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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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COMMISSIONERS

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

THE MATTER OF THE APPLICATION OF BIDEGAIN WATER COMPANY FOR APPROVAL OF A RATE INCREASE.	DOCKET NO. W-02026A-11-0470
IN THE MATTER OF THE APPLICATION OF DARRELL WALLACE DBA BIDEGAIN WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN THE STATE OF ARIZONA.	DOCKET NO. W-02026A-12-0378 DECISION NO. **74299** **OPINION AND ORDER**

DATE OF HEARING: July 30, 2013

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey

APPEARANCES: Mr. Darrell Wallace, Applicant; and

Mr. Brian Smith, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Procedural History

On December 27, 2011, (in Docket No. W-02026A-11-0470), Bidegain Water Company ("BWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent increase in its water rates and charges ("Rate Docket").

On January 26, 2012, the Commission's Utilities Division ("Staff") issued, in the Rate Docket, a Notice of Insufficiency pursuant to Arizona Administrative Code ("A.A.C") R14-2-103.

On March 9, 2012, Staff issued a Letter of Sufficiency in the Rate Docket, stating that BWC's rate application had met the sufficiency requirements of the A.A.C., and that BWC had been classified as a Class E utility.

On April 25, 2012, BWC docketed an affidavit of mailing indicating that notice of the rate

application had been mailed to its customers.

On May 9, 2012, Staff filed a Staff Report in the Rate Docket, recommending approval of Staff's proposes rates and charges, but recommending that the new rates not take effect until after the Company had received a Certificate of Convenience and Necessity ("CC&N").

On May 25, 2012, by Procedural Order, the Company was ordered to file an application for approval of a CC&N and the timeclock in the rate case proceeding was suspended.[1]

On August 29, 2012, (in Docket No. W-02026A-12-0378), BWC filed with the Commission an application for a CC&N to provide water utility services in Pinal County ("CC&N Docket").

On September 27, 2012, Staff issued a Letter of Insufficiency in the CC&N Docket, stating that BWC's CC&N application had not met the sufficiency requirements pursuant to the A.A.C.

On March 13, 2013, Staff issued a Letter of Sufficiency in the CC&N Docket.

On March 21, 2013, a Procedural Order was issued in the CC&N Docket, setting a hearing on BWC's CC&N application for May 16, 2013.

On April 15, 2013, Staff filed a Staff Report in the CC&N Docket, recommending approval of the CC&N application with conditions.

On May 13, 2013, BWC filed, in the CC&N Docket, an affidavit of publication and mailing of notice of the application and hearing date.

On May 16, 2013, a full public hearing on BWC's CC&N application was commenced as scheduled before a duly authorized Administrative Law Judge of the Commission. Staff appeared through counsel, and BWC failed to appear for the hearing, and as a result; the hearing was continued.

On June 12, 2013, by Procedural Order, the hearing on BWC's CC&N application was reset to commence on July 30, 2013; the owner of BWC, Mr. Darrell Wallace, was ordered to appear for the hearing; and the Company was ordered to be prepared to give testimony and to provide evidence at the hearing demonstrating why it is a fit and proper entity to receive a CC&N to provide water utility services in Arizona. Further, BWC was directed to notify the Commission, prior to the

[1] The Procedural Order stated that Bidegain's CC&N had been revoked in Decision No. 65649 (February 18, 2003) due to the Company's failure to file its 2001 Annual Report, that the Company's original owners were now deceased, and that the water system had been sold to Mr. Darrell Wallace in 2003.

hearing, of the names of any witnesses the Company planned to call at the hearing; and was ordered to file any objections to the CC&N Docket Staff Report. Further, the timeclock was suspended.

On June 17, 2013, in the CC&N Docket, BWC's Owner, Mr. Darrell Wallace filed an affidavit stating that as of June 1, 2013, he had appointed Karen A. Samuel as treasurer of the Company and requesting that Ms. Samuel be allowed to represent BWC at the CC&N hearing. Further, Mr. Wallace requested that Ms. Samuel be allowed to testify regarding the CC&N application.

On June 21, 2013, a Procedural Order was issued in the CC&N Docket scheduling a pre-hearing conference to discuss the procedural posture for the hearing set for July 30, 2013.

On July 9, 2013, a procedural conference was held as scheduled for the CC&N Docket. Ms. Karen Samuel appeared telephonically on behalf of BWC. Staff appeared through counsel. Discussions were held regarding the necessity for Mr. Wallace, as the sole owner of BWC, to appear personally for the hearing.

On July 30, 2013, the hearing in this matter was held as scheduled. Mr. Wallace appeared on behalf of BWC and Staff appeared through counsel. Mr. Wallace presented testimony and Staff presented evidence and testimony on the CC&N application.

On August 9, 2013, by Procedural Order, the Rate Docket and CC&N Docket were consolidated for the purpose of resolving the issues raised in the substantially related dockets. Further, Staff was directed to review its Rate Docket Staff Report and to file a Supplemental Staff Report updating any information and/or making any revisions to Staff's recommendations and BWC was provided additional time to respond to Staff's Supplemental Staff Report.

On September 6, 2013, Staff filed a Supplemental Staff Report continuing to recommend Staff's recommended supplemental rates and charges and recommending approval of BWC's application for a CC&N.

On October 11, 2013, BWC filed an amendment to its proposed rates and charges.

Upon receipt of the Supplemental Staff Report and the Company's response, the matter was taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

* * * * * * * * * *

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

FINDINGS OF FACT

CC&N Application

1. BWC is an Arizona public service corporation, located near Kearney, Arizona, and its service area is more fully described in Exhibit A, attached hereto and incorporated herein.

2. BWC provides water utility services to a subdivision known as Bidegain Acres and serves approximately 18 residential metered customers.[2]

3. BWC's service area includes approximately 28 acres.[3]

4. In Decision No. 38745 (December 7, 1966) the Commission granted BWC a CC&N to provide water utility service. On February 18, 2003, BWC's CC&N was revoked in Decision No. 65649, for failure to file its Annual Report.

5. On August 29, 2012, Darrel Wallace, on behalf of BWC, filed an application with the Commission seeking a CC&N to serve BWC's service area.[4]

6. Notice of the application was given in accordance with the law.[5]

7. BWC's water system includes one active well, one back-up well, two storage tanks, one pressure tank, two booster pumps, and a distribution system serving approximately 20 service connections.[6]

8. BWC's two wells have a total production of 35 gallons per minute ("GPM") and its two storage tanks have a total capacity of 60,000 gallons.[7]

9. Staff concluded that BWC's water system has adequate production and storage capacity to serve its existing customers and reasonable growth.[8]

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[2] Tr. at 8.
[3] Supplemental Staff Report, Exhibit KS at 1.
[4] Exhibit A-1.
[5] The Company did not mail the notice of the application to its customers by the deadline stated in the Procedural Order issued March 21, 2013. As a result, the record in this matter was held open to allow for public comments to be filed.
[6] Supplemental Staff Report, Exhibit KS at 4.
[7] Supplemental Staff Report, Exhibit KS at 4.
[8] Supplemental Staff Report, Exhibit KS at 7.

10. Staff stated that the Company reported 1,950,000 gallons sold for the TY, but that the Company did not provide data showing its gallons pumped.[9] According to Staff, the Company is not reading its well meters and is not recording the water pumped from each well; and therefore, Staff is unable to determine BWC's non-account water loss.[10]

11. According to an Arizona Department of Environmental Quality ("ADEQ"), BWC's water system is in compliance and is delivering water that meets water quality standards in the A.A.C.[11]

12. According to Staff, BWC's water system is not located within an Arizona Department of Water Resources ("ADWR") designated Active Management Area ("AMA") and ADWR has determined that BWC is not in compliance because it failed to file its Community Water System Water Plan.

13. As of the date of the hearing, BWC had no outstanding compliance issues with the Commission.[12]

14. BWC has an approved Curtailment and Backflow Prevention Tariff on file with the Commission.

15. BWC is current on its property taxes.[13]

16. The original owners of BWC are now deceased and the water system was sold to Darrel Wallace in 2003. According to Staff, the original owners did not request authorization from the Commission prior to the utility being sold.[14]

17. Darrel Wallace has owned and operated BWC as a sole proprietorship since acquiring the utility in 2003.[15] Mr. Wallace stated that he and Mr. Mike Bidegain, the previous owner, were life-long friends and when Mr. Bidegain was in his 80s, Mr. Wallace begin to gradually take care of the water company.[16] Mr. Wallace testified that for the first couple of years after he purchased the

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[9] Supplemental Staff Report, Exhibit KS at 6.
[10] Supplemental Staff Report, Exhibit KS at 6.
[11] ADEQ Compliance Status Report dated February 10, 2012.
[12] Tr. at 9.
[13] Tr. at 8.
[14] Exhibit S-1 at Exhibit 3.
[15] Tr. at 7.
[16] Tr. at 10.

utility that Mr. Bidegain's daughter handled the paperwork and he performed the repairs for the utility.[17] Mr. Wallace further stated that eventually he obtained his Water Treatment and Water Distribution Level 1 license and that all together he has been running the utility for the last 15 years.[18]

18. Mr. Wallace testified that he performs the day-to-day operations, along with two other employees whose main jobs are related to a bottled water company that Mr. Wallace owns, but that the employees help out with the Company if needed.[19] The witness testified that BWC also has a ADEQ certified operator.[20]

19. Mr. Wallace stated that the Company maintains an office in Globe, Arizona about a 30-40 minute drive from the service area, but that he maintains a home office located about a half mile from the service area.[21] Mr. Wallace contends that he maintains an open door policy and that customers know that they may contact him at his home office if an issue arises.[22]

20. Mr. Wallace stated that since he has owned the Company repairs to the water system have been financed with money earned from one of the other companies that he owns.[23]

21. Staff believes Mr. Wallace, as the owner of BWC, has the technical, managerial, and financial ability, as required by the A.A.C. to operate the Company.[24]

22. Staff concludes that BWC's water system has adequate well production and storage capacity to serve its present customers and reasonable growth; BWC is in compliance with ADEQ, ADWR, and ACC requirements; Mr. Wallace is a fit an proper entity to acquire and operate a public water company; and that it is in the public interest to grant BWC a CC&N for the proposed service area.[25]

23. Staff recommends approval of BWC's application for a CC&N, subject to the following conditions:

a. Within 13 months of the effective date of the Decision in this case, the Company file,

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[17] Tr. at 10.
[18] Tr. at 10-11.
[19] Tr. at 11.
[20] Tr. at 15.
[21] Tr. at 12.
[22] Tr. at 12.
[23] Tr. at 14.
[24] Exhibit S-1 at 2.
[25] Exhibit S-1 at 2-3.

as a compliance item in this docket, a 12-month Water Use Data Report indicating gallons pumped from its wells, based on the records of two well meters, gallons sold, number of customers and water loss percentage for each month during the year. Staff further recommends that BWC coordinate the reading of its well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the water system can be determined.

b. Due to the unknown gallons pumped during the test year, Staff is unable to determine water loss in the system. Staff recommends that, in the event the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the 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. If the water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall file the water loss reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of the Decision in this matter.

c. BWC file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp. Staff further recommends that a maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMPs. The Company may request cost recovery of the actual costs associated with the BMP's implemented in it next general rate case.

24. Staff's recommendations are reasonable and should be adopted, except that they should be modified to include a requirement that BWC maintain an accounting system that conforms to the National Association of Regulatory Utility Commissioners ("NARUC") accounting practices and Generally Accepted Accounting Principles ("GAAP"). BWC's owner testified that funds from his other enterprises or companies have been used to pay for costs associated with the water utility. On a going forward basis, BWC should be required to maintain separate records and accounting documentation related to the utility's cost of doing business and Staff should provide assistance to Mr. Wallace to the extent possible.

Rate Application

25. On December 27, 2011, BWC filed an application for a permanent rate increase, using

a test year ("TY") ending December 31, 2010.

26. BWC is currently operating under rates and charges established in Decision No. 57170 (November 29, 1990).

27. BWC's application states that the Company is requesting a rate increase because it has not had a rate increase in nineteen years; its facilities are aging and upgrades are needed; its customer base is stagnant; and its costs have gone up.[26]

28. On September 6, 2013, Staff filed a Supplemental Staff Report recommending approval of BWC's rate application using Staff's supplemental rates and charges.[27]

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

	Present	- Proposed Rates-	
MONTHLY USAGE CHARGE	Rates	Company	Staff
5/8" x 3/4" Meter	$9.00	$16.00	$13.50
3/4" Meter	N/A	N/A	N/A
1" Meter	N/A	N/A	N/A
Gallons in Minimum	0	0	0
Commodity rates (per 1,000 gallons)			
Present Rate – All Sizes			
5/8" x 3/4" Meter			
First Tier – All Usage	$1.43		
Company Proposed – All Sizes		$3.00	
Staff Recommended – All Sizes			
First Tier – 0 – 4,000 gallons			$2.20
Second Tier – 4,001 – 8,000 gallons			$3.20
Third Tier – Over 8,000 gallons			$4.60

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable Pursuant to A.A.C. R14-12-405)

	Company Current	Staff Proposed Service Line	Meter	Total
5/8" x 3/4" Meter	$120	$ 415	$ 105	$ 520
3/4" Meter	N/A	415	205	620
1" Meter	N/A	465	265	730
1-1/2" Meter	N/A	520	475	995
2" Meter	N/A	800	995	1,795
3" Meter	N/A	1,015	1,620	2,635

[26] Application at 3.
[27] Staff and the Company believe that the 2010 TY is representative of BWC's current operations and that no significant changes have occurred to warrant an amended TY.

4" Meter	N/A	1,430	2,570	4,000
6" Meter Compound	N/A	2,150	4,925	7,072

SERVICE CHARGES:	Present Rates	Proposed Rates Company	Staff
Establishment	N/A	N/A	$20.00
Establishment (After Hours)	N/A	N/A	N/A
Reconnection (Delinquent)	$5.00	$50.00	$20.00
Meter Test (if correct)	N/A	N/A	$25.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	N/A	$25.00	$25.00
Deferred Payment – Per Month	N/A	N/A	1.50%
Meter Re-Read (If Correct)	$2.50	$2.50	$10.00
Late Fee	N/A	$5.00	1.50%
After Hours Service Charge (After Hours)	N/A	N/A	$35.00

*Per Commission Rules (R14-2-403.B)
** Number of months off system times the monthly minimum (R-14-2-403(D)).
N/A = Not Applicable

30. BWC's application indicates TY revenues of $5,041, expenses of $10,012, resulting in operating income of negative $4,971, which based on the Company-reported original cost rate base ("OCRB") of $3,000, yields a negative cash flow and no rate of return.

31. Staff found adjusted TY revenues of $5,085, and expenses of $9,183, resulting in operating loss of $4,098.

32. BWC's application requests a proposed revenue increase of $4,809 or 95.40 percent above TY revenues of $5,041, resulting in total operating revenue of $9,850. The Company's request results in an operating loss of $162.[28] Staff recommends a revenue increase of $5185 or 100.97 percent above TY revenues of $5,085. Staff's recommended revenues would provide an operating income of $1,000, and a cash flow of $2,521, which Staff states provides BWC with adequate cash flow to meet its normal operating expenses.[29]

33. Staff states that Staff's adjusted OCRB is very low and a rate of return calculation alone results in a revenue requirement that provides insufficient cash flow; therefore, Staff elected to use the cash flow method to help determine BWC's revenue requirement.[30]

. . .

[28] Using the Company's operating expense level of $10,012.
[29] Staff Report at 7 (docketed May 9, 2012).
[30] Staff Report at 7 (docketed May 9, 2012).

Rate Base

34. Staff recommends an upward adjustment to BWC's OCRB of $3,000 to $7,961, for an increase of $4,961.[31] Staff's adjustments to BWC's rate base reflect an overall increase of $5,889, from $35,596 to $41,485 for plant-in-service.[32] Specifically, Staff's proposed adjustments include a decrease in Structures and Improvements from $18,000 to $0, which reflects a transfer from Structures and Improvements to the Wells and Springs Account; an increase of $18,000 in Wells and Springs; and an increase in Electric Pumping Equipment of $5,889 to capitalize $3,389 in costs incurred for electrical pumping equipment and to add $2,500 in electrical pumping equipment Staff believes was incorrectly recorded as Repairs and Maintenance expense.[33]

35. Staff's adjustments to OCRB include an upward adjustment in accumulated depreciation by $1,623, from $32,596 to $34,219.[34] Staff states that it applied Commission approved depreciation rates and made adjustments to BWC's accumulated depreciation to reflect balances approved in BWC's last rate case, plant additions, and retirements identified by Staff and the Company.[35] Further, Staff states that BWC did not take a depreciation expense for some years.[36]

36. Staff's adjustments to OCRB were made to calculate a cash working capital allowance for BWC using the formula method.[37] Staff has previously stated that, for Class D and E utilities, Staff recommends the utilities have a positive cash working capital allowance to allow operating costs needs to be met before collections are received.[38] Staff's adjustments yield a net increase to cash working capital of $695 from $0.[39]

37. Staff's adjustments to OCRB are reasonable and we find that BWC's OCRB is $7,961. BWC did not request a Reconstruction Cost New Rate Base, and thus BWC's FVRB is equivalent to its OCRB, or $7,961.

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[31] Staff Schedule BCA-2.
[32] Staff Schedule BCA-2
[33] Staff Schedule BCA-2.
[34] Staff Schedule BCA-2.
[35] Staff Schedule BCA-2,
[36] Staff Schedule BCA-2.
[37] The formula equals 1/8th of the operating expenses less depreciation, taxes, purchased power, and purchase water expenses.
[38] *See*, Staff Report Docket No. W-03211A-08-0621.
[39] Staff Schedule BCA-2.

Operating Income

38. Staff's adjustments to total operating revenue resulted in a net increase of $44, in total test year revenue from $5,041 to $5,085.[40] Staff made upward adjustments to metered water revenues from $2,791 to $5,085, to reflect Staff's calculation of metered water revenue using the billing determinants provided by BWC; a downward adjustment from $2,250 to $0, to reflect a transfer from metered water revenue to unmetered water revenue per the Company's bill count.[41]

39. Staff recommends a net downward adjustment to TY operating expenses of $829 from $10,012 to $9,183.[42] Staff's adjustments include:

a. Increasing Purchase Power Expense by $442, from $2,324 to $2,766 to reflect the increase in the amount provided reflected by BWC's documentation for purchase power expense.

b. Decreasing Repairs and Maintenance Expense by $3,389, from $5,034 to $1,645, to reflect the removal of costs from Repairs and Maintenance expense and capitalizing them in Electrical Pumping Equipment.

c. Decreasing Office Supplies Expense by $70, from $124 to $54, to reflect amounts unsupported by BWC's documentation.

d. Increasing Contractual Services Expense by $416, from $1,378 to $1,794, to reflect amounts supported by BWC's documentation for accounting services expenses.

e. Increasing Rate Case Expense by $323, from $0 to $323, to reflect Staff's normalized amount of rate case expense based on three years between rate cases.

f. Increasing Depreciation Expense by $1,521, from $0 to $1,521, to reflect application of Staff's recommended depreciation rates to plant balances.

g. Decreasing Taxes and Other Than Income by $97, from $97 to $0, to reflect removal of sales taxes paid by customers because a pass-through tax should be included in revenue and not expenses.

h. Increasing Property Taxes by $24, from $231 to $255, to reflect the property tax expense using the modified Arizona Department of Revenue property tax method.

40. BWC did not refute Staff's recommended adjustments to operating revenue or expenses.

41. We find that Staff's adjustments are reasonable and should be adopted. Further, we

[40] Staff Schedule BCA-3.
[41] Staff Schedule BCA-3.
[42] Staff Schedule BCA-3.

find that BWC had an operating loss of $4,098 on total operating revenues of $5,085, and adjusted test year expenses of $9,183.

Revenue Requirement

42. According to Staff, BWC's rate base of $7,961 is very low and a rate of return calculation alone results in a revenue requirement that provides an insufficient cash flow. Staff's states that because of the Company's low rate base Staff utilized the cash flow method to help calculate BWC's revenue requirement.

43. BWC requested revenues of $9,850, which yield an operating income of negative $162, resulting in a non-meaningful return on FVRB and operating margin.[43] Staff recommends a revenue requirement of $10,270, adjusted expenses of $9,270, resulting in an operating income of $1,000, for a 12.57 percent rate of return on FVRB or operating margin of 9.74 percent, and gives BWC a cash flow of $2,521.[44] Staff states it believes its recommended increase will provide BWC with adequate cash flow to meet its normal operating expenses.[45]

Rate Design

44. BWC initially proposed a one-tier rate structure, with a monthly minimum of $16 per customer per month, and zero gallons included in the minimum.[46]

45. Staff recommends a three-tier inverted commodity rate structure for all customers, with break over points at 4,000 and 8,000 gallons for all residential customers. Staff's recommended rates would increase the typical residential bill, with a median usage of 7,321 gallons from $19.47 to $32.93, for an increase of $13.46 or 69.1 percent.[47]

46. BWC filed comments to the Staff's Supplemental Staff Report adopting Staff's recommended rate design.[48]

47. BWC did not propose an Establishment Charge. Staff recommends a $20 fee for this service.[49] The Company did not propose an Establishment After-Hours Charge. Staff believes it is

[43] Staff Schedule BCA-1.
[44] Staff Schedule BCA-1.
[45] Staff Report at 7 (docketed May 9, 2012).
[46] BWC Rate Application.
[47] Staff Schedule BCA-5.
[48] BWC Amendment to Proposed Rates and Charges (docketed October 11, 2013).
[49] Staff Schedule BCA-4.

appropriate for BWC to charge an additional fee for service provided outside of normal business hours when such service is requested by the customer and to compensate the Company for additional expenses incurred due providing the service after-hours. Staff recommends a $35 After-Hours Service charge.

48. BWC filed comments concurring with Staff's recommended Reconnection (delinquent) charge of $20; Meter Test of $25; Meter Reread of $10; Non-Sufficient Check charge of $25; Deferred Payment charge of 1.50 percent per month; and a Late Payment charge of 1.50 percent per month.

49. Staff recommends that BWC provide separate charges for Service Line and Meter Installations. Staff states that separate charges for the services is appropriate because in some cases BWC will be required to install meters on existing service lines and therefore customers should only be charged for the meter installation. BWC proposes that the Service Line and Meter Installations remain as one charge.[50] However, BWC did not offer any explanation as to why it disagrees with Staff's recommendation regarding separate Service Line and Meter Installation charges.[51]

50. We find Staff's recommended rates and charges reasonable are and they should be adopted.

51. In addition, because an allowance for the property tax expense of BWC is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventative measure BWC should annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the

[50] BWC Amendment to Proposed Rates and Charges (docketed October 11, 2013).
[51] BWC Amendment to Proposed Rates and Charges (docketed October 11, 2013).

Arizona Constitution and A.R.S. §§ 40-281, 40-282, 40-250 and 40-251.

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

3. Notice of the application was provided in accordance with the law.

4. There is a public need and necessity for water utility service in the proposed service areas described in Exhibit A.

5. Applicant is a fit and proper entity to receive a Certificate of Convenience and Necessity.

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

7. Staff's recommendations, except as modified herein, are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Bidegain Water Company is hereby granted a Certificate of Convenience and Necessity to provide water utility service in the area described in Exhibit A, attached hereto and incorporated herein.

IT IS FURTHER ORDERED that Bidegain Water Company is hereby authorized and directed to file with the Commission, as a compliance item in this docket, on or before January 31, 2014, a revised tariff setting forth the following rates and charges:

MONTHLY USAGE CHARGE

5/8" x 3/4" Meter	$13.50

Commodity rates (per 1,000 gallons)

First Tier – 0 – 4,000 gallons	$2.20
Second Tier – 4,001 – 8,000 gallons	$3.20
Third Tier – Over 8,000 gallons	$4.60

	Service Line	Meter	Total
5/8" x 3/4" Meter	$ 415	$ 105	$ 520
3/4" Meter	415	205	620
1" Meter	465	265	730
1-1/2" Meter	520	475	995
2" Meter	800	995	1,795

3" Meter	1,015	1,620	2,635
4" Meter	1,430	2,570	4,000
6" Meter Compound	2,150	4,925	7,072

SERVICE CHARGES:

Establishment	$20.00
Establishment (After Hours)	N/A
Reconnection (Delinquent)	$20.00
Meter Test (if correct)	$25.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 Months)	**
NSF Check	$25.00
Deferred Payment – Per Month	1.50%
Meter Re-Read (If Correct)	$10.00
Late Fee	$1.50%
After Hours Service Charge (After Hours)	$35.00

N/A = Not Applicable

IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for all usage on and after February 1, 2014.

IT IS FURTHER ORDERED that Bidegain Water Company shall notify its customers of the revised schedules of rate 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 Bidegain Water Company shall use the depreciation rates delineated in Exhibit KS of the Engineering Report attached to the Supplemental Staff Report filed in this docket.

IT IS FURTHER ORDERED that Bidegain Water shall file with Docket Control, as a compliance item in this docket, a tariff schedule of its new rates and charges within thirty (30) days after the effective date of this Decision.

IT IS FURTHER ORDERED that Bidegain Water shall file, within thirteen (13) months of the effective date of this Decision, as a compliance item in this docket, a 12- month Water Use Data Report indicting gallons pumped from its wells, based on the records of two well meters, gallons sold, number of customers, and water loss percentage for each month during the year. Further, Bidegain Water Company shall coordinate the reading of the well meters and individual customer meters on a monthly basis to ensure that an accurate accounting of the monthly water loss in the

water system can be determined.

IT IS FURTHER ORDERED that in the event Bidegain Water Company's water loss reported in the 12-month Water Use Data is greater than 10 percent, the Company shall evaluate its water system and submit a water loss reduction report containing a detailed analysis and plan to reduce the 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. If the water loss reported in the 12-month reduction report or the detailed analysis, whichever is submitted, with Docket Control, as a compliance item in this docket, within 13 months of the effective date of this Decision.

IT IS FURTHER ORDERED that Bidegain Water Company shall file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least three Best Management Practices in the form of tariffs that substantially conform to the templates (located on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp) created by Staff, for the Commission's review and consideration. Further, Bidegain Water Company shall, at a maximum, choose no more than two of the Best Management Practices from the Public Awareness/Public Relations or Education and Training categories and the Company may request cost recovery of actual costs associated with the implementation of the BMPs in its next general rate application.

IT IS FURTHER ORDERED that Bidegain Water Company shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

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IT IS FURTHER ORDERED that Bidegain Water Company shall maintain an accounting system that conforms to the National Association of Regulatory Utility Commissioners accounting practices and Generally Accepted Accounting Principles.

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 29th day of January 2014.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
YK:ru

SERVICE LIST FOR: BIDEGAIN WATER COMPANY

DOCKET NOS.: W-02026A-11-0470 and W-02026A-12-0378

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Steven M. Olea, Director
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ARIZONA CORPORATION COMMISSION
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EXHIBIT A

Bidegain Acres a subdivision of a part of the SE¼, SW¼, Section 16, T 4 S, R 14 E, Pinal County, Arizona, better described as beginning at the NE Corner SE¼ SW¼, thence N 88° 48'W 1254.87', thence S 21° 09'50" E 1512.17', thence easterly to the SE corner of said SE¼ SW¼ , thence N 0°06'20"E 1249.98 to the point of beginning.