BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF EDEN WATER COMPANY FOR A RATE INCREASE.

DOCKET NO. W-02068A-11-0471

DECISION NO. 73778

OPINION AND ORDER

DATE OF HEARING: December 6, 2012

PLACE OF HEARING: Tucson, Arizona

ADMINISTRATIVE LAW JUDGE: Jane L. Rodda

APPEARANCES: Jay D. Colvin, President, Eden Water Company; and

Bridget A. Humphrey, Staff Attorney, Legal Division on behalf of the Utilities Division.

BY THE COMMISSION:

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

FINDINGS OF FACT

Procedural History

1. On December 27, 2011, Eden Water Company ("Eden" or "Cooperative") filed an application with the Commission for a permanent rate increase.

2. On January 1, 2012, Eden mailed notice to its customers informing them that it had filed the rate application.

3. Eden filed amendments to its application on January 24, 2012.

4. On January 26, 2012, the Commission's Utilities Division ("Staff") notified the Cooperative that its amended application was deficient under Arizona Administrative Code

("A.A.C.") R14-2-103.

5. On January 30, 2012, Eden filed another amendment to its application.

6. On June 22, 2012, Staff notified the Cooperative that its application was sufficient and classified Eden as a class D utility.[1]

7. On August 29, 2012, Eden provided Staff with an Affidavit affirming that the Cooperative provided Public Notice of its rate application to its customers on or about January 1, 2012.[2] The Cooperative's Notice contained an error, however, indicating that the current monthly minimum for the 5/8 x ¾ inch meter is $18.75,[3] when the actual authorized rate is $15.75. Because of the error, Staff considered the Notice to be inadequate and on August 30, 2012, advised the Cooperative to provide its members with a corrected Notice in a form acceptable to Staff.[4]

8. On September 7, 2012, Eden mailed a corrected Notice of its proposed rate increase to its member/customers.[5] Staff worked with Eden to draft the revised Notice and Staff believes that Notice of the requested increase has been described adequately.[6]

9. On September 7, 2012, Staff filed a Staff Report, recommending rates and charges different than those requested by the Cooperative. The Staff Report directed parties to file any comments to the Staff Report by September 19, 2012.

10. On September 21, 2012, Eden docketed a request for an extension of time to file comments to the Staff Report because it did not receive a copy of the Staff Report until September 19, 2012.

11. By Procedural Order dated September 25, 2012, Eden was granted an extension. Because of the additional time necessary to establish a complete record, the September 25, 2012 Procedural Order suspended the time clock set in A.A.C. R14-2-103. The September 25, 2012 Procedural Order requested the parties to respond to specific questions and raised the possibility that

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[1] As a Class D utility, Eden's rate application could be processed without a hearing. *See* A.R.S. §40-250(A).
[2] Ex S-4 Staff Report at 4.
[3] Staff believes that the $18.75 reflects the incorrect $17.50 monthly minimum for the 5/8 x 3/4 inch meter, plus the $1.25 interim emergency surcharge authorized in Decision No. 72054.
[4] Ex S-4 Staff Report at 2, fn 3 and at 4.
[5] The Cooperative filed an Affidavit and copy of the revised notice on September 21, 2012. The Affidavit contained an incorrect date for the mailing, which the Cooperative corrected by letter dated October 8, 2012.
[6] Ex S-5 Supplemental Staff Report at 2.

a hearing might be necessary to establish a complete record.

12. On October 10, 2012, Eden filed Comments to the Staff Report. As discussed in detail below, Eden objected to Staff's revenue requirement as too low, specifically focusing on adjustments to depreciation, rate case, travel and water testing expenses, rate structure, and on water loss recommendations.

13. On October 11, 2012, Staff filed a Supplemental Staff Report addressing questions raised in the September 25, 2012 Procedural Order.

14. A Procedural Order dated October 23, 2012, noted that as a Class D utility, a hearing on Eden's rate application is not required, but that Eden's Comments to the Staff Report raised a number of questions which would benefit from additional explanation or clarification as well as response by Staff, and that an evidentiary hearing would assist in the development of a complete and accurate record. The Procedural Order set a telephonic Procedural Conference to commence on November 1, 2012, in order to discuss possible hearing dates.

15. During the November 1, 2012 Procedural Conference, the parties agreed that a hearing would be beneficial. There was discussion at that time about the need for additional discovery and the potential need for a financing application to allow the Cooperative to finance system upgrades and implement a loan surcharge mechanism.

16. In a Procedural Order dated November 1, 2012, a hearing was set for December 6, 2012.

17. On December 4, 2012, Staff filed Updated Schedules.

18. The hearing convened as scheduled on December 6, 2012, before a duly authorized Administrative Law Judge. Mr. Jay Colvin, the Cooperative's President, testified for Eden; Ms. Dorothy Hains, a Commission Engineer, and Mr. John Cassidy, a Commission Analyst, testified for Staff. Following the hearing, the matter was taken under advisement pending a Recommended Opinion and Order.

19. The Commission received no customer comments in response to the Notice of the rate Application.

Background

20. Eden is a non-profit, member-owned cooperative that provides potable water to approximately 127 customers in an unincorporated area approximately 12 miles northwest of the City of Safford in Graham County, Arizona. In the test year ended December 31, 2010, Eden served 125 5/8 inch meter residential customers and two 2-inch meter customers.

21. Eden received its Certificate of Convenience and Necessity ("CC&N") in Decision No. 39918 (February 25, 1969).

22. Eden's current permanent rates were set in Decision No. 59261 (September 1, 1995).

23. In Decision No. 61894 (August 27, 1999), the Commission authorized Eden to borrow up to $118,085 to extend a 6 inch main 2 ½ miles to connect with Graham County Utilities ("GCU").[7]

24. Eden filed an emergency rate case in 2009 and was granted interim emergency rates in Decision No. 72054 (January 6, 2011).

25. Eden purchases all of it water from GCU under GCU's wholesale water rate. On April 27, 2009, GCU filed for a rate increase, and in Decision No. 71690 (May 3, 2010), was granted an increase of $0.41 per 1,000 gallons in its resale water rate. The rate that Eden pays GCU increased from $1.51 to $1.92 per 1,000 gallons. As a result of the increase in the rate it was paying GCU for water, Eden filed a request for an emergency rate increase on September 10, 2010. In Decision No. 72054, the Commission authorized an interim emergency surcharge that increased the customer charge by $1.25, from $15.75 to $17.00, for the 5/8 x ¾ inch meter, by $4.00, from $35.00 to $39.00 for the 2 inch customers, and increased the commodity rate by $0.60, from $2.75 to $3.30 per 1,000 gallons. The surcharge was made interim and subject to refund pending resolution of a future permanent rate case, which the Cooperative was ordered to file no later than 6 months from the effective date of that Order.

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[7] The Order states that "the main extension will eliminate the problem of low pressure during peak periods, provide an alternative source of water supply during flooding on the Gila River, and enable Eden to be in compliance with Pima Fire District requirements for fire hydrants." At that time, the Commission was concerned that rates might not be sufficient to cover the cost of borrowing, and Decision No. 61894 required the Cooperative to file a rate review or application for rate increase within six months of the date the loan is fully drawn. Decision No. 61894 at 5. The record does not show that that Eden filed such rate review. Eden did not file a rate case until its emergency rate case in 2009. *See* Docket No. W-02068-99-0096.

26. Eden filed its permanent rate application almost a full year after the Decision authorizing the emergency rates. By obtaining copies of all 2010 test year customer billings and compiling valid test year billing determinants, Staff was able to assist the Cooperative prepare an application that met the sufficiency requirements of the Commission rules.[8]

27. As Staff was compiling the Cooperative's test year billing determinants, Staff recognized that Eden had not been billing customers in compliance with its filed tariffs. Since Eden's last rate case in 1995, it charged its 5/8 x ¾ inch meter customers a $17.50 monthly charge (excluding the $1.25 interim surcharge) even though Eden's authorized rate for the 5/8 inch meter is $15.75.[9] As a consequence, Eden over-charged its customer/members in the test year by $2,623.25 ($1.75 x 1,499).[10]

28. Staff states that its review did not uncover evidence of any misuse of the over-collections, or use of the funds for any purpose other than for appropriate Cooperative expenses. Thus, Staff does not recommend a refund of the over-collections. Staff cautioned the Cooperative, however, that it must only charge its authorized tariff rates going forward and that it can expect that Staff will request an Order to Show Cause ("OSC") proceeding for any future failure to bill in accordance with its authorized rates. An OSC proceeding can result in fines, appointment of billing and collection agents, system operators, managers and various other impositions.

29. Staff's Consumer Service records show that for the period January 1, 2009, through September 4, 2012, no complaints were filed against Eden, and that there have been no opinions filed in opposition to the Cooperative's current permanent rate increase.[11] Staff indicates further that the Cooperative's billing format is in compliance with A.A.C. R14-2-409(B)(2).[12]

30. Staff states that the Cooperative is current in filing both its corporate and utility annual reports and is current on its property tax obligations.[13]

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[8] Ex S-4 Staff Report at 4.
[9] Decision No. 59261 indicates that in its last rate case, the Cooperative had requested a monthly minimum charge of $17.50 for the 5/8 x ¾ inch meter, but that the Commission adopted a $15.75 charge for the 5/8 x ¾ inch meter. The Commission authorized a $17.50 monthly minimum charge for the ¾ inch meter. *See* Decision No. 59261 at 3 and 5.
[10] Ex S-4 Staff Report at 5.
[11] Ex S-4 Staff Report at 4.
[12] Ex S-4 Staff Report at 4.
[13] Ex S-4 Staff Report and 4-5.

31. Eden purchases its potable water from GCU by means of a six inch main and six inch master meter. The water is delivered to a 150,000 gallon storage tank. GCU can also deliver water by means of a four inch master meter to a 20,000 gallon storage tank.[14]

32. The Arizona Department of Environmental Quality ("ADEQ") reports that both Eden and GCU have no major deficiencies and are currently delivering water that meets the water quality standards required by 40 CFR 141 and A.C.C., Title 18, Chapter 4.[15]

33. The Arizona Department of Water Resources ("ADWR") reports that both Eden and GCU are in compliance with departmental requirements governing water providers and/or community water systems. Neither entity's service area is located in an Active Management Area ("AMA").[16]

34. The Cooperative has an approved Cross Connection/Backflow Tariff and a Curtailment Tariff.[17]

35. In the test year, Eden's system experienced a water loss greater than 28 percent.[18]

36. Staff states that non-account water should be 10 percent or less and never more than 15 percent, and that it is important to be able to reconcile the difference between the water sold and water produced by the source. According to Staff, coordinating reading the GCU meter with the customer meters will allow Eden to better identify water and revenue losses due to leakage, theft and flushing, etc. [19]

<u>The Rate Request</u>

37. In its application, Eden reported test year revenues of $69,080, and total test year expenses of $103,435, resulting in an operating loss of $34,355. The Cooperative proposed rates that would produce total operating revenue of $111,729, an increase of $42,649, or 61.74 percent, over test year revenue to provide operating income of $8,294. The Cooperative reported a negative

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[14] Ex S-4 Staff Report, Engineering Report at 1. Eden also owns two active artesian horizontal wells. As "groundwater under the influence of surface water" this source of water would require treatment before it can be suitable for potable use. Eden has not installed a treatment facility and these wells are not currently used to provide service. These wells are not included in rate base as they are not used and useful.

[15] Ex S-4 Staff Report at 5.

[16] Ex S-4 Staff Report at 5.

[17] Ex S-4 Staff Report at 5.

[18] Ex S-4 Staff Report, Engineering Report at 4.

[19] Ex S-4 Staff Report, Engineering Report at 4.

Original Cost Rate Base ("OCRB") of $84,151.[20]

38. Staff's review and adjustments resulted in test year operating revenue of $68,368, and operating expenses of $76,025, producing an operating loss of $7,657. Staff recommended rates that would produce total operating revenue of $94,380, an increase of $26,012, or 38.0 percent, over Staff's adjusted test year revenue, to provide operating income of $18,355, a 14.28 percent rate of return on Staff's adjusted OCRB of $128,523.[21]

39. In its Comments to the Staff Report, Eden asserted that it needed a larger operating margin than that recommended by Staff in order to take care of unpaid expenses that accrued over the last two years and to continue to improve its system.[22] The Cooperative provided a list of Accounts Payable totaling $27,557.94 and a list of expected outlays for capital improvements totaling $244,713.[23] At the hearing, Eden asserted that a cash flow of approximately $2,000 a month, or $24,000 annually, would be sufficient for it to catch up on its payables and make needed capital improvements.[24]

Rate Base

40. Staff made six adjustments to rate base that resulted in a net increase of $212,999, from a negative $84,151 to $128,848.[25]

41. Staff increased Net Plant in Service by $65,195, from $162,899 to $228,094. Staff adjusted beginning plant balances to the levels authorized in the prior rate case, capitalized $405 of 2010 plant additions to Meters and Meter Installations (reclassified from Repairs and Maintenance Expense), and removed plant that was not used and useful.[26] The result of Staff's adjustments to Plant in Service reduced the total by $21,917, from $577,021 to $555,104. In addition, Staff decreased accumulated depreciation by $87,112, from $414,122 to $327,010, to apply the authorized

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[20] Ex S-1 Application; *See also* Ex S-10 Staff's Updated Schedules at JAC-1.
[21] Ex S-10 Staff's Updated Schedules at JAC-1.
[22] Ex S-6 Eden's Comments at 6.
[23] Ex S-6 Eden's Comments at 2 and 6. During the hearing, the Cooperative revised its earlier Comments which indicated payables totaling $34,483.92, and agreed that they should be reduced by $7,125.98 which represents the Cooperative's claimed rate case expense. Transcript of the December 6, 2012, Hearing ("Tr.") at 84.
[24] Tr. at 29.
[25] Ex S-10 Staff's December 4, 2012 Updated Schedules at JAC-2
[26] Ex S-10 at JAC-2, 2 of 3. The plant that was removed affected Well & Springs, ($7,083), pumping equipment ($827), Water Treatment Equipment ($887), Storage Tanks ($9,784) and pressure tanks ($2,000).

depreciation rates and remove depreciation accrued on fully depreciated and retired plant.[27]

42. Staff also decreased Advances in Aid of Construction ("AIAC") by $198,395, from $200,180 to $1,785. Staff's adjustment reclassified a $200,180 grant received from Rural Development in 2002 from AIAC to Contributions in Aid of Construction ("CIAC"), and reclassified $1,785 of advances from customers from CIAC to AIAC. In addition, Staff increased CIAC by $141,422, from $58,758 to $200,180 as a compliment to the two adjustments to AIAC, and to remove a duplicate accounting entry of $56,973 related to a portion of the grant. Staff increased Accumulated Amortization of CIAC by $85,077, from $0 to $85,077, in order to recognize amortization of CIAC on the 2002 Rural Development Grant for the years 2002-2010, using the half-year convention.

43. Staff's adjustments also provided a $5,755 allowance for working capital based on the formula method typically used for small water companies. The formula method recognizes one-eighth of the operating expenses excluding depreciation, taxes, purchased water and purchased power expenses, plus one twenty-fourth of purchased water expenses.

44. The Cooperative did not object to Staff's adjustments to rate base.

45. We find that Staff's adjustments to rate base are reasonable. Consequently, we find that Eden's OCRB is $128,848.

46. The Company did not file reconstruction cost new information; thus, its OCRB is deemed to be its Fair Value Rate Base ("FVRB").

Operating Income

Revenues

47. Staff adjusted Eden's test year operating income by $26,698, from an operating loss of $34,355 to an operating loss of $7,657.[28]

48. Staff decreased metered water revenue by $817 to reflect the correct current tariff rates and billing determinants. In addition, Staff increased other water revenue by $105 to recognize revenues from new customer establishment charges in the test year. Thus, pursuant to Staff's adjustments, Eden's test year revenue was $68,368, a net reduction of $712, from the Cooperative's

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[27] Ex S-10 at JAC-2, 3 of 3.
[28] Ex S-10 at JAC-3.

reported $69,080.[29]

49. The Cooperative did not voice objection to Staff's adjustments to test year revenues. We find that Staff's adjustments to revenues are appropriate and reasonable.

Expenses

50. Staff's adjustments decreased operating expenses by a net of $27,410, from $103,435 to $76,025, as follows:[30]

(a) Staff increased Salaries and Wages by $934 to reflect the known and measurable change in salary expense per the 2011 Forms W-2 and W-3;

(b) Staff decreased Purchased Water Expense by $9,332, from $43,935 to $34,603, to remove the cost of purchasing water that exceeds a 10 percent loss in the test year;

(c) Staff decreased Repairs and Maintenance Expense by $405, from $8,228 to $7,823, to reflect the reclassification of an expense related to the installation of meters to a rate base plant account;

(d) Staff decreased Water Testing Expense by $748, from $2,533 to $1,785, to reflect the average on-going amount as calculated by Engineering Staff;

(e) Staff decreased Transportation Expense by $368, from $1,660 to $1,292, to reflect normalization over the five-year period from 2007-2011;

(f) Staff increased Rate Case Expense by $2,230, from $0 to $2,230, to provide for recovery of the estimated Rate Case Expense of $6,669, normalized over a three-year period;[31]

(g) Staff decreased Depreciation Expense by $20,509, from $24,408 to $3,899, to reflect application of Staff's recommended depreciation rates to Staff's recommended depreciable plant balances, offset by the amortization of CIAC;

(h) Staff increased Office Supplies and Expense by $630, from $4,465 to $5,095, to recognize the annual fees for billing software.[32]

(i) Staff increased Property Tax Expense by $166, from $2,856 to $3,022, to reflect

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[29] Ex S-10 at JAC-3.
[30] Ex S-10 at JAC-3.
[31] Tr. at 119; Ex S-10 at JAC-3.
[32] Ex S-10 Staff revised this recommendation in its Updated Schedules.

the most recent property tax bill.

Transportation Expense

51. Eden objects to Staff lowering the Transportation Expense by $368 by averaging the costs and using years in which the Company had cut back on its travel expenses. The Cooperative argued that Staff should have looked at the expense in earlier years and left the travel expenses as reported by the Cooperative for the test year.[33] The yearly Transportation Expenses as reported by the Cooperative are as follows:

Year	Transportation Expense
2004	$1,480
2005	$1,480
2006	$1,400
2007	$1,100
2008	$1,200
2009	$1,200
2010	$1,660

52. Staff averaged transportation expenses for 2007 through 2011 to derive a normalized Transportation Expense of $1,292. Although it is unclear whether the Cooperative continues to dispute the Transportation Expense,[34] and the amount of the $368 adjustment is not substantial, testimony indicates that when cash flow got tight in 2009 after the GCU rate increase, Eden tried to tighten its belt and cut back on Transportation Expense.[35] Although in certain circumstances adjustments to an expense that fluctuates from year to year may be appropriate, based on the totality of evidence in this case, we believe that the test year expense of $1,660 is fair and a good approximation of the Transportation Expense going forward.

Rate Case Expense

53. After the Cooperative filed its Comments to the Staff Report, Staff revised its recommendation for Rate Case Expense by normalizing $6,669 over three years, to derive an annual Rate Case Expense of $2,223. Staff's revised recommendation, based on additional information provided by the Cooperative, appears to have resolved the issue.[36] Thus, we adopt Staff's updated

[33] Ex S-6 Eden's Comments at 4. *See also* Tr. at 33.
[34] *See* Tr. at 24.
[35] Tr. at 40-41.
[36] Tr. at 86 and 119. The Cooperative accepts Staff's revised recommendation for rate case expense. Eden had argued that Staff's initial recommendation of $750 did not even cover copies and postage.

recommendation for a Rate Case Expense of $2,223.

Office Supplies and Expense

54. Staff revised its recommendation for Office Supplies and Expense to include $630 for the annual fees associated with billing software that the Cooperative will need to purchase in order to accommodate the tiered billing structure being recommended in this case.[37] Staff recommends that because it is including the annual fee associated with the software purchase, that Eden be required to file confirmation that it actually acquired the software.[38]

55. The Cooperative indicated that it appreciates the inclusion of the annual expense associated with the software, but argues that the cash flow provided by the Staff's overall recommendation is not sufficient to allow it to purchase the billing software, which is estimated to cost $2,730.[39]

56. The annual fee associated with the billing software is a known and measurable change in test year expenses, and thus appropriately included in operating expenses, especially as Staff is recommending the adoption of tiered rates. The purchase of the software would be a capitalized plant asset that will affect rate base. We find Staff's revised recommended Office Supply and Expense to be reasonable. The Cooperative's concerns about how it will be able to purchase the software will be addressed below when we examine cash flow and the revenue requirement.

Repair and Maintenance Expense

57. Staff recommends a Repair and Maintenance Expense of $7,823, a reduction of $405 from the $8,228 reported by Eden in the test year. Eden argues that the Repair and Maintenance Expense is too low and that it has already exceeded that amount in 2012.[40]

58. Staff's only adjustment to test year Repair and Maintenance Expense was to reclassify the installation of a meter(s) as a capital outlay rather than an expense. Other than that, Staff accepted the test year Repair and Maintenance Expense as reported by the Cooperative. Eden provided a

[37] Ex S-10 at JAD-3; Tr. at 116-117.
[38] Tr. at 128.
[39] Ex S-6 Eden's Comments attached quote from Black Mountain Software. The Office supplies and expense recommended by Staff does not include the cost of laser billing post cards or address any additional costs of a laser printer. Tr. at 31.
[40] Tr. at 57.

general ledger for Repairs and Maintenance Expenses that shows over a period from early December 2010 until the end of September 2012, it accrued a payable to Colvin Farms for repair and maintenance related work totaling $9,260.40.[41] At the end of 2011, Eden owed Colvin Farms $3,311.72, and on September 28, 2012, it owed $8,394.22, which is an increase of $5,082.50, over nine months. The ledger shows no payments to Colvin Farms in 2012. Based on the first nine months of 2012, Eden's Repair and Maintenance Expense for 2012 should be close to Staff's recommended allowance. Eden did not provide data in this docket that indicates a higher annual Repair and Maintenance Expense than that recommended by Staff is justified. This does not mean that the Cooperative does not need additional funds for system upgrades or capital investments that total more than $8,000, but that for purposes of setting just and reasonable rates, a Repair and Maintenance Expense of $7,823 is reasonable and should be adopted. We address Eden's cash flow needs in our discussion of the revenue requirement.

Depreciation Expense

59. The Cooperative objected to the adjustment that lowered the Depreciation Expense, from $24,408 to $3,899. Eden appears to recognize that the adjustments were correct from an accounting perspective, but argues that it needs the revenue that would be provided from the higher Depreciation Expense in order to maintain and eventually replace the pipeline.[42]

60. We find Staff's calculation of Depreciation Expense is correct given the accepted plant balances and appropriate depreciation rates. Application of Staff's recommended plant balances and depreciation rates yields Depreciation Expense of $8,346. Eden received a Rural Development grant in the amount of $200,180, which is classified as CIAC, a reduction in rate base. The amortization of the CIAC at the recommended annual rate of 2.2215 percent, yields $4,447, which is a reduction to Depreciation Expense, and results in a net Depreciation Expense of $3,899.[43]

61. Eden's objection to Staff's adjusted Depreciation Expense is aimed at the Cooperative's need for sufficient cash flow to repair an aging infrastructure and also to complete its upgrade of the transmission main from 2 inches to 6 inches. We find that Staff's adjustments to

[41] Colvin Farms, owned by Eden's president J.D. Colvin, provides labor for Eden on an hourly basis. Tr. at 26 and 40.
[42] Ex S-6 Eden's Comments at 1-2; Tr. at 13.
[43] Ex S-10 at JAC-3

Depreciation Expense are accurate and should be adopted; we address Eden's need for additional cash flow in our discussion of the Revenue Requirement.

Purchased Water Expense

62. Staff decreased Purchased Water Expense by $9,332, from $43,935 to $34,603. Staff testified that the adjustment removed the cost to purchase water that exceeds a 10 percent loss in the test year. Staff's adjustment reduces test year purchased water expense by 21 percent. Staff testified that the purpose of the reduction is primarily to provide rate relief for ratepayers and also to provide incentive to the Cooperative to fix its water loss problem.[44]

63. In the test year, Eden experienced an excessive water loss of over 28 percent. Part of the problem may have been due to an illegal tap into the system (which has been rectified), but the problem persists and is likely due to excessive leaks, old meters and not coordinating reading the GCU meter and customer meters.[45] With its Comments, Eden provided a water loss report for 2012 that appears to show wildly fluctuating water loss by month from 4 percent to 33 percent. At the time of the hearing, the Company was aware of a leak by the Eden Bridge and suspects additional leaks on its Highway 70 system, which have not been located. Mr. Colvin testified that sometimes it takes a while for leaks to show themselves, and that he acts quickly to repair leaks once they are located.[46] Mr. Colvin acknowledges that old meters need to be replaced, but asserts that the Cooperative does not have funds to implement a meter replacement program.[47]

64. Staff states that it made the adjustment to Purchased Water Expense to incent the Cooperative to make needed repairs. If this were an investor-owned company, we would find Staff's recommendation to be a creative approach to the problem. Eden, however, is a very small company with no shareholders to make capital contributions. Mr. Colvin, the Cooperative's president, makes a personal contribution to the Cooperative every time his farming business makes a repair and does not receive reimbursement, and Mr. Colvin's daughter, Sebrina Davis, makes a personal contribution every month the Cooperative does not pay her for her office managerial duties. If the Cooperative is

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[44] Tr. at 126 and 135-137.
[45] See Ex S-6 Eden's Comments at 5.
[46] Tr. at 34-35.
[47] Tr. at 10.

unable to reduce the water loss to 10 percent or less of test year sales, under Staff's recommendation, the Cooperative would need to use funds earmarked for other purposes (repairs and maintenance or salary and wages) to pay the water bill. With multiple leaks, some of which are only suspected, and the need to replace old meters, it seems probable that reducing water loss to 10 percent or less will take longer than a year to accomplish. We need to provide Eden with sufficient operating revenues to become financially stable so that it can attack needed system upgrades. Thus, at this time, we are not adopting Staff's adjustment to Purchased Water Expense.

65. Based on the forgoing, we find that in the test year, Eden's adjusted operating income is as follows:

Total Operating Revenues	$68,368
Operating Expenses:	
Salaries and Wages	$12,907
Purchased Water	43,935
Repairs and Maintenance	7,823
Office Supplies & Expense	5,095
Water Testing	1,785
Transportation	1,660
Insurance	2,294
Rate Case Expense	2,223
Miscellaneous	1,083
Depreciation	3,899
Property Taxes	3,022
Total Operating Expenses	$85,726
Operating Income (Loss)	($17,358)

In the test year, Eden experienced an operating loss of $17,358, on total revenues of $68,368, for no rate of return on its FVRB.

Revenue Requirement

66. Staff recommends total revenues of $94,380, a $26,012, or 38 percent, increase over

test year revenues. Based on its recommended Operating Expenses, Staff's proposed rates would result in an annual cash flow of approximately $17,091.[48] Staff believes that for a non-profit cooperative, cash flow should be the focus for determining an appropriate revenue requirement.[49]

67. Staff believed that the cash flow provided under its recommended rates would be sufficient for Eden to meet its debt service obligations and other contingencies (including any purchased water costs greater than the amount included in Staff's recommendations).[50]

68. Eden asserts that it needs a cash flow of approximately $24,000 annually. Eden argued that it owes $9,260 to Colvin Farms for past repairs and maintenance and owes $15,300 to Sebrina Davis for her past salary; and that it needs to make substantial system upgrades including the purchase of billing software for $2,730; repairing the leak at Eden Bridge for between $4,000 and $5,000; a meter replacement project for approximately $4,900 and repairs to its storage tank pumps for $5,000.[51] In addition, the Cooperative wants to complete the 6 inch pipeline upgrade along Eden Road in order to address water pressure problems and to provide fire flow for hydrants. The Cooperative has been assuming that it would use internally generated cash flow to complete the upgrade. The cost of the 6 inch pipeline has been estimated at $231,453, however, that figure is highly speculative.[52]

69. Staff recommends acquisition of the billing software and the implementation of a meter replacement program. Staff does not recommend that the Cooperative give priority to the upgrade of the 6 inch main. Staff states that paying down the accounts payable to Colvin Farms or Sebrina Davis should come from cash flow.[53]

70. In 1999, the Commission approved financing to upgrade Eden's main from 2 inches to 6 inches. The Cooperative acquired financing for the project from the United States Department of Agriculture, but did not have funds to complete the project, and 1 ½ miles of 2 inch pipe remains to complete the project. The section that still needs to be upgraded services approximately 13 lots, with

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[48] Tr. at 124.
[49] Tr. at 132.
[50] Tr. at 126.
[51] Tr. at 30-33. *See* Ex S-6 Eden's Comments.
[52] Tr. at 61-72.
[53] Tr. at 18.

9 active meters.[54] Eden would like to complete the upgrade to improve water pressure to the remaining lots.[55]

71. Despite the Cooperative's claims that the upgrade of a 2 inch main to 6 inch main was necessary to alleviate water pressure problems, Staff did not believe that the Cooperative had demonstrated a high-priority need for the upgrade. Upon reviewing the Cooperative's Comments to the Staff Report, Staff investigated whether the 6 inch pipeline upgrade should be the subject of a financing request, but ultimately concluded that at this time there is not sufficient information about the purpose of the line or its costs to support a financing request. The Staff engineer testified that the Cooperative did not provide convincing data that there was a pressure problem along the 2 inch main, and recommended that if individual households experience pressure problems, a temporary solution would be to install pumps that would improve pressure on a house-by-house basis. Staff believed that there was no credible engineering data that the proposed solution of a 6 inch line was an appropriate solution to the alleged problem. In addition, Staff believed that the cost estimate provided by Eden was unsupported.

72. We find the testimony that there is a pressure problem in the summer along the uncompleted portion of the 2 inch to be credible. In 1999, the Commission approved financing for the 6 inch main upgrade, and at that time the Cooperative disclosed that the purpose of the project was to improve water pressure. Pressure tests performed in November 2012 did not indicate a pressure problem, however, Mr. Colvin testified that pressure has been a long-standing issue for this section of the system and will be exacerbated in the summer. In response to Staff's request for information related to the cost of the 6 inch upgrade, Eden provided an estimate of an engineer that was developed for a different purpose. The cost estimates on this engineering estimate are not sufficiently supported to be used to estimate the cost of the remaining upgrade project. Mr. Colvin believes that the 6 inch upgrade will provide sufficient pressure for fire flow along the remaining 1 ½ miles. Although Mr. Colvin studied engineering at one time, he is not a licensed engineer.[56] We agree with Staff that the evidence in this docket is not sufficient for us to determine if the project as

[54] Tr. at 64.
[55] Tr. at 10.
[56] Tr. at 51.

described will accomplish the stated goals or not, and that the information necessary for a financing application has not been provided. Eden did not request financing approval, however, and we do not need to make that determination at this time.

73. Financing is not the only way to accomplish the Cooperative's stated goal of upgrading the 2 inch main to a 6 inch main. Eden could utilize internally generated funds. However, we believe that before beginning a project of the magnitude of the upgrade, Eden needs to address its water loss by locating and repairing leaks, commencing a meter replacement program, and becoming financially stable by paying down its accounts receivable and being able to pay on-going expenses as they occur. If Eden wants to complete the main upgrade project more quickly than it would be able to with internally generated funds under the rates approved herein, Eden may want to consider filing for financing authority.

74. Eden needs sufficient revenues to produce a cash flow that will cover its existing debt obligations, allow it to repair leaks and implement a meter replacement program in order to reduce its water loss, and to reduce its payables, particularly to Ms. Davis for her past wages. Given the totality of circumstances, we find that a cash flow of approximately $20,000 annually is a fair and reasonable balance between the financial needs of the Cooperative and the impact of higher rates on member/ratepayers. The rates we approve take account of a Salaries and Wages Expense of $12,907 and a Repair and Maintenance Expense of $7,823, which we expect will arrest the growth in the accounts payable attributed to these costs over the last several years.

75. Based on adjusted operating expenses of $85,726, and a Depreciation Expense of $3,899, a revenue requirement of $101,829, would yield an annual cash flow of approximately $20,000, as illustrated below:

Operating Revenue	$101,829
Less: Operating Expenses	85,726
Operating Income	16,103
Add: Depreciation Expense	3,899
Annual Cash Flow	20,000

76. Total revenues of $101,829 is an increase of $33,461, or 48.9 percent, over test year

revenues, and would yield operating income of $16,103, a 12.5 percent rate of return on FVRB of $128,848, and an operating margin of 15.8 percent.[57]

77. With annual principal and interest payments on its existing debt of $5,184, the increased revenues would leave cash flow of approximately $14,816 for capital expenditures, including the purchase of the billing software, and implementation of a meter replacement program, and to pay down accrued expenses. Within 90 days of the effective date of this Order, Eden should file with Docket Control as a compliance item in this docket, (1) a proposed meter replacement program to replace old meters over a two or three year period; and (2) certification by an officer of the Cooperative that it completed the purchase of the billing software discussed herein.

78. As the Cooperative makes progress in addressing its water loss problem, its Purchased Water Expense should decrease. Because rates are based on the entire amount of test year Purchased Water Expense, Eden will have the additional funds provided by the test year level of expenses to address immediate repair needs, pay down its payables and build a bank balance for future emergencies. Eden's ratepayers/members will benefit from Eden's financial and operational improvements under the new rates. Because there is some uncertainty whether the Purchased Water Expense will continue at test year levels as the Cooperative makes progress in solving its water loss problem, it is in the public interest to review Eden's financial condition and rates after approximately three years of operating under the rates approved herein in order to ensure that the rates remain just and reasonable. Thus, we direct Eden to file a rate case no later than June 30, 2016.

Rate Design

79. Eden's current and proposed rates and charges,[58] and Staff's recommended rates and charges[59] are as follows:[60]

	Present	Proposed Rates	
MONTHLY USAGE CHARGE:	**Rates**	**Company**	**Staff**
5/8" x 3/4" Meter	$15.75	$28.00	$18.50
3/4" Meter	17.50	N/A	27.75

[57] The revenues are approximately $7,449 higher than those recommended by Staff and $9,900 less than originally requested by the Cooperative.

[58] As set forth in its Application.

[59] Staff's December 4, 2012, Updated Schedules.

[60] Edens' proposed rates were based on achieving operating revenues of $111,729, while Staff's proposed revenues were designed to yield operating revenue of $94,380.

1" Meter	25.00	35.00	46.25
1-1/2" Meter	30.00	45.00	92.50
2" Meter	35.00	45.00	148.00
3" Meter	50.00	N/A	296.00
4" Meter	80.00	N/A	462.00
6" Meter	100.00	N/A	925.00
<u>COMMODITY RATES:</u>			
(Per 1,000 gallons)			
5/8 x ¾ inch meter			
Cooperative			
All usage	$2.70	$4.30	N/A
Staff			
0 to 3,000 gallons	N/A	N/A	$1.50
3,001 to 8,000 gallons	N/A	N/A	3.70
Over 8,000 gallons	N/A	N/A	5.25
¾ inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 3,000 gallons	N/A	N/A	1.50
3,001 to 8,000 gallons	N/A	N/A	3.70
Over 8,000 gallons	N/A	N/A	5.25
1 inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 18,000 gallons	N/A	N/A	3.70
Over 18,000 gallons	N/A	N/A	5.25
1 ½ inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 32,000 gallons	N/A	N/A	3.70
Over 32,000 gallons	N/A	N/A	5.25
2 inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 55,000 gallons	N/A	N/A	3.70
Over 55,000 gallons	N/A	N/A	5.25
3 inch meter			
Cooperative			

All usage	2.70	4.30	N/A
Staff			
0 to 120,000 gallons	N/A	N/A	3.70
Over 120,000 gallons	N/A	N/A	5.25
4 inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 190,000 gallons	N/A	N/A	3.70
Over 190,000 gallons	N/A	N/A	5.25
6 inch meter			
Cooperative			
All usage	2.70	4.30	N/A
Staff			
0 to 400,000 gallons	N/A	N/A	3.70
Over 400,000 gallons	N/A	N/A	5.25

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

	Current Charges	Company Proposed Charges	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges
5/8" x 3/4" Meter	$275.00	$450.00	$338.00	$112.00	$450.00
3/4" Meter	$300.00	N/A	338.00	120.00	458.00
1" Meter	400.00	550.00	413.00	137.00	550.00
1-1/2" Meter	475.00	650.00	488.00	162.00	650.00
2" Meter (Turbine)	650.00	700.00	525.00	175.00	700.00
2" Meter (Compound)	650.00	700.00	Cost	Cost	Cost
3" Meter (Turbine)	800.00	N/A	Cost	Cost	Cost
3" Meter (Compound)	800.00	N/A	Cost	Cost	Cost
4" Meter (Turbine)	1,100.00	N/A	Cost	Cost	Cost
4" Meter (Compound)	1,100.00	N/A	Cost	Cost	Cost
6" Meter (Turbine)	1,500.00	N/A	Cost	Cost	Cost
6" Meter (Compound)	1,500.00	N/A	Cost	Cost	Cost

SERVICE CHARGES:	**Current**	**Company Proposed**	**Staff Proposed**
Establishment	$15.00	$25.00	$30.00
Establishment (After Hours)	22.50	N/A	NT
Reconnection (Delinquent)	15.00	25.00	30.00
Reconnection (Delinquent After Hours)	40.00	40.00	NT
Meter Test (If Correct)	25.00	50.00	30.00
Deposit	(a)	(a)	(a)
Deposit Interest per annum	(a)	(a)	(a)
Re-establishment (Within 12 Months)	(b)	(b)	(b)
NSF Check	15.00	25.00	20.00
Deferred Payment - per month	(c)	(c)	(c)

Meter Re-read (If Correct)	10.00	15.00	15.00
Late Payment Charge - per month	(c)	(c)	(c)
Service Charge (After Hours)	15.00	25.00	30.00
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	$0.00	$0.00	(d)
6"	$0.00	$0.00	(d)
8"	$0.00	$0.00	(d)
10"	$0.00	$0.00	(d)
Larger than 10"	$0.00	$0.00	(d)

(a) Per Commission rule A.A.C. R14-2-403.B.
(b) Per Rule R14-2-403.D. Monthly Minimum times the number of months off the system.
(c) 1.5 % on the unpaid balance per month.
(d) 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than $10.00 per month. The service Charge for Fire Sprinkles is only applicable for service lines separate and distinct from the primary water service line.

80. Eden's current permanent rate structure includes a monthly minimum charge that increases nominally by meter size, and a $2.70 per 1,000 gallons commodity rate for all gallons sold for all meter sizes. No gallons are included in the monthly minimum charge for any meter size. In addition, Eden's current charges include the interim emergency surcharge approved in the emergency rate case. The surcharge is comprised of a monthly charge of $1.25 for a 5/8 x ¾ inch meter and $4.00 for the 2 inch meters, and an additional commodity surcharge of $0.60 per 1,000 gallons.

81. The Cooperative proposed a rate structure that included a monthly minimum charge that increases by meter size and a flat commodity rate applicable to all meter sizes.

82. Staff recommended a rate structure that includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate for all 5/8 x ¾ inch meters and ¾ inch meters, and a two-tier commodity rate for larger meters. Staff recommended break-over points that increase by meter size and greater differences among the monthly minimum charges for the various meter sizes than those proposed by the Cooperative.

83. The Cooperative proposed changes to all of its service charges and service line and meter installation charges. Staff agreed with the total charge, but separated service line charges and meter charges.

84. Staff recommended discontinuing the "Establishment (After-Hours) and Reconnection

(Delinquent After-Hours) charges, replacing them with a $30.00 After Hour Service Charge, that would apply to all services provided outside of normal business hours at the request of the customer.

85. We approve revenues that differ from both Eden and Staff. However, we believe that Staff's general rate design, which includes inverted tiers, is a reasonable template. We adopt Staff's recommended Service Charges and Service Line and Meter Installation Charges and approve the following monthly customer charge and commodity rates:

MONTHLY USAGE CHARGE:	
5/8" x 3/4" Meter	$23.42
3/4" Meter	27.75
1" Meter	46.25
1-1/2" Meter	92.50
2" Meter	148.00
3" Meter	296.00
4" Meter	462.00
6" Meter	925.00
COMMODITY RATES:	
(Per 1,000 gallons)	
5/8 x ¾ inch meter	
0 to 3,000 gallons	$1.50
3,001 to 8,000 gallons	3.70
Over 8,000 gallons	5.25
¾ inch meter	
0 to 3,000 gallons	1.50
3,001 to 8,000 gallons	3.70
Over 8,000 gallons	5.25
1 inch meter	
0 to 18,000 gallons	3.70
Over 18,000 gallons	5.25
1 ½ inch meter	
0 to 32,000 gallons	3.70
Over 32,000 gallons	5.25
2 inch meter	
0 to 55,000 gallons	3.70
Over 55,000 gallons	5.25

3 inch meter	
0 to 120,000 gallons	3.70
Over 120,000 gallons	5.25
4 inch meter	
0 to 190,000 gallons	3.70
Over 190,000 gallons	5.25
6 inch meter	
0 to 400,000 gallons	3.70
Over 400,000 gallons	5.25

86. For the residential 5/8 inch meter customer with an average usage of 9,978 gallons a month, the approved rates would increase the monthly bill by $14.11, or 33.0 percent, from $42.69 to $56.80 (not including interim emergency rates). When the interim emergency rates are factored in, the monthly bill for an average user of 9,978 gallons would increase $6.87, or 13.75 percent, from $49.93 to $56.80. The monthly bill for a median residential user of 5,234 gallons would increase $6.31, or 21.1 percent, from $29.88 to $36.19 (not including the interim emergency rates). Including the interim emergency rates, a median user of 5,234 gallons would see a monthly increase of $1.95, or 5.7 percent, from $34.24 to $36.19.

Purchased Water Adjustor Mechanism

87. Staff recommended implementing a purchased water adjustor mechanism because Eden purchases all of its water from GCU which Eden then resells to its members. Staff's purchased water adjustor tariff would be applied to all gallons sold by Eden and calculated as 110 percent of the difference between the effective GCU resale water (commodity) rate in the most recent monthly billing to Eden and $1.92 per 1,000 gallons (the current GCU resale water rate).[61] Staff states that the purchased water adjustor tariff would allow Eden to pass through to its customers increases and decreases in its purchased water cost. Staff recommends the 110 percent factor to allow for reasonable water loss and transaction taxes. Staff states that in the event that purchased water becomes less than 90 percent of all sources for sale of potable water, Eden should file a request for a modification of its purchased water adjustor tariff within 30 days.

[61] Ex S-4 Staff Report at 7.

88. We do not find the implementation of a purchased water adjustor to be appropriate or necessary at this time. Eden has demonstrated difficulty in implementing past Commission orders, and we believe that the Commission needs to monitor this cooperative as it transitions to a more complex rate design. Such an adjustor mechanism would further complicate the billing changes we are approving and because we are not adopting Staff's recommendations to decrease purchased water expense and are increasing the cash flow over Staff's recommended level, there will be sufficient cash flow to cover increased water rates, as well as time for Eden to file its next rate case if necessary.

89. Once Eden has stabilized its financial condition, obtains better control over water loss, and demonstrates the ability to implement Commission decisions, revisiting the concept of a purchased water adjustor mechanism might be reasonable.

Additional Issues and Recommendations

90. Staff further recommends:[62]

(a) In addition to the collection of its regular rates and charges, the Cooperative may collect from its customers a proportionate share of any privilege, sales, or use tax, per A.A.C. R14-2-409(D)(5);

(b) Expiration of the interim emergency surcharges established in Decision No. 72054 on the date rates approved in this proceeding become effective;

(c) The Cooperative should file with Docket Control a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued;

(d) As a compliance item in this case, the Cooperative should notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in the next regular scheduled billing and shall file copies with Docket Control within 10 days of the date notice was sent to customers;

(e) Authorization of the depreciation rates shown in Exhibit 6 of the Engineering Report.

[62] Ex S-4 Staff Report at 9.

(f) Approval of the three Best Management Practices ("BMPs") Tariffs selected by the Cooperative: (1) the Public Education Program; (2) BMP Tariff No. 4.1; and (3) BMP Tariff No. 5.2, in a form that substantially conforms to Exhibit 7 of the Engineering Report;

(g) The Cooperative should file as a compliance item in this docket for Staff's review and acceptance the approved BMP tariffs in their final form within 45 days of the effective date of the Commission's order in this matter;

(h) The Cooperative should coordinate the reading dates of its source water meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports on a going forward basis;

(i) The Commission should direct the Cooperative to monitor the water system closely and take action to ensure that water loss is 10 percent or less by December 31, 2013. If the reported water loss is greater than 10 percent, the Cooperative shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Cooperative believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Cooperative allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis whichever is submitted shall be docketed as a compliance item within 180 days of the effective date of this Order issued in this proceeding.

91. At the hearing, the Cooperative appeared to believe that it did not have a choice to oppose the BMP recommendation.[63] We note that Eden is not located in an Active Management Area, nor is there indication that there is a water shortage in the area. We believe that Eden has many other matters to occupy its management's time and energy and we will not require Eden to adopt BMPs.

92. The remainder of Staff's additional recommendations are reasonable, except that we will adjust the compliance deadlines for the recommended water loss reporting.

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[63] Tr. at 41.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Eden and the subject matter of the rate application.

3. Notice of the rate application was provided in conformance with law.

4. Eden's FVRB is $128,848.

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

ORDER

IT IS THEREFORE ORDERED that Eden Water Company is hereby authorized and directed to file with Docket Control, as a compliance item in this Docket, within thirty (30) days of the effective date of this Decision, revised tariffs setting forth the following rates and charges:

MONTHLY USAGE CHARGE:	
5/8" x 3/4" Meter	$23.42
3/4" Meter	27.75
1" Meter	46.25
1-1/2" Meter	92.50
2" Meter	148.00
3" Meter	296.00
4" Meter	462.00
6" Meter	925.00
COMMODITY RATES:	
(Per 1,000 gallons)	
5/8 x ¾ inch meter	
0 to 3,000 gallons	$1.50
3,001 to 8,000 gallons	3.70
Over 8,000 gallons	5.25
¾ inch meter	
0 to 3,000 gallons	1.50
3,001 to 8,000 gallons	3.70
Over 8,000 gallons	5.25
1 inch meter	

0 to 18,000 gallons	3.70
Over 18,000 gallons	5.25
1 ½ inch meter	
0 to 32,000 gallons	3.70
Over 32,000 gallons	5.25
2 inch meter	
0 to 55,000 gallons	3.70
Over 55,000 gallons	5.25
3 inch meter	
0 to 120,000 gallons	3.70
Over 120,000 gallons	5.25
4 inch meter	
0 to 190,000 gallons	3.70
Over 190,000 gallons	5.25
6 inch meter	
0 to 400,000 gallons	3.70
Over 400,000 gallons	5.25

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

	Service Line Charges	Meter Charges	Total Charges
5/8" x 3/4" Meter	$338.00	$112.00	$450.00
3/4" Meter	338.00	120.00	458.00
1" Meter	413.00	137.00	550.00
1-1/2" Meter	488.00	162.00	650.00
2" Meter (Turbine)	525.00	175.00	700.00
2" Meter (Compound)	Cost	Cost	Cost
3" Meter (Turbine)	Cost	Cost	Cost
3" Meter (Compound)	Cost	Cost	Cost
4" Meter (Turbine)	Cost	Cost	Cost
4" Meter (Compound)	Cost	Cost	Cost
6" Meter (Turbine)	Cost	Cost	Cost
6" Meter (Compound)	Cost	Cost	Cost

SERVICE CHARGES:

Establishment	$30.00
Establishment (After Hours)	NT
Reconnection (Delinquent)	30.00
Reconnection (Delinquent After Hours)	NT
Meter Test (If Correct)	30.00
Deposit	(a)
Deposit Interest per annum	(a)

Re-establishment (Within 12 Months)	(b)
NSF Check	20.00
Deferred Payment - per month	(c)
Meter Re-read (If Correct)	15.00
Late Payment Charge - per month	(c)
Service Charge (After Hours)	30.00
Monthly Service Charge for Fire Sprinkler	
4" or Smaller	(d)
6"	(d)
8"	(d)
10"	(d)
Larger than 10"	(d)

(a) Per Commission rule A.A.C. R14-2-403.B.
(b) Per Rule R14-2-403.D. Monthly Minimum times the number of months off the system.
(c) 1.5 % on the unpaid balance per month.
(d) 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than $10.00 per month. The service Charge for Fire Sprinkles is only applicable for service lines separate and distinct from the primary water service line.

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

IT IS FURTHER ORDERED that the interim emergency rates authorized in Decision No. 72054 shall terminate as of April 1, 2013.

IT IS FURTHER ORDERED that Eden Water Company 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, and shall file a copy of such notice with Docket Control within ten (10) days of the date such notice was sent to customers.

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

IT IS FURTHER ORDERED that Eden Water Company shall file a rate case no later than June 30, 2016.

IT IS FURTHER ORDERED that Eden Water Company shall file with Docket Control, as a compliance item, within 90 days of the effective date of this Order; (1) a proposed meter replacement program to replace old meters over a two or three year period; and (2) certification by an officer of Eden Water Company that it completed the purchase of the billing software discussed herein.

IT IS FURTHER ORDERED that Eden Water Company shall utilize the depreciation rates shown in Exhibit 6 of the Engineering Report in this matter.

IT IS FURTHER ORDERED that Eden Water Company shall coordinate the reading dates of its source water meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports on a going forward basis.

IT IS FURTHER ORDERED that Eden Water Company shall track monthly water loss data and include a month-by-month water loss report when it files its Annual Utility Report with the Commission.

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IT IS FURTHER ORDERED that Eden Water Company shall monitor the water system closely and take action to reduce water loss to 10 percent or less. If by December 31, 2013, the reported water loss is greater than 10 percent for the year, Eden Water Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If Eden Water Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item by March 1, 2014.

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, JODI JERICH, 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 21st day of March 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT ______________________

DISSENT ______________________

DECISION NO. 73778

SERVICE LIST FOR: EDEN WATER COMPANY

DOCKET NO.: W-02068A-11-0471

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