be done by contractor with no responsibility to the Co-op.

(e) 1 % of monthly minimum for a comparable meter connection but no less than \$7.00 per month.

(f) Multiple dwellings on one meter. All dwellings, beyond direct connection which cross property lines, will be charged 100% of monthly minimum, and/or are required to have their own meter. If meter services more than one dwelling on property, second and each additional connection each pay 50% of monthly minimum for the size meter. Responsibility for payment remains with the master meter customer.

**SERVICE LINE AND METER INSTALLATION CHARGES:**

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

			Staff Recommended			
	Current	Company	Service	Meter	Total	
	<u>Charges</u>	<u>Proposed</u>	<u>Line</u>	<u>Charges</u>	<u>Charges</u>	
		<u>Charges</u>	<u>Charges</u>			
22	5/8" x 3/4" Meter	\$410.00	\$410.00	\$290.00	\$120.00	\$410.00
23	3/4" Meter	455.00	455.00	290.00	165.00	455.00
	1" Meter	520.00	520.00	315.00	205.00	520.00
24	1-1/2" Meter	740.00	740.00	330.00	410.00	740.00
	2" Turbo	1,235.00	1,235.00	355.00	880.00	1,235.00
25	2" Compound	1,800.00	1,800.00	355.00	1,445.00	1,800.00
	3" Turbo	1,705.00	1,705.00	395.00	1,310.00	1,705.00
26	3" Compound	2,340.00	2,340.00	395.00	1,945.00	2,340.00
	4" Turbo	2,700.00	2,700.00	610.00	2,090.00	2,700.00
27	4" Compound	3,405.00	3,405.00	610.00	2,795.00	3,405.00
	6" Turbo	5,035.00	5,035.00	890.00	4,145.00	5,035.00
28	6" Compound	6,510.00	6,510.00	890.00	5,520.00	6,510.00

## 1 Offsite Facilities Hook-up Fee

2 <u>Meter Size</u>	<u>Current</u>	<u>Co-op Proposed</u>	<u>Staff Proposed</u>
3 5/8" x 3/4" Meter	\$1,875	\$1,875	\$1,875
4 3/4" Meter	2,250	2,250	2,250
5 1" Meter	3,750	3,750	3,750
6 1-1/2 " Meter	7,500	7,500	7,500
7 2" Meter	12,000	12,000	12,000
8 3" Meter	22,500	22,500	22,500
9 4" Meter	37,500	37,500	37,500
10 6" Meter	75,000	75,000	75,000

11 24. Currently, Avra has inverted tiered rates. For the 5/8" x 3/4" meters, the first tier  
12 includes usage up to 8,500 gallons. Both Avra and Staff recommend rates that continue the inverted  
13 block design with three tiers for the smaller meter sizes and two tiers for all other meter sizes. They  
14 both propose the same commodity rates for the tiers and increase the differential in the rates for each  
15 tier. The dispute revolves around the appropriate first tier break point for the 5/8" x 3/4" and 3/4"  
16 meters.<sup>12</sup> The Co-op proposed that the first tier should include the first 7,500 gallons, that the second  
17 tier should comprise usage between 7,501 and 15,000 gallons, and that the third tier apply to usage  
18 greater than 15,000 gallons. Staff recommends that the first tier apply to the first 5,000 gallons, that  
19 the second tier include usage from 5,001 to 12,000 gallons, and that the third tier apply to usage  
20 greater than 12,000 gallons.

21 25. Avra argues that Staff's first tier is too great a change from the current structure, and  
22 places a disproportionate burden on the larger meter sizes without justification, and will adversely  
23 affect revenue stability by shifting more of the increase to higher users.<sup>13</sup> The Co-op asserts that  
24 when it lowered the first tier in the last rate case from 11,000 to 8,500 gallons, it experienced  
25 conservation of between 6 and 7 percent.<sup>14</sup> Avra asserts that its proposal to lower the break-over  
26 points from the 8,500 to 7,500 gallons encourages additional conservation, but also recognizes the  
27 characteristics of the community. Avra does not think that a very low first tier break over is  
28 appropriate for Avra's rural service territory that has customers with larger properties and livestock

<sup>12</sup> There is no dispute over the tiers for the meter sizes of 1 inch and larger.

<sup>13</sup> Ex A-3 at 21-26.

<sup>14</sup> Tr. at 33.

1 and evaporative coolers, which results in higher usage than in a more dense area.<sup>15</sup> The Co-op argues  
 2 that even under its proposed design, higher water users will receive a significant rate signal to  
 3 conserve as the 3<sup>rd</sup> tier would increase from \$2.50 to \$3.66.<sup>16</sup>

4 26. Staff argued that its proposed tier break-over points aligns with the median usage,<sup>17</sup>  
 5 and that its rates encourage conservation more than the Company's design because the second and  
 6 third tiers are reached sooner.<sup>18</sup> Staff believes that its design accounts for Avra's customers'  
 7 characteristics, noting that many water utilities in the state have break-over points for the first tier at  
 8 3,000 to 4,000 gallons.

9 27. Avra's proposed rates would increase the average 5/8 x 3/4" meter bill by \$3.62, or 7.44  
 10 percent, from \$48.68 to \$52.30.<sup>19</sup> The median monthly bill would increase \$1.65, or 4.09 percent,  
 11 from \$40.39 to \$42.04.<sup>20</sup>

12 28. Staff's recommended rates would increase the average 5/8" x 3/4" meter bill by \$3.98,  
 13 or 8.18 percent, from \$48.68 to \$52.66. Staff's recommended rates would increase the median 5/8" x  
 14 3/4" meter bill by \$0.89, from \$40.39 to \$41.28.

15 29. The parties resolved most of their differences, but continue to disagree on the  
 16 appropriate break-over point for the smaller meter sizes. Between the two choices before us, we will  
 17 adopt the Co-op's proposed rates as the more gradual approach, except that we adopt Staff's  
 18 recommended Service Line and Meter Charges and Service Charges.<sup>21</sup> The last rate case resulted in  
 19 measurable conservation and there is no evidence in this proceeding that Avra's customers are not  
 20 responding to conservation signals. The Co-op's design appears to spread the increase more evenly  
 21 and equitably among the users, and the member/customers have not objected to the proposed rates.  
 22 In addition, as discussed below, Avra has agreed to adopt seven Best Management Practices  
 23 ("BMPs") to promote water conservation which may also result in greater conservation and affect

24 \_\_\_\_\_  
 25 <sup>15</sup> Tr. at 20.

<sup>16</sup> Tr. at 32.

<sup>17</sup> Tr. at 60. Median usage for the 5/8 x 3/4 inch meter class is 5,500 gallons a month.

<sup>18</sup> Tr. at 72.

<sup>19</sup> The average usage for the 5/8" x 3/4" meter is 9,221 gallons per month.

<sup>20</sup> The median usage for the 5/8" x 3/4" meter is 5,500 gallons per month.

<sup>21</sup> The Co-op did not object to Staff's modifications to the proposed Service Charges or breaking down the charges for a service line and meter.

1 revenue.

2 30. The Co-op currently has a rate for establishment and reconnection after hours at the  
3 customer's request or convenience. Staff believes that an additional fee for service provided after  
4 normal business hours is appropriate when such service is at the customer's request or for the  
5 customer's convenience in order to compensate the utility for the additional expenses of after-hours  
6 service. Staff also believes that it is appropriate to apply an after-hours service charge in addition to  
7 the regular service charge for any utility service provided after hours at the customer's request or for  
8 the customer's convenience. Staff recommends eliminating the current after-hours charges and  
9 creating in their stead a separate \$50 after-hours service charge. Thus, under Staff's  
10 recommendation, a customer would be subject to a \$25 Establishment Charge if the work is  
11 performed during normal business hours, but would pay an additional \$50 after-hours charge, for a  
12 total charge of \$75, if the customer requested that the establishment be done after normal business  
13 hours. The Co-op does not object.

14 Miscellaneous Matters

15 31. Staff found that the Co-op's water system source capacity of 3,070 GPM and storage  
16 capacity of 2.1 million gallons is adequate to serve the current customer base and reasonable growth.

17 32. Staff states that non-account water should be 10 percent or less. In the water use data  
18 sheet, the Company reported 332,976,000 gallons pumped and 296,005,000 gallons sold during the  
19 test year, resulting in a difference of 11.1 percent. The Co-op explained that the high percent  
20 difference was due to a change in the billing cycle. In response to Staff's request, the Co-op provided  
21 data for September 2011 through February 2012, which indicated a difference between water pumped  
22 and sold of 2.5 percent, which is well within Staff's recommended acceptable limit of 10 percent.

23 33. Staff reports that according to an Arizona Department of Environmental Quality  
24 ("ADEQ") Compliance Status Report dated September 29, 2011, there are no deficiencies, and  
25 ADEQ has determined that Avra is delivering water that meets the water quality standards required  
26 by 40 CFR 141 and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

27 34. On May 1, 2012, the Arizona Department of Water Resources ("ADWR") reported  
28 that Avra is in compliance with its requirements governing water providers and/or community water

1 systems.

2 35. Avra is enrolled as a regulated tier I municipal provider in ADWR's Modified Non-  
3 Per Capital Conservation Program ("NPCCP"). Under this program, Avra was required to implement  
4 the Public Education Program ("PEP") and one additional BMP. In addition to the PEP, Avra  
5 adopted BMP 3.7—Customer High Water Use Notification.

6 36. Staff recommends that the Co-op file with Docket Control, as a compliance item in  
7 this docket, within 90 days of the effective date of a decision in this proceeding, at least seven BMPs  
8 in the form of tariffs that substantially conform to the templates created by Staff for Commission  
9 review and approval. BMP templates are available on the Commission website. Staff states that the  
10 Co-op may submit the two approved ADWR BMPs as part of the seven and may request cost  
11 recovery of the actual costs associated with the implemented BMPs in its next general rate  
12 application.

13 37. Avra originally objected to adopting BMPs in addition to those that are required by  
14 ADWR, expressing concerns about the administrative costs associated with the BMP's.<sup>22</sup> At the  
15 hearing, however, Avra agreed to implement seven BMPs.<sup>23</sup> While the Co-op believes it will have  
16 additional costs associated with the BMPs, its management believes that helping people conserve  
17 water is the right thing to do.<sup>24</sup>

18 38. The Commission's Utilities Division Compliance Section reports that the Co-op has  
19 no delinquent Commission compliance issues.

20 39. Avra has a Commission-approved curtailment tariff with an effective date of June 1,  
21 2004, and a backflow prevention tariff under the A.A.C. R18-4-215.<sup>25</sup>

## 22 CONCLUSIONS OF LAW

23 1. Avra is a public service corporation pursuant to Article XV of the Arizona  
24 Constitution and A.R.S. §§ 40-250 and 40-251.

25 \_\_\_\_\_  
26 <sup>22</sup> Tr. at 47.

<sup>23</sup> Tr. at 23 & 39.

<sup>24</sup> Tr. at 48-49.

<sup>25</sup> Under the old A.A.C. R18-4-232, Avra had its backflow prevention tariff approved in Decision No. 58838 (November 2, 1994). On January 27, 2012, Avra re-filed its backflow prevention tariff under the new A.A.C. R18-2-215, which became effective on February 26, 2012.



1	3" Meter (Residential/Commercial)	
2	0 to 144,000 gallons	\$3.06
	Over 144,000 gallons	\$3.66
3		
4	4" Meter (Residential/Commercial)	
	0 to 450,000 gallons	\$3.06
5	Over 450,000 gallons	\$3.66
6		
7	6" Meter (Residential/Commercial)	
	0 to 720,000 gallons	\$3.06
8	Over 720,000 gallons	\$3.66

9	Construction/Standpipe	
	All Usage	\$4.00

10 SERVICE CHARGES:

11	Establishment	\$25.00
	Reconnection (Delinquent)	35.00
12	Service Charge – after hours at customer request	50.00
13	Meter Test- Remove & test meter (Customer Request, if correct)	40.00
14	Deposit	(a)
15	Deposit Interest	6.00%
	Reestablishment (Within 12 Months)	(b)
16	NSF Check	25.00
17	Deferred Payment	1.50%
	Late Charge, per month	(c)
18	Water line crossing paved road	(d)
	Charges for emergency services not caused by Company	Cost
19	Line Extension Agreement	Cost
20	Sprinkler Rate	(e)
21	Master Metering	(f)
22	Meter installation tampering (cutting lock or angle meter stops)	Cost

23

24 (a) Per A.A.C. 14-2-403.D

25 (b) Per A.A.C. 14-2-403.D Monthly minimum times the number of months off system.

26 (c) Greater of \$5.00 or 1.5% of unpaid balance

27 (d) Customer expense to be done by contractor with no responsibility to the Co-op.

28 (e) 1% of monthly minimum for a comparable meter connection but no less than \$7.00 per month.

(f) Multiple dwellings on one meter. All dwellings beyond direct connection which cross property lines, will be charged 100% of monthly minimum, and/or are required to have their own meter. If meter services more than one dwelling on property, second and each additional connection each pay 50% of monthly minimum for the size meter. Responsibility for payment remains with the master meter customer.

**SERVICE LINE AND METER INSTALLATION CHARGES:**

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

	<u>Service Line Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$290.00	\$120.00	\$410.00
3/4" Meter	290.00	165.00	455.00
1" Meter	315.00	205.00	520.00
1-1/2" Meter	330.00	410.00	740.00
2" Turbo	355.00	880.00	1,235.00
2" Compound	355.00	1,445.00	1,800.00
3" Turbo	395.00	1,310.00	1,705.00
3" Compound	395.00	1,945.00	2,340.00
4" Turbo	610.00	2,090.00	2,700.00
4" Compound	610.00	2,795.00	3,405.00
6" Turbo	890.00	4,145.00	5,035.00
6" Compound	890.00	5,520.00	6,510.00

Offsite Facilities Hook-up Fee

Meter Size

5/8" x 3/4" Meter	\$1,875
3/4" Meter	2,250
1" Meter	3,750
1-1/2" Meter	7,500
2" Meter	12,000
3" Meter	22,500
4" Meter	37,500
6" Meter	75,000

IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for all usage on and after February 1, 2013.

IT IS FURTHER ORDERED that Avra Water Co-op, Inc. shall notify its customers of the revised schedules of rates and charges authorized herein, by means of an insert, in a form acceptable to Staff, included in its next regularly scheduled billing or as a separate mailing to be completed no later than twenty (20) days after the effective date of this Order.

IT IS FURTHER ORDERED that in addition to its regular rates and charges, Avra Water Co-

1 op, Inc. shall collect from its customers a proportionate share of any privilege, sales or use tax per  
2 A.A.C. R14-2-409(D).

3 IT IS FURTHER ORDERED that Avra Water Co-op, Inc. shall file with Docket Control, as a  
4 compliance item in this docket within 90 days of the effective date of this Order, at least seven BMPs  
5 in the form of tariffs that substantially conform to the templates created by Staff for Commission  
6 review and consideration.

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1 IT IS FURTHER ORDERED that on a going-forward basis, Avra Water Co-op, Inc. shall use  
2 the depreciation rates by individual National Association of Regulatory Utility Commissioners  
3 account as presented in Table H-1 of the Engineering Report attached to the Direct Testimony of  
4 Marlin Scott in this matter.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
7  
8

9 CHAIRMAN \_\_\_\_\_ COMMISSIONER

10 \_\_\_\_\_  
11 COMMISSIONER COMMISSIONER COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto set my hand and caused the official seal of the  
16 Commission to be affixed at the Capitol, in the City of Phoenix,  
17 this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

18 \_\_\_\_\_  
19 JODI JERICH  
20 EXECUTIVE DIRECTOR

21 DISSENT \_\_\_\_\_

22 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR: AVRA WATER CO-OP, INC.

2 DOCKET NO.: W-02126A-11-0480

3  
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