

ORIGINAL

OPEN MEETING



0000152243

MEMORANDUM

TO: THE COMMISSION

FROM: Utilities Division

DATE: April 3, 2014

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA WINDSONG REALTY, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE (DOCKET NO. W-02250A-14-0028)

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ARIZONA CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

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DOCKETED BY

On January 31, 2014, Arizona Windsong Realty, Inc. ("Windsong" or "Company") filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). On February 25, 2014, Commission Utilities Division Staff ("Staff") filed a letter in the docket finding the application sufficient.

Windsong is an Arizona class D water utility engaged in the business of providing potable water service. Windsong serves the community of Sanders, Arizona. Sanders is an unincorporated community, located between St. Johns, Arizona and Gallup, New Mexico. The Company serves 69 residential customers, all of whom are on 5/8-inch by 3/4-inch meters.<sup>1</sup> The Company's current rates were established by Decision No. 51748 in February, 1981.

On March 24, 2014, Windsong filed a motion for an emergency/interim rate increase. The motion states that Mr. Patton Earl Paulsell, the president of the Company passed away recently.

Prior to the demise of Mr. Paulsell, the Company was operated by Mr. Paulsell and his wife, who were the officers and sole shareholders of the corporation. Mr. Paulsell provided operations and maintenance services to the system, and Mrs. Paulsell performed bookkeeping and billing duties.

The Company states in its motion that the recent death of Mr. Paulsell has left the Company without a person to maintain and operate the system because no other officer or employee is able to perform the needed operating tasks. This emergency threatens the operation of the water system, and the requested emergency/interim rate increase is to hire a licensed operator. The Company further asserts that no existing funds are available to pay for this expense.

Windsong's motion proposes to implement a \$30 per customer surcharge to pay for the services of a part time certified operator who can maintain the operation of the system.

<sup>1</sup> Staff notes that the Company's motion for an emergency/interim rate increase states that the Company has only 61 customers. Staff contacted representatives of the Company and confirmed that the Company has 69 customers.

Staff analyzed the motion for emergency/interim rate increase. A complete discussion of the technical findings and conclusions of Staff will be contained in the Staff Report for the permanent rate application.

Staff believes that with the demise of Mr. Paulsell, the Company currently has no one to perform the ongoing operational and maintenance tasks necessary to continue providing drinking water. Staff agrees that the Company needs a certified operator to maintain the continued operation of the Company's facilities and that at this time, considering the Company's specific circumstances, a monthly rate of approximately \$2,000<sup>2</sup> per month would be a reasonable expense to hire a certified operator for this system.

An emergency surcharge of \$30 per month per customer will provide funds to hire a certified operator. A \$30 surcharge applied to 69 customers will produce \$2,070 in additional revenue per month.

The Company's current tariff authorizes a monthly minimum rate of \$16.00 and a single tier charge of \$1.00 per thousand gallons monthly water usage above 3,000 gallons. The emergency surcharge would be billed in addition to the current monthly minimum of each account, producing a total monthly minimum charge of \$46 per month.

<u>Monthly Minimum</u>	<u>Current</u>	<u>Surcharge</u>	<u>Total</u>
5/8-inch X 3/4-inch meter	16.00	30.00	46.00

Staff believes that emergency conditions exist such that this filing meets the requirements necessary to file for emergency rate relief and for the Commission to act on the request.

Staff recommends the approval of a \$30.00 surcharge per connection be granted.

Staff recommends that the surcharge approved in this action should terminate upon the effective date that rates ordered in the permanent application become effective.

Staff believes that the bonding (or other financial instrument) requirements normally associated with emergency rate increases should be waived or set at a minimal level of \$10 as the Company's current resources are very limited.

Staff's recommends that the Company should be ordered to use funds from the emergency/interim surcharge to hire a Water System Operator certified by the Arizona Department of Environmental Quality ("ADEQ").

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<sup>2</sup> Although the Company's motion for emergency/interim rate increase indicates that the rate increase is expected to produce \$1,830 in revenue per month, the amount appears to be based on the erroneous assertion of having only 61 customers that the surcharge would be applied to.

Staff recommends that proof of the hiring of an ADEQ certified operator should be filed with the Commission no later than April 25, 2014.

Staff further recommends that due to the ongoing Staff evaluation of the base rate application, including the work requirements of the certified operator, that the Company be placed on notice that the recommendations contained within the Staff Memorandum do not bind Staff in its continuing evaluation of the base rate application or the Commission in its review of the base rate application.



Steven M. Olea  
Director  
Utilities Division

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Originator: Jom L. Keller

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION  
 OF ARIZONA WINDSONG REALTY, INC.  
 FOR A DETERMINATION OF THE FAIR  
 VALUE OF TIS UTILITY PLANT AND  
 PROPERTY AND FOR ADJUSTMENTS TO  
 ITS RATES AND CHARGES FOR UTILITY  
 SERVICE.

DOCKET NO. W-02250A-14-0028  
 DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
 April 8 and 9, 2014  
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On January 31, 2014, Arizona Windsong Realty, Inc. (“Windsong” or “Company”) filed an application for a permanent rate increase with the Arizona Corporation Commission (“Commission”).

2. On February 25, 2014, Commission Utilities Division Staff (“Staff”) filed a letter in the docket finding the application sufficient.

3. Windsong is an Arizona class D water utility engaged in the business of providing potable water service.

4. The Company serves 69 residential customers, all of whom are on 5/8-inch by 3/4-inch meters.<sup>1</sup>

5. Windsong serves the community of Sanders, Arizona. Sanders is an unincorporated

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<sup>1</sup> Staff notes that the Company’s motion for an emergency/interim rate increase states that the Company has only 61 customers. Staff contacted representatives of the Company and confirmed that the Company has 69 customers.

1 community, located between St. Johns, Arizona and Gallup, New Mexico.

2 6. On March 24, 2014, Windsong filed a motion for an emergency/interim rate  
3 increase. The motion states that Mr. Patton Earl Paulsell, the president of the Company, passed  
4 away recently.

5 7. Prior to the demise of Mr. Paulsell, the Company was operated by Mr. Paulsell and  
6 his wife, who were the officers and sole shareholders of the corporation. Mr. Paulsell provided  
7 operations and maintenance services to the system, and Mrs. Paulsell performed bookkeeping and  
8 billing duties.

9 8. The Company states in its motion that the recent death of Mr. Paulsell has left the  
10 Company without a person to maintain and operate the system because no other officer or  
11 employee is able to perform the needed operating tasks. This emergency threatens the operation of  
12 the water system, and the requested emergency/interim rate increase is to hire a licensed operator.  
13 The Company further asserts that no existing funds are available to pay for this expense.

14 9. Windsong's motion proposes to implement a \$30 per customer flat surcharge to pay  
15 for the services of a part time certified operator who can maintain the operation of the system.

16 10. The Company's current rates were established by Decision No. 51748 in February,  
17 1981.

18 11. Staff analyzed the motion for emergency/interim rate increase and filed a Staff  
19 Memorandum in the docket on April 3, 2014.

20 12. Staff noted in its Staff Memorandum that a complete discussion of the technical  
21 findings and conclusions of Staff would be contained within the Staff Report for the permanent  
22 rate application.

23 13. Staff states that with the demise of Mr. Paulsell, the Company currently has no one  
24 to perform the ongoing operational and maintenance tasks necessary to continue providing  
25 drinking water. Staff agrees that the Company needs a certified operator to maintain the continued  
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1 operation of the Company's facilities and that a monthly rate of approximately \$2,000<sup>2</sup> per month  
 2 at this time, considering the Company's specific circumstances, is a reasonable expense to hire a  
 3 certified operator for this system.

4 14. An emergency surcharge of \$30 per month per customer will provide funds to hire a  
 5 certified operator.

6 15. A \$30 surcharge applied to 69 customers will produce \$2,070 in additional revenue  
 7 per month.

8 16. The Company's current tariff authorizes a monthly minimum rate of \$16.00 and a  
 9 single tier charge of \$1.00 per thousand gallons monthly water usage above 3,000 gallons. The  
 10 emergency surcharge would be billed in addition to the current monthly minimum of each account,  
 11 producing a total monthly minimum charge of \$46 per month.

<u>Monthly Minimum</u>	<u>Current</u>	<u>Surcharge</u>	<u>Requested</u>
5/8-inch X 3/4-inch meter	16.00	30.00	46.00

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 15 17. Staff believes that emergency conditions exist such that this filing meets the  
 16 requirements necessary to file for emergency rate relief and for the Commission to act on the  
 17 request.

18 18. Staff recommends that the surcharge approved in this action terminate upon the  
 19 effective date that rates ordered in the permanent application become effective.

20 19. Staff believes that the bonding (or other financial instrument) requirements  
 21 normally associated with emergency rate increases should be waived or set at a minimal level of  
 22 \$10 as the Company's current resources are very limited.

23 20. Staff's recommends that the Company be ordered to use funds from the  
 24 emergency/interim surcharge solely to hire a Water System Operator certified by the Arizona  
 25 Department of Environmental Quality ("ADEQ").

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 28 <sup>2</sup> Although the Company's motion for emergency/interim rate increase indicates that the rate increase is expected to produce \$1,830 in revenue per month, the amount appears to be based on the erroneous assertion of having only 61 customers to which the surcharge would apply.



1 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall utilize funds  
2 collected pursuant to the emergency interim surcharge solely toward securing the services of an  
3 ADEQ certified operator to operate and maintain the water system.

4 IT IS FURTHER ORDERED that rates collected pursuant to the emergency interim  
5 surcharge are subject to true-up once rates are approved in Arizona Windsong Realty, Inc.'s  
6 application for a base rate increase. Amounts collected beyond what are approved in the  
7 permanent base rate case are subject to refund.

8 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall, by April 18, 2014,  
9 or with its next regularly scheduled billing, whichever occurs first, mail notice of the approved  
10 emergency interim surcharge to its customers, in a form and manner acceptable to Staff.

11 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall obtain a  
12 performance bond, or other comparable financial instrument in the amount of \$10, and shall  
13 provide the original to the Commission's Business Office for safekeeping and file copies with  
14 Docket Control as a compliance item in this docket prior to charging the emergency interim  
15 surcharge.

16 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall, by April 25, 2014,  
17 file in the Docket Control proof of the hiring of an ADEQ certified operator.

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IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. is put on notice that the emergency surcharge put into effect by this order is interim and solely intended to maintain the status quo during the pendency of the permanent base rate application. The Commission's approval of interim rates does not prevent the Commission from approving base rates in the permanent rate case that may preclude full recovery of amounts related to any cost or expense, including the ongoing employment of a certified operator.

**BY THE 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 this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:JLK:red/CHH

1 SERVICE LIST FOR: ARIZONA WINDSONG REALTY, INC.  
2 DOCKET NO. W-02250A-14-0028

3 Mr. Tim Sabo  
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5 One Arizona Center  
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7 Phoenix, Arizona 85004

8 Mrs. Paulsell  
9 Arizona Windsong Realty, Inc.  
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12 Mr. Steven M. Olea  
13 Director, Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
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17 Ms. Janice M. Alward  
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