

OPEN MEETING ITEM

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



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ARIZONA CORPORATION COMMISSION

RECEIVED

AZ CORP COMMISSION
DOCKET CONTROL

2014 FEB 24 PM 1 47

DATE: FEBRUARY 24, 2014

DOCKET NO.: W-03945A-13-0287

ORIGINAL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

FRANCESCA WATER COMPANY, INC.
(RATES)

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

MARCH 5, 2014

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:

MARCH 11, 2014 and MARCH 12, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

FEB 24 2014

DOCKETED BY	
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JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

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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
FRANCESCA WATER COMPANY, INC. FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-03945A-13-0287

DECISION NO. _____

ORDER

Open Meeting
March 11 and 12, 2014
Phoenix, Arizona

BY THE COMMISSION:

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

PROCEDURAL HISTORY

1. On August 29, 2013, Francesca Water Company, Inc. ("FWC" or "Company") filed an application with the Commission for a permanent rate increase and on September 3, 2013, the Company filed an amendment to the application (collectively, the "Application"). FWC attached a copy of the notice provided to customers on August 29, 2013, regarding the Application. One customer filed an opinion with the Commission objecting to the Company's proposed rate increase.

2. On October 3, 2013, the Commission's Utilities Division ("Staff") filed its Sufficiency Letter stating the Application was sufficient pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, and classifying FWC as a Class D utility.

3. On December 11, 2013, Staff submitted its Staff Report, recommending approval of the Application using Staff's proposed rates and charges, subject to certain terms and conditions.

4. On December 23, 2013, FWC docketed its response to the Staff Report, objecting to various Staff recommendations ("Response").

FINDINGS OF FACT

5. FWC is an Arizona C corporation providing water service to customers in the Three Points area of Pima County, approximately 20 miles southwest of the City of Tucson. The Commission approved FWC's current rates and charges in Decision No. 63660 (May 4, 2001).

6. FWC operates two separate water systems situated approximately four miles apart. The Talaway Water System consists of one well yielding 25 gallons of water per minute ("gpm"), one 40,000 gallon storage tank, a pressure tank, two booster pumps and the distribution system. The Talaway Water System serves approximately 75 connections. The Amber Ann Water System consists of one well yielding 25 gpm, one 25,000 gallon storage tank, a pressure tank, two booster pumps and the distribution system. The Amber Ann Water System serves approximately 35 connections. Staff concluded that FWC's systems each have adequate production and storage capacities to serve existing customers and reasonable growth.

7. During the test year ending December 31, 2012, FWC served 107 customers on 5/8 x 3/4-inch meters and two customers on 1-inch meters.¹ The average and median water use by customers on the 5/8 x 3/4-inch meters were 6,784 gallons and 4,831 gallons per month, respectively.

8. FWC's present rates and charges, as proposed by FWC in its Application, and as recommended by Staff in its Staff Report, are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8 x 3/4-inch Meter	\$16.35	\$23.50	\$19.00
3/4-inch Meter	18.50	35.25	30.00
1-inch Meter	21.00	58.75	50.00
1 1/2-inch Meter	29.00	117.50	100.00
2-inch Meter	50.00	188.00	160.00
3-inch Meter	70.00	376.00	320.00
4-inch Meter	109.00	587.00	500.00
6-inch Meter	199.00	1,175.00	1,000.00
Gallons Included in Minimum	0	0	0

¹ There is conflicting information on the size of these two meters. The Application and Staff's Engineering Report list them as 2-inch meters. The main body of the Staff Report and the Company's Response state these two meters are 1-inch.

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COMMODITY CHARGE:
(All classes, per 1,000 gallons)

All Meter Sizes

0 to 4,000 gallons	\$2.63	N/A	N/A
4,001 to 20,000 gallons	3.95	N/A	N/A
Over 20,000 gallons	4.73	N/A	N/A

0 to 3,000 gallons	N/A	\$3.10	N/A
3,001 to 10,000 gallons	N/A	4.30	N/A
Over 10,000 gallons	N/A	5.61	N/A

5/8-inch x 3/4-inch Meter

0 to 3,000 gallons	N/A	N/A	\$ 2.00
3,001 to 10,000 gallons	N/A	N/A	4.35
Over 10,000 gallons	N/A	N/A	6.70

3/4-inch Meter

0 to 10,000 gallons	N/A	N/A	\$4.35
Over 10,000 gallons	N/A	N/A	6.70

1-inch Meter

0 to 17,000 gallons	N/A	N/A	\$4.35
Over 17,000 gallons	N/A	N/A	6.70

1 1/2-inch Meter

0 to 37,000 gallons	N/A	N/A	\$4.35
Over 37,000 gallons	N/A	N/A	6.70

2-inch Meter

0 to 61,000 gallons	N/A	N/A	\$4.35
Over 61,000 gallons	N/A	N/A	6.70

3-inch Meter

0 to 127,000 gallons	N/A	N/A	\$4.35
Over 127,000 gallons	N/A	N/A	6.70

4-inch Meter

0 to 200,000 gallons	N/A	N/A	\$4.35
Over 200,000 gallons	N/A	N/A	6.70

6-inch Meter

0 to 410,000 gallons	N/A	N/A	\$4.35
Over 410,000 gallons	N/A	N/A	6.70

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

	<u>Company Proposed</u>				<u>Staff Recommended</u>		
	Current Charge	Proposed Service Line Charge	Meter Installation Charge	Total Recommended Charges	Proposed Service Line Charge	Meter Installation Charge	Total Recommended Charges
5/8" x 3/4 " Meter	\$ 455.00	\$ 430.00	\$130.00	\$ 560.00	\$ 430.00	\$130.00	\$ 560.00
3/4 " Meter	515.00	430.00	230.00	660.00	430.00	230.00	660.00
1" Meter	590.00	480.00	290.00	770.00	480.00	290.00	770.00
1-1/2" Meter	820.00	535.00	500.00	1,035.00	535.00	500.00	1,035.00
2" Meter Turbine	1,380.00	815.00	1,020.00	1,835.00	815.00	1,020.00	1,835.00
2" Meter Compound	N/A	815.00	1,865.00	2,680.00	815.00	1,865.00	2,680.00
3" Meter Turbine	1,935.00	1,030.00	1,645.00	2,675.00	1,030.00	1,645.00	2,675.00
3" Meter Compound	N/A	1,150.00	2,520.00	3,670.00	1,150.00	2,520.00	3,670.00
4" Meter Turbine	3,030.00	1,460.00	2,620.00	4,080.00	1,460.00	2,620.00	4,080.00
4" Meter Compound	N/A	1,640.00	3,595.00	5,235.00	1,640.00	3,595.00	5,235.00
6" Meter Turbine	5,535.00	2,180.00	4,975.00	7,155.00	2,180.00	4,975.00	7,155.00
6" Meter Compound	N/A	2,300.00	6,870.00	9,170.00	2,300.00	6,870.00	9,170.00
Over 6"	N/A	N/A	N/A	N/A	At Cost	At Cost	At Cost

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<u>SERVICE CHARGES:</u>			
Establishment	\$35.00	\$20.00	\$20.00
Establishment (After Hours)	50.00	N/A	N/A
Service Charge (After Hours)	N/A	\$30.00	\$30.00
Reconnection (Delinquent)	\$25.00	35.00	35.00
Meter Re-Read (If Correct)	15.00	25.00	20.00
Meter Test (If Correct)	50.00	50.00	30.00
NSF Check	15.00	25.00	25.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-establishment (Within 12 months)	**	**	**
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Late Fee (Per Month)	N/A	\$5.00	***

* Per Commission Rule A.A.C. R-14-2-403(B).
 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
 *** \$5.00 or 1.50 percent, whichever is greater.

9. Staff determined FWC's original cost rate base to be \$91,840, which is the same as its fair value rate base ("FVRB"). This is a \$1,862 decrease to FWC's proposed FVRB of \$93,702, due to Staff's adjustments to the Company's proposed plant-in-service, accumulated depreciation, and working capital amounts. In the Company's Response to the Staff Report, FWC stated it would not contest Staff's adjustments.

10. We find that Staff's adjustments to FWC's FVRB are reasonable and we adopt Staff's proposed FVRB of \$91,840.

1 11. Staff adopted FWC's proposed test year operating revenues of \$53,772.

2 12. Staff made several adjustments to FWC's proposed test year operating expenses,
3 resulting in an increase of \$1,093, from \$51,224 to \$52,317, due to Staff's adjustments to FWC's
4 proposed water testing expense, depreciation expense, income tax and interest on customer deposits.
5 The Company accepted Staff's operating expense adjustments.

6 13. Based on Staff's analysis, FWC's adjusted operating revenues of \$53,772 and adjusted
7 operating expenses of \$52,317 resulted in a net test year operating income of \$1,455, for a 1.58
8 percent rate of return and an operating margin of 2.70 percent.

9 14. In its Application, FWC proposed a \$17,000 increase over test year revenues, or 31.61
10 percent, for total operating revenues of \$70,772. After projected operating expenses of \$51,083,
11 FWC would achieve operating income of \$19,689, for a 21.01 percent rate of return on its proposed
12 FVRB and a 27.82 percent operating margin.

13 15. FWC's proposed rates would increase the average monthly customer water bill by
14 \$11.20, or 29.59 percent, from \$37.87 to \$49.07, and increase the median monthly customer water
15 bill by \$10.52, or 34.89 percent, from \$30.15 to \$40.67.

16 16. Staff recommended a \$9,775 increase over adjusted test year revenues, or 18.18
17 percent, for total revenues of \$63,547. With recommended operating expenses of \$54,363, FWC
18 would receive \$9,184 in operating income, resulting in a 10.00 percent rate of return on Staff's
19 recommended \$91,840 FVRB and a 14.45 percent operating margin. Staff's rates will provide the
20 Company with a cash flow of \$10,267.²

21 17. Staff's proposed rates would increase the average monthly customer water bill by
22 \$3.59, or 9.49 percent, from \$37.87 to \$41.46, and increase the median monthly customer water bill
23 by \$2.81, or 9.33 percent, from \$30.15 to \$32.96.

24 18. FWC objected to Staff's recommended revenues, arguing that Staff's cash flow
25 calculations incorrectly excluded \$2,099 in interest on Company's credit card debt. In its Response,
26 FWC asserted that it is often necessary for a company of FWC's size to procure short term financing

27 ² In Decision No. 63660 (May 4, 2001), the Commission authorized FWC to obtain a \$97,000 loan financed over 20 years
28 from the Water Infrastructure Finance Authority of Arizona. According to the Application, the annual principal on the
loan is \$4,930 and interest is \$1,723. (Application, page 23.)

1 by using credit cards.³ The Company did not state the current balances or the interest rates on its
2 credit cards, nor did FWC state for what expenses it used the credit cards. Including the credit card
3 interest in cash flow calculations would reduce cash flow from \$10,267 to \$8,168, which FWC
4 asserts is not sufficient to cover contingencies.

5 19. We do not agree with FWC that current interest charges on a credit card should require
6 rates to increase. FWC may pay off the balance at any time and the interest payments would cease,
7 and FWC failed to demonstrate that the costs were reasonable.

8 20. Further, Staff's proposed revenues provide a 10.00 percent rate of return and a 14.45
9 percent operating margin. Based on its FVRB, we believe that FWC's proposed revenue requirement
10 is excessive and that Staff's proposed revenues provide the Company with sufficient funds to meet its
11 operating needs and contingencies.

12 21. We find Staff's operating revenue, operating expense, rate of return and revenue
13 recommendations are reasonable and we adopt them.

14 22. FWC objected to Staff's rate design, asserting that Staff placed too much of its
15 proposed increase in the third tier commodity rate for its 5/8 x 3/4-inch meters. The Company argued
16 that if the high third tier rate results in customers conserving water, then revenues will decline and
17 FWC will not earn its authorized revenues. The Company also observed that Staff recommends
18 different tier breaks for each size meter. FWC argues that this creates an administrative burden for
19 the Company and greatly complicates the layout of its tariff.

20 23. We note that in FWC's last rate case in 2001, the approved rate design introduced an
21 inverted three tier system. It does not appear to have negatively affected the Company since it was
22 financially able to wait 12 years before requesting another rate increase. The implementation of
23 higher rates may cause customers to attempt to conserve water, but FWC did not present any support
24 for its position that the third tier rates will result in extraordinary water conservation and cause a
25 precipitate drop in revenues. If the Company's records begin to reflect decreased revenues
26 corresponding to decreased water use, FWC may file for a rate increase.

27

28 ³ Response, page 2.

1 24. We also disagree with the Company's argument that having different break-over
2 points for each meter size is complicated or burdensome. Different break-over points for different
3 meter sizes is a common recommendation for all classes of water utilities. We note that FWC has
4 customers on only two meter sizes, which simplifies the use of the different tiers in this instance.

5 25. Accordingly, we find that Staff's proposed rate design, rates and charges are
6 reasonable and we adopt them.

7 26. Staff recommends that the Company file with Docket Control, as a compliance item in
8 this docket, within 30 days of the effective date of this Decision, a schedule of the approved rates and
9 charges.

10 27. Staff further recommends that FWC adopt Staff's typical and customary depreciation
11 rates shown in the attached Exhibit A on a going-forward basis.

12 28. According to the Staff Report, FWC's Talaway System had a line break during the test
13 year, resulting in an 11.4 percent water loss and exceeding Staff's recommended water loss level of
14 no more than 10 percent. At Staff's request, the Company provided additional water use data for
15 January 2013 through September 2013, which reflected an acceptable water loss of 9.1 percent. The
16 Company's Amber Ann System test year water use data reflected a negative 3.3 percent, calling into
17 question the validity of the reports. At Staff's request, the Company provided additional water use
18 data for January 2013 through September 2013, which reflected an acceptable water loss of 5.5
19 percent.

20 29. Given the fluctuating water loss data, Staff recommends the Company begin
21 monitoring its water systems closely and ensure that water loss for each system remains below 10
22 percent. Staff also recommends that FWC coordinate its reading of well meters and customer meters
23 on a monthly basis and report this data in its Annual Reports beginning with its 2014 Annual Report
24 to be filed in 2015. If the reported water loss is greater than 10 percent, FWC should prepare a report
25 containing a detailed analysis and plan to reduce water loss to less than 10 percent. If the Company
26 believes it is not cost effective to reduce the water loss to less than 10 percent, the Company should
27 submit a detailed cost/benefit analysis to support its opinion. In no case should the Company allow
28 water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis,

1 whichever is submitted, should be filed with Docket Control as a compliance item in this docket
2 before the Company files its next rate application. Staff also recommends that any future rate case
3 filed by the Company may be found insufficient if these items are not properly submitted.

4 30. FWC is within an Arizona Department of Water Resources ("ADWR") active
5 management area. In a Compliance Status Report dated September 11, 2013, ADWR determined that
6 both water systems are currently in compliance with departmental requirements governing water
7 providers and/or community water systems.

8 31. Staff recommends that the Company file with Docket Control, as a compliance item in
9 this docket, within 90 days of the effective date of this Decision, at least three Best Management
10 Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the
11 Commission's website, for the Commission's review and consideration. Not more than two of the
12 BMPs may come from the "Public Awareness/Public Relations" or "Education and Training"
13 categories. In its next general rate application, FWC may request recovery of the actual costs
14 incurred by BMP implementation.

15 32. The Company did not file any objections to Staff's BMP recommendation.

16 33. According to Staff, FWC has one outstanding compliance item. In Decision No.
17 59262 (August 30, 1995), the Commission noted that because FWC was not a public water system
18 when it was first constructed, the Company had not submitted system plans to Pima County
19 Department of Environmental Quality ("PCDEQ") for approval. As such, the Commission directed
20 FWC to docket an Approval of Construction ("AOC") from PCDEQ approving construction of the
21 water system within 365 days of the Decision's effective date. The Company has not filed the AOC,
22 but Staff believes this filing requirement is no longer necessary.

23 34. Staff observed that in a Compliance Status Report dated October 2, 2013, the Arizona
24 Department of Environmental Quality ("ADEQ") determined that FWC is in full compliance with
25 ADEQ requirements and is currently delivering water that meets water quality standards required by
26 A.A.C., Title 18, Chapter 4. Staff also noted that the current owner does not have sufficient records
27 to support an AOC.

28 35. Accordingly, Staff recommends that the Commission permanently withdraw the

1 requirement in Decision No. 59262 that the Company submit an AOC.

2 36. Staff's recommendation is reasonable and we adopt it.

3 37. FWC has Commission-approved Backflow and Curtailment Tariffs.

4 38. Staff's review of the Commission's Consumer Services records shows that between
5 January 1, 2010, and September 16, 2013, there were no inquiries or complaints filed against FWC.
6 The Commission's Corporations Division reports that FWC is in good standing.

7 39. FWC is current on its property and sales tax payments.

8 40. We believe it is reasonable to allow FWC to collect from its customers a proportionate
9 share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

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

18 42. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos.
19 40 and 41, are reasonable and shall be adopted.

20 CONCLUSIONS OF LAW

21 1. FWC is a public service corporation within the meaning of Article XV of the Arizona
22 Constitution and A.R.S. §§ 40-250, 40-251.

23 2. The Commission has jurisdiction over FWC and the subject matter of the Application.

24 3. FWC gave notice of the Application in accordance with Arizona law.

25 4. The rates and charges authorized herein are just and reasonable and should be
26 approved without a hearing.

27 5. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos.
28 40 and 41, are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Francesca Water Company, Inc. is directed to file with Docket Control, as a compliance item in this docket, by March 31, 2014, revised schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8 x 3/4-inch Meter	\$19.00
3/4-inch Meter	30.00
1-inch Meter	50.00
1 1/2-inch Meter	100.00
2-inch Meter	160.00
3-inch Meter	320.00
4-inch Meter	500.00
6-inch Meter	1,000.00

COMMODITY CHARGE:

(All classes, per 1,000 gallons)

5/8-inch x 3/4-inch Meter

0 to 3,000 gallons	\$ 2.00
3,001 to 10,000 gallons	4.35
Over 10,000 gallons	6.70

3/4-inch Meter

0 to 10,000 gallons	\$4.35
Over 10,000 gallons	6.70

1-inch Meter

0 to 17,000 gallons	\$4.35
Over 17,000 gallons	6.70

1 1/2-inch Meter

0 to 37,000 gallons	\$4.35
Over 37,000 gallons	6.70

2-inch Meter

0 to 61,000 gallons	\$4.35
Over 61,000 gallons	6.70

3-inch Meter

0 to 127,000 gallons	\$4.35
Over 127,000 gallons	6.70

4-inch Meter

0 to 200,000 gallons	\$4.35
Over 200,000 gallons	6.70

6-inch Meter

0 to 410,000 gallons	\$4.35
Over 410,000 gallons	6.70

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

	<u>Service Line Charge</u>	<u>Meter Installation Charge</u>	<u>Total Charges</u>
3			
4			
5	5/8" x 3/4" Meter	\$ 430.00	\$ 560.00
6	3/4" Meter	430.00	660.00
7	1" Meter	480.00	770.00
8	1-1/2" Meter	535.00	1,035.00
9	2" Meter Turbine	815.00	1,835.00
10	2" Meter Compound	815.00	2,680.00
11	3" Meter Turbine	1,030.00	2,675.00
12	3" Meter Compound	1,150.00	3,670.00
13	4" Meter Turbine	1,460.00	4,080.00
14	4" Meter Compound	1,640.00	5,235.00
15	6" Meter Turbine	2,180.00	7,155.00
16	6" Meter Compound	2,300.00	9,170.00
17	Over 6"	At Cost	At Cost

11 **SERVICE CHARGES:**

12	Establishment	\$20.00
13	Service Charge (After Hours)	30.00
14	Reconnection (Delinquent)	35.00
15	Meter Re-Read (If Correct)	20.00
16	Meter Test (If Correct)	30.00
17	NSF Check	25.00
18	Deposit	*
19	Deposit Interest	*
20	Re-establishment (Within 12 months)	**
21	Deferred Payment (Per Month)	1.50%
22	Late Fee (Per Month)	***

18 * Per Commission Rule A.A.C. R-14-2-403(B).

19 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

20 *** \$5.00 or 1.50 percent, whichever is greater.

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

24 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
 25 provided on and after April 1, 2014.

26 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall notify its customers
 27 of the authorized rates and charges and their effective date, in a form acceptable to the Commission's
 28 Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

1 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall use the depreciation
2 rates shown in the attached Exhibit A on a going-forward basis.

3 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall coordinate its reading
4 of well meters and customer meters on a monthly basis and report this data in its Annual Reports to
5 the Commission's Utilities Division, beginning with its 2014 Annual Report to be filed in 2015.

6 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall monitor its water
7 systems closely to ensure that water loss for each system remains below 10 percent. In the event
8 water loss for either system is greater than 10 percent, Francesca Water Company, Inc. shall prepare a
9 report containing a detailed analysis and plan to reduce water loss to less than 10 percent. If
10 Francesca Water Company, Inc. believes it is not cost effective to reduce the water loss to less than
11 10 percent, the Company shall submit a detailed cost/benefit analysis to support its opinion. In no
12 case shall the Company allow water loss to be greater than 15 percent. The water loss reduction
13 report or the detailed analysis, whichever is submitted, shall be filed with Docket Control as a
14 compliance item in this docket before the Company files its next rate application.

15 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall file with Docket
16 Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at
17 least three BMPs in the form of tariffs that substantially conform to the templates available at the
18 Commission's website, for the Commission's review and consideration. Not more than two of the
19 BMPs may come from the "Public Awareness/Public Relations" or "Education and Training"
20 categories. In its next general rate application, Francesca Water Company, Inc. may request recovery
21 of the actual costs incurred by BMP implementation.

22 IT IS FURTHER ORDERED that the outstanding compliance item from Decision No. 59262
23 (August 30, 1995), Docket No. U-2838-94-443, as stated in Finding of Fact No. 33, above, is
24 permanently withdrawn.

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1 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall file annually, as part
2 of its Annual Report to the Commission's Utilities Division, an affidavit attesting that it is current in
3 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 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____

11
12 IN WITNESS WHEREOF, I, JODI 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 _____ 2014.

17 _____
18 JODI JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____
22 BM:tv

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1 SERVICE LIST FOR: FRANCESCA WATER COMPANY, INC.

2 DOCKET NO.: W-03945A-13-0287

3 David and Gradi Thompson
4 FRANCESCA WATER COMPANY, INC.
5 59 Bighorn Drive
6 Weippe, ID 83553

7 Cristin Georgitso
8 DESERT MOUNTAIN
9 ANALYTICAL SERVICES, PLLC
10 P.O. BOX 51628
11 Ahwatukee, AZ 85706

12 Janice Alward, Chief Counsel
13 Legal Division
14 ARIZONA CORPORATION COMMISSION
15 1200 W. Washington Street
16 Phoenix, AZ 85007

17 Steven M. Olea, Director
18 Utilities Division
19 ARIZONA CORPORATION COMMISSION
20 1200 W. Washington Street
21 Phoenix, AZ 85007

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EXHIBIT A

WATER DEPRECIATION RATES (Francesca)

Acct. No.	Depreciable Plant	Decision # 63660 (approved rate %)	Company proposed	Staff recommended Rate (%)
105	CWIP	4.17		
301	Organization	4.17	0	0.00
302	Franchises	4.17	N/A	0.00
303	Land & Land Rights	4.17	N/A	0.00
304	Structures & Improvements	4.17	4.17	3.33
305	Collecting & Impounding Reservoirs	N/A	N/A	2.50
306	Lake, River, Canal Intakes	N/A	N/A	2.50
307	Wells & Springs	4.17	4.17	3.33
308	Infiltration Galleries	N/A	N/A	6.67
309	Raw Water Supply Mains	N/A	N/A	2.00
310	Power Generation Equipment	N/A	N/A	5.00
311	Pumping Equipment	4.17	4.17	12.5
320	Water Treatment Equipment	4.17	4.17	
320.1	Water Treatment Plants	N/A	N/A	3.33
320.2	Solution Chemical Feeders	N/A	N/A	20.0
330	Distribution Reservoirs & Standpipes	4.17	4.17	2.00
330.1	Storage Tanks	N/A	N/A	2.22
330.2	Pressure Tanks	N/A	N/A	5.00
331	Transmission & Distribution Mains	4.17	4.17	2.00
333	Services	4.17	4.17	3.33
334	Meters	4.17	4.17	8.33
335	Hydrants	4.17	4.17	2.00
336	Backflow Prevention Devices	4.17	4.17	6.67
339	Other Plant & Misc Equipment	4.17	4.17	6.67
340	Office Furniture & Equipment	4.17	4.17	6.67
340.1	Computers & Software	N/A	N/A	20.00
341	Transportation Equipment	4.17	4.17	20.00
342	Stores Equipment	N/A	N/A	4.00
343	Tools, Shop & Garage Equipment	4.17	4.17	5.00
344	Laboratory Equipment	4.17	4.17	10.00
345	Power Operated Equipment	4.17	4.17	5.00
346	Communication Equipment	4.17	4.17	10.00
347	Miscellaneous Equipment	4.17	4.17	10.00
348	Other Tangible Plant	---	N/A	5.00

DECISION NO. _____