

OPEN MEETING ITEM

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

ORIGINAL



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ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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DATE: DOCKETED BY
[Signature]

AUGUST 13, 2013

DOCKET NO.:

W-01559A-12-0479

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Order on:

COLDWATER CANYON WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

AUGUST 22, 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:

SEPTEMBER 10, 2013 AND SEPTEMBER 11, 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.

Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

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

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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
COLDWATER CANYON WATER COMPANY
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-01559A-12-0479

DECISION NO. _____

ORDER

Open Meeting
September 10 and 11, 2013
Phoenix, Arizona

BY THE COMMISSION:

On November 12, 2012, Coldwater Canyon Water Company (“Applicant” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for a permanent increase in its water rates and charges.

On December 28, 2012, the Commission’s Utilities Division (“Staff”) issued a Notice of Insufficiency pursuant to A.A.C. R14-2-103.

On January 2, 2013, the Company filed an amendment to its application.

On February 5, 2013, the Company filed certification of public notice of its application herein.

On March 14, 2013 the Company filed an additional amendment to its application.

On April 4, 2013, Staff filed a second Notice of Insufficiency.

On April 23, 2013, Staff issued a Notice of Sufficiency with respect to the Company’s application, classifying the Company as a class D water utility.

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1 On July 8, 2013, Staff filed a Staff Report recommending that the rates and charges proposed
2 by Staff be approved.

3 * * * * *

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

6 **FINDINGS OF FACT**

7 1. Applicant is an Arizona C corporation, and pursuant to authority granted by the
8 Commission, is engaged in the business of providing public water service in various parts of
9 Yavapai County, Arizona.

10 2. The Company's customers are served by three separate systems with six active wells,
11 which are not metered.

12 3. Applicant's present rates and charges for water were approved in Decision No. 55062
13 (June 11, 1986).

14 4. On November 12, 2012, the Company filed an application requesting authority to
15 increase its rates and charges for water service.

16 5. Staff issued a Notice of Insufficiency to the Company On December 28, 2012.¹

17 6. On February 5, 2013, the Company filed certification that it had provided notice to its
18 customers of its proposed rates and charges by first class U.S. mail and, in response thereto, there
19 were no protests filed. However, two customers filed telephonic comments with Staff in December
20 2012 after the Company filed its application.

21 7. On April 23, 2013, Staff filed a Notice of Sufficiency concerning the Company's
22 application pursuant to A.A.C. R14-2-103.

23 8. During the test year ended December 31, 2011, ("TY"), Applicant served 380 metered
24 customers, a majority of which are residential users who are served by 5/8" x 3/4" meters.

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28 ¹ On April 4, 2013, Staff issued a second Notice of Insufficiency to the Company.

9. Average and median water usage on the 5/8" x 3/4" meters during the TY were 8,831 and 4,859 gallons per month, respectively.

10. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on the Company's rate application request on July 8, 2013, and recommended that the Commission issue a Decision approving Staff's proposed rates and charges.

11. The water rates and charges for Applicant at present, as proposed in the application and as recommended by Staff are as follows:

<u>MONTHLY USAGE CHARGES:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$ 12.00	\$ 16.00	\$ 12.50
3/4" Meter	N/A	16.00	12.50
1" Meter	14.00	18.00	30.00
1-1/2" Meter	N/A	22.00	55.00
2" Meter	20.00	26.00	85.00
3" Meter	N/A	N/A	N/A
4" Meter	N/A	N/A	N/A
6" Meter	N/A	N/A	N/A
Gallons in Minimum	2,000	2,000	0
<u>COMMODITY RATES (Per 1,000 Gallons):</u>			
<u>All Meter Sizes</u>			
Over 2,000 gallons	\$1.20		
<u>All Meter Sizes</u>			
First Tier – 2,001 – 5,000 gallons	N/A	\$ 1.85	N/A
Second Tier – 5,001 – 10,000 gallons	N/A	2.00	N/A
Third Tier – Over 10,000 gallons	N/A	2.50	N/A
<u>5/8 x 3/4 & 3/4 – Inch Meter Sizes</u>			
First Tier – 0 – 4,000 gallons	N/A	N/A	\$ 0.75
Second Tier – 4,001 – 10,000 gallons	N/A	N/A	1.00
Third Tier – Over 10,000 gallons	N/A	N/A	1.65
<u>All Other Meter Sizes</u>			
First Tier – 0 – 10,000 gallons	N/A	4.75	1.00
Second Tier – Over 10,000 gallons	N/A	6.00	1.65
<u>Service Line and Meter Installation Charges:</u> (Refundable Pursuant to A.A.C. R14-2-405)			
...			
...			
...			

1 13. Staff increased Applicant's operating expenses by \$8,200 primarily due to increasing
2 Applicant's repairs and maintenance expense by \$2,432, salaries and wage expense by \$4,200, rate
3 case expense by \$1,820 and water testing expense by \$1,594.

4 14. Applicant's present water rates and charges produced adjusted operating revenues of
5 \$98,988 and adjusted operating expenses of \$98,443, which resulted in a TY operating income of
6 \$545 for a .34 percent rate of return.

7 15. The water rates and charges Applicant proposed would produce operating revenues of
8 \$121,000 and adjusted operating expenses of \$103,410, resulting in net operating income of \$17,590
9 or a 10.97 percent rate of return on FVRB.

10 16. The water rates and charges Staff recommended would produce adjusted operating
11 revenues of \$121,000 and adjusted operating expenses of \$103,410 resulting in net operating income
12 of \$17,590 or a 10.97 percent rate of return on FVRB.

13 17. Applicant's proposed rate schedule would increase the average monthly customer
14 water bill by 44.6 percent, from \$20.20 to \$29.21, and the median monthly customer water bill by
15 39.7 percent, from \$15.43 to \$21.55.

16 18. Staff's recommended rates would increase the average monthly customer water bill by
17 .7 percent, from \$20.00 to \$20.33, and increase the median monthly customer water bill by 6.0
18 percent from \$15.43 to \$16.16.

19 19. According to the Staff Report, the Company is failing to maintain its accounting
20 records in conformity with the National Association of Regulatory Utility Commissioners
21 ("NARUC") Uniform Systems of Accounts ("USOA"), but is planning to retain an accounting firm
22 which will do so in the future.

23 20. Although there have been no complaints filed against the Company from January 1,
24 2010, through the end of the TY, since the filing of Applicant's request for rate relief, the
25 Commission has received two contacts from customers of the Company who oppose the requested
26 rate relief.

27 21. Staff indicates in its report that the Company has adequate production capacity and
28 storage capacity to serve the existing customer base and for reasonable growth.

1 22. According to Staff, a check of the Compliance Section database showed that there are
2 no delinquent Commission compliance items for the Company.

3 23. During Staff's review of the Company's water rate request, Staff found that the
4 Arizona Department of Environmental Quality ("ADEQ") cannot determine if the Company is
5 currently delivering water which meets the water quality standards as required by the Safe Drinking
6 Water Act ("SDWA"). Additionally, ADEQ reported that the Company has not submitted its 2011
7 Consumer Confidence Report ("CCR") or the CCR Mailing Waiver that were due by July 1, 2012,
8 and October 1, 2012, respectively.

9 24. Staff recommends that the Commission order the following:

- 10 • that Staff's recommended rates and charges be approved;
- 11 • that the Company be ordered to file, within 30 days after the effective date of this
12 Decision, with the Commission's Docket Control, a tariff schedule of its approved
13 rates and charges;
- 14 • that the Company notify its customers of the approved water rates and charges and
15 of their effective date by means of an insert in the monthly billing which precedes
16 the month in which they become effective and file a copy of the notice sent to its
17 customers with the Commission's Docket Control, as a compliance item in this
18 docket;
- 19 • that, on a going-forward basis, the Company maintain its books and records in
20 accordance with the NARUC USOA. The Company should file by December 31,
21 2013, with the Commission's Docket Control, as a compliance item in this docket,
22 an affidavit attesting that the Company's books and records are being kept in
23 accordance with NARUC USOA;
- 24 • that the Company be ordered to use the depreciation rates presented in Table B of
25 the Engineering Report attached to the Staff Report;
- 26 • that the Company install a well meter for each of the Company's six active wells.
27 Staff further recommends that the Company file documentation by April 30, 2014,
28 with the Commission's Docket Control, as a compliance item in this docket, that
demonstrates that the installation of the six well meters has been completed;
- that the Company monitor its three water systems and submit the gallons pumped
and sold to determine the non-account water for one full year. The Company
should coordinate when it reads the well meters each month with customer billing
so that an accurate accounting is determined. The results of this monitoring and
reporting shall be filed by January 31, 2015, as a compliance item in this case. If
the reported water loss is greater than 10 percent for any water system, the
Company shall prepare a report containing a detailed analysis and plan to reduce
water loss to 10 percent or less. If the 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. In no case shall the Company allow water
loss to be greater than 15 percent. The water loss reduction report or the detailed

1 analysis, whichever is submitted, shall be filed by March 15, 2013, as a
2 compliance item in this case;

- 3 • that any increase in rates and charges approved in this proceeding not become
4 effective until the first day of the month following the Company's filing of an
5 updated ADEQ Compliance Status Report indicating that the Company is in
6 compliance with ADEQ requirements; and
- 7 • that the Company, file within 90 days of the effective date of a Decision in this
8 proceeding, with the Commission's Docket Control, as a compliance item in this
9 docket, at least three BMPs in the form of tariffs that substantially conform to the
10 templates created by Staff for the Commission's review and consideration. The
11 templates created by Staff are available on the Commission's website at
12 <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

13 25. Because an allowance for property tax expense of Applicant is included in the
14 Company's rates and will be collected from its customers, the Commission seeks assurances from the
15 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
16 authority. It has come to the Commission's attention that a number of water companies have been
17 unwilling or unable to fulfill their obligations to pay the taxes that were collected from ratepayers,
18 some for as many as 20 years. It is reasonable, therefore, that as a preventive measure, the Company
19 shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that
20 the Company is current in paying its property taxes in Arizona.

21 26. Following a review of the application and the Staff Report, we believe that Staff's
22 proposed rates and charges are reasonable and should be adopted, together with Staff's additional
23 recommendations.

24 CONCLUSIONS OF LAW

25 1. Applicant is a public service corporation within the meaning of Article XV of the
26 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

27 2. The Commission has jurisdiction over Applicant and the subject matter of the
28 application.

3. Notice of the application was provided in the manner prescribed by law.

4. Under the circumstances discussed herein, the rates and charges proposed by Staff and
authorized hereinafter are just and reasonable.

5. Staff's recommendations, as set forth in Findings of Fact No. 24, are reasonable and

Late Payment Charge Per Month ***
 Service Charge (After Hours) \$30.00

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLERS:

3	4" or Smaller	\$ 0.00	\$ 0.00	****
	6"	0.00	0.00	****
4	8"	0.00	0.00	****
	10"	0.00	0.00	****
5	Larger than 10"	0.00	0.00	****

- 6 * Per Commission Rule A.A.C. R14-2-403(B).
- 7 ** Number of months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
- 8 *** Per Commission Rule A.A.C. R14-2-409(G).
- 9 **** 2.0 percent of Monthly Minimum for a comparable sized meter connection, but no less than \$10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10 IT IS FURTHER ORDERED that the above rates and charges shall not become effective for
 11 Coldwater Canyon Water Company until it has met all compliance requirements as set forth in
 12 Findings of Fact No. 24.

13 IT IS FURTHER ORDERED that Coldwater Canyon Water Company shall notify its
 14 customers of the rates and charges authorized hereinafter and the effective date of same by means of
 15 an insert, in a form acceptable to Staff, in the regular monthly billing which precedes that month in
 16 which the rates are to become effective and file copies of the notice when sent to its customers with
 17 the Commission's Docket Control, as a compliance item in this docket.

18 IT IS FURTHER ORDERED that Coldwater Canyon Water Company shall comply with each
 19 of the recommendations which appear in Findings of Fact No. 24.

20 IT IS FURTHER ORDERED that Coldwater Canyon Water Company shall maintain its
 21 books and records in compliance with the NARUC USOA.

22 IT IS FURTHER ORDERED that Coldwater Canyon Water Company, in addition to the
 23 collection of its regular rates and charges, shall collect from its customers their proportionate share of
 24 any privilege, sales or use tax as provided in A.A.C. R14-2-409(D).

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1 IT IS FURTHER ORDERED that Coldwater Canyon Water Company shall annually file as
2 part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current
3 in paying its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
6
7

8 CHAIRMAN _____ COMMISSIONER _____
9

10 CHAIRMAN _____ COMMISSIONER _____ COMMISSIONER _____
11

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

17 _____
18 JODI A. JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____

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1 SERVICE LIST FOR: COLDWATER CANYON WATER COMPANY

2 DOCKET NO.: W-01559A-12-0479

3

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