

OPEN MEETING ITEM



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



ARIZONA CORPORATION COMMISSION

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2014 JUL -8 P 2:45

DATE: JULY 8, 2014
DOCKET NO.: W-02518A-13-0414

CORP COMMISSION
DOCKET CONTROL

ORIGINAL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette B. Kinsey. The recommendation has been filed in the form of an Order on:

Q MOUNTAIN MOBILE HOME PARK
(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:

JULY 17, 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:

JULY 22, 2014 and JULY 23, 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

JUL 8 2014

DOCKETED BY

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 SBernal@azcc.gov.

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 COMMISSIONERS

4 BOB STUMP - Chairman
5 GARY PIERCE
6 BRENDA BURNS
7 BOB BURNS
8 SUSAN BITTER SMITH

9 IN THE MATTER OF THE APPLICATION OF Q
10 MOUNTAIN MOBILE HOME PARK DBA Q
11 MOUNTAIN VISTA WATER FOR A
12 PERMANENT RATE INCREASE.

DOCKET NO. W-02518A-13-0414

DECISION NO. _____

ORDER

13 Open Meeting
14 July 22 and 23, 2014
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

17 * * * * *

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

20 Procedural History

21 On November 29, 2013, Q Mountain Mobile Home Park dba Q Mountain Vista Water ("Q
22 Mountain" or "Company") filed with the Commission an application for a permanent increase in its
23 water rates and charges. Using a test year ("TY") ending December 31, 2012, the Company's
24 application requests an increase of \$17,283, or 27.99 percent over TY revenues of \$61,737, to
25 \$79,020. The Company's proposed rates would increase the typical residential monthly bill for a 5/8
26 x 3/4-inch meter, using a median of 1,290 gallons, from \$16.58 to \$21.87, an increase of \$5.29 or
27 31.91 percent.

28 On December 20, 2013, The Commission's Utilities Division ("Staff") filed a Letter of
Sufficiency, stating that Q Mountain's rate application had met the sufficiency requirements of the
Arizona Administrative Code ("A.A.C."), and that Q Mountain had been classified as a Class D
utility.

1 On February 3, 2014, Q Mountain filed three proposed Best Management Practices
2 (“BMPs”).

3 On February 11, 2014, Q Mountain filed an amendment to its application.

4 On March 5, 2014, Staff filed a Staff Report recommending approval of Q Mountain’s rate
5 application using Staff’s recommended rates and charges.

6 On March 17, 2014, by Procedural Order, Q Mountain was directed to file either a letter
7 attesting that the Company was in agreement with Staff’s recommendations as stated in the Staff
8 Report or comments discussing any disagreements.

9 On the same date, Q Mountain filed a letter stating the Company disagreed with Staff’s
10 recommended Rate Design, adjustment to Purchased Water, and recommendations regarding Non-
11 Account Water loss.

12 On March 28, 2014, by Procedural Order, Staff was directed to file a response to the
13 Company’s disagreements and the timeclock in this matter was suspended.

14 On March 31, 2014, Q Mountain filed additional comments to the Staff Report.

15 On April 9, 2014, Q Mountain filed additional comments to the Staff Report.

16 On April 17, 2014, Staff filed a request for additional time, until May 2, 2014, to file its
17 response to Q Mountain’s disagreements. Staff’s filing stated that the Company did not object to
18 Staff’s request for additional time.

19 On April 18, 2014, by Procedural Order, Staff’s request for an extension of time, until May 2,
20 2014, was granted.

21 On April 24, 2014, Q Mountain docketed additional comments to the Staff Report.

22 On May 2, 2014, Staff filed its response to the Company’s disagreements, continuing to
23 support approval of the application, but modifying Staff’s recommendations to address some of the
24 Company’s comments.

25 On May 9, 2014, Q Mountain filed a reply to Staff’s response stating that it accepts Staff’s
26 modified recommendations.

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1 On June 30, 2014, Q Mountain docketed copies of its Board of Director's meeting held on
2 October 17, 2013, and November 21, 2013, showing that the rate application was discussed with
3 members of the homeowner's association during those meetings.

4 **FINDINGS OF FACT**

5 **Background**

6 1. Q Mountain is an Arizona non-profit public service corporation providing water utility
7 services to approximately 226 metered customers, in a 244 lot mobile home subdivision. Q Mountain
8 is also serving two customers located in two areas contiguous to Q Mountain's service area.

9 2. Q Mountain is a non-profit homeowner's association and was initially granted a
10 Certificate of Convenience and Necessity ("CC&N") in Decision No. 56484 (May 17, 1989). The
11 Company is currently operating on rates and charges established in Decision No. 72394 (May 27,
12 2011).

13 3. Q Mountain's water system is located within the Town of Quartzsite ("Town") in La
14 Paz County, Arizona. The Company's CC&N territory encompasses 57 acres.

15 4. On November 29, 2013, the Company filed the above-captioned application
16 requesting an increase of \$17,283, or 27.99 percent over TY revenues of \$61,737, to \$79,020, using a
17 TY ending December 31, 2012.

18 5. Notice of the application was given in accordance with the law.¹

19 6. There were no consumer comments filed in this docket.

20 7. Based on the Company's responses to Staff's initial recommendations, Staff modified
21 its recommendations, but continued to recommend approval of Q Mountain's rate application.

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

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28 ¹ Application at 32.

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<u>MONTHLY USAGE CHARGES:</u>	<u>Current Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$14.00	\$18.00	\$17.00
3/4" Meter	21.00	27.00	25.50
1" Meter	35.00	45.00	42.50
1-1/2" Meter	70.00	90.00	85.00
2" Meter	112.00	144.00	136.00
3" Meter	210.00	270.00	272.00
4" Meter	350.00	450.00	425.00
6" Meter	700.00	900.00	850.00
Gallons in Minimum	0	0	0
<u>COMMODITY CHARGES: (per 1,000 Gallons)</u>			
<u>5/8 x 3/4" Meter and 3/4" Meter</u>			
0 - 2,000 gallons	\$2.00	\$3.00	N/A
2,001 to 8,000 gallons	3.70	4.70	N/A
Over 8,000 gallons	6.00	7.00	N/A
0 - 2,000 gallons	N/A	N/A	\$2.50
2,001 to 7,000 gallons	N/A	N/A	5.00
Over 7,000 gallons	N/A	N/A	7.50
<u>1" Meter (All Classes)</u>			
0 - 2,000 gallons	\$2.00	\$3.00	N/A
2,001 to 8,000 gallons	3.70	4.70	N/A
Over 8,000 gallons	6.00	7.00	N/A
First 20,000 gallons	N/A	N/A	\$5.00
Over 20,000 gallons	N/A	N/A	7.50
<u>1 1/2" Meter (All Classes)</u>			
0 - 2,000 gallons	\$2.00	\$3.00	N/A
2,001 to 8,000 gallons	3.70	4.70	N/A
Over 8,000 gallons	6.00	7.00	N/A
0 - 50,000 gallons	N/A	N/A	\$5.00
Over 50,000 gallons	N/A	N/A	7.50

1	<u>2" Meter (All Classes)</u>			
2	0 – 2,000 gallons	\$2.00	\$3.00	N/A
	2,001 to 8,000 gallons	3.70	4.70	N/A
3	Over 8,000 gallons	6.00	7.00	N/A
4	0 – 80,000 gallons	N/A	N/A	\$5.00
5	Over 80,000 gallons	N/A	N/A	7.50
6	<u>3" Meter (All Classes)</u>			
7	0 – 2,000 gallons	\$2.00	3.00	N/A
	2,001 to 8,000 gallons	3.70	4.70	N/A
8	Over 8,000 gallons	6.00	7.00	N/A
9	0 – 150,000 gallons	N/A	N/A	\$5.00
10	Over 150,000 gallons	N/A	N/A	7.50
11	<u>4" Meter (All Classes)</u>			
12	0 – 2,000 gallons	\$2.00	\$3.00	N/A
13	2,001 to 8,000 gallons	3.70	4.70	N/A
	Over 8,000 gallons	6.00	7.00	N/A
14	0 – 300,000 gallons	N/A	N/A	\$5.00
15	Over 300,000 gallons	N/A	N/A	7.50
16	<u>6" Meter (All Classes)</u>			
17	0 – 2,000 gallons	\$2.00	\$3.00	N/A
18	2,001 to 8,000 gallons	3.70	4.70	N/A
	Over 8,000 gallons	6.00	7.00	N/A
19	0 – 500,000 gallons	N/A	N/A	\$5.00
20	Over 500,000 gallons	N/A	N/A	7.50
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22	...			
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	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
1 <u>SERVICE CHARGES:</u>			
2 Establishment	\$35.00	\$35.00	\$35.00
Reconnection (Delinquent)	50.00	50.00	50.00
3 After Hour Service Charge (At Customers Request)	45.00	45.00	45.00
Meter Test (If Correct)	20.00	20.00	20.00
4 Deposit	(a)	(a)	(a)
Deposit Interest	(a)	(a)	(a)
5 Re-Establishment (Within 12 months)	(b)	(b)	(b)
6 NSF Check	\$10.00	\$25.00	\$20.00
Deferred Payment (Per Month)	1.5% (c)	1.5% (c)	1.5% (c)
7 Meter Re-Read (If Correct)	\$10.00	\$10.00	\$10.00
Late Payment Fee	N/A	N/A	N/A
8 Reconnection (Delinquent and After Hours)	N/A	N/A	N/A

- 9** (a) Per Commission rule A.A.C. R-2-403(B).
- 10** (b) Number of months off system times the monthly minimum A.A.C.R14-2-403(D).
- (c) Per Month.

11 In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use and franchise tax. Per Commission rule 14-2-409D(5).

13 **Rate Base**

14 9. Q Mountain's application states that it had TY revenues of \$61,737, operating
15 expenses of \$59,562, resulting in an operating income of \$2,175, which based on the Company
16 reported original cost rate base ("OCRB") of \$32,610, results in a 6.67 percent return on OCRB and
17 an operating margin of 3.52 percent.

18 10. Q Mountain did not propose a fair value rate base ("FVRB") that differs from its
19 OCRB of \$32,610.

20 11. Q Mountain included in its OCRB \$10,054 for plant additions for the initial
21 installation of the backflow prevention assembly and water main for the Town meter installed in
22 2008. The Company stated that the plant additions were excluded from its last rate case and that the
23 Company spent \$9,053 for the installation of a pressure reduction assembly and the replacement parts
24 for the backflow prevention assembly. The Company requested that these amounts be included in
25 OCRB. Staff concurs with the Company's proposed Plant-in-Service additions.

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1 12. Staff made net adjustments of \$759 to Q Mountain's proposed OCRB, resulting in an
2 overall decrease from \$32,610 to \$31,851.² Staff's recommended adjustments to the Company's
3 OCRB were in the areas of Accumulated Depreciation and Working Capital Allowance ("WCA").³

4 13. Staff's adjustments to Accumulated Depreciation reflect an overall increase of \$967
5 from \$43,461 to \$44,428.⁴ Staff recommends adjustments to accumulated depreciation to account for
6 the Company's new plant additions (as explained above) and to correct the Company's calculation
7 errors.⁵

8 14. Q Mountain proposed a WCA of \$4,636. Staff proposed using the formula method to
9 calculate WCA for Q Mountain.⁶ Staff made net adjustments of \$208 to Q Mountain's proposed
10 WCA, resulting in an increase from \$4,636 to \$4,844. Staff's adjustments included a decrease of
11 \$153 to Purchased Power & Water expense and an increase of \$361 to reflect an increase in
12 Operations & Maintenance expense.⁷

13 15. Q Mountain did not oppose Staff's recommendations/adjustments to OCRB. Staff's
14 adjustments to OCRB are just and reasonable and we find that Q Mountain's OCRB is \$31,851. Q
15 Mountain did not request a Reconstruction New Rate Base, and therefore Q Mountain's fair value
16 rate base is equivalent to its OCRB, or \$31,851.

17 **TY Operating Expenses and Revenues**

18 16. Q Mountain states that for the TY it had operating revenues of \$61,737, and operating
19 expenses of \$59,562, resulting in an operating income of \$2,175.

20 17. Staff concurs with the Company's TY operating revenues of \$61,737, but Staff
21 increased the Company's TY operating expenses by \$2,352, from \$59,562 to \$61,914, resulting in an
22 operating loss of \$177.⁸

23 _____
24 ² Staff Schedule TBH-2 at 1.

25 ³ Staff concurred with the Company's request to include \$10,054 in plant additions that were installed, but were not
26 included in the last rate case. Staff states that the amount includes installation of a backflow prevention assembly
(installed in 2008), pressure reduction assembly (installed in 2012) and water main for the Town meter.

26 ⁴ Staff Schedule TBH-2 at 3.

26 ⁵ *Id.*

27 ⁶ The formula method equals one-eighth of the operating expenses less depreciation, taxes, purchased power and
28 purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

27 ⁷ Staff Schedule TBH-2 at 4.

28 ⁸ Staff schedule TBH-1 at 1.

1 18. On a going forward basis, Staff recommends pro-forma total operating expenses of
2 \$62,058 or \$144 over Staff's adjusted TY expenses of \$61,914.⁹

3 19. Staff's pro-forma adjustments to operating expenses include:

- 4 a. Increasing Salaries and Wages by \$6,000, from \$0 to \$6,000, to reflect the
5 addition of an annual salary for a bookkeeper at a rate of \$500 per month.¹⁰
6 b. Decreasing Purchased Water by \$3,659, from \$32,701 to \$29,042, to remove
7 the cost of water representing loss in excess of 10 percent.¹¹
8 c. Increasing Repairs and Maintenance by \$3,868, from \$6,745 to \$10,613, to
9 reflect the average of repairs and maintenance expenses to normalize the
10 expenses for the years 2011 through 2013¹² and to reclassify expenses
11 allocated to outside services.
12 d. Decreasing Outside Services by \$6,215, from \$9,695 to \$3,480, to reclassify
13 expenditures that should have been included in the Repairs and Maintenance
14 account. Staff also disallowed \$150 for 2011 expenses paid in 2012.
15 e. Increasing Water Testing by \$100, from \$530 to \$630, to reflect Staff's
16 calculation of water testing expenses.
17 f. Increasing Rate Case Expense by \$1,277 from \$0 to \$1,277 to reflect the
18 Company's estimates of the expense for this rate case of \$3,831. Staff
19 normalized \$3,500 in rate case expense over three years.¹³
20 g. Increasing Depreciation by \$981, from \$763 to \$1,744, to reflect Staff's
21 application of Staff's recommended depreciation rates to Staff's recommended
22 plant balances.

23 20. Q Mountain initially opposed Staff's adjustment to Purchased Water stating that non-
24 revenue water above 10 percent plus non-revenue water for beneficial use should not be considered in
25 operating expenses, but instead as a contingency expense that should be provided for by operating
26 margin.¹⁴ The Company asserted that its non-account water loss is chronic; the Company has been
27 unable to identify the leaks using a Leak Detection Survey; and that leaks do not come to the surface
28 sometime for months because of the topography in the Company's service area.¹⁵ The Company

22 ⁹ *Id.*

23 ¹⁰ In the Company's last rate case, an operating expense of \$4,800 was approved for the salary of a bookkeeper. However,
24 the Company states that the expense was not incurred due to the Company's operating loss related to its unexpected water
25 loss and high maintenance expenses.

26 ¹¹ Staff states the total gallons were adjusted to the current commodity rates and base rates. However, the Company's
27 contract with the Town will expire in October 2014 and at that time the Company will be subject to the Town's prevailing
28 water rates. Staff has recommended that the Commission adopt a Purchased Water Adjustor Mechanism Tariff
("PWAM") for implementation by Q Mountain.

¹² Staff made pro forma adjustments to normalize the expenditures and included post TY 2013 expenses in its calculation.

¹³ Staff's adjustment included 10 hours for rate case legal assistance for the year 2014; copies; postage; and preparation of
bill counts information.

¹⁴ Company Response dated March 17, 2014. In the Company's filing docketed on May 9, 2014, the Company states it
now agrees with Staff's recommended revenue requirement, which results in an operating income of \$15,303.

¹⁵ *Id.*

1 further explained that unless its distribution system is retrofitted or replaced, it will continue to
 2 experience significant water loss and the cost of that water loss; and that the water loss will reduce its
 3 expected operating margin and affect the stability of the water system.¹⁶ Q Mountain contends that
 4 Staff's adjustment to Purchased Water constitutes 40 percent of Staff's recommended operating
 5 margin of \$15,303.¹⁷

6 21. Staff responded that ratepayers should not be burdened with the incremental costs
 7 associated with the Company's excess water losses and that it is the responsibility of the Company to
 8 keep its non-account water loss at 10 percent or lower.¹⁸ Staff also states that the total allowable
 9 220,000 gallons for non-revenue beneficial uses, gallons sold, plus the allowable 10 percent water
 10 loss were used in Staff's calculation and that recoverable cost for water associated with lost volumes
 11 must be held to a just and reasonable level for ratemaking purposes.¹⁹

12 22. Staff recommends that the Company continue to record and monitor monthly water
 13 losses, repair any leak as soon as it is discovered, and implement the corrective measures
 14 recommended by the ADEQ Technical Assistance Program. Staff also recommends that the
 15 Company submit a water loss monitoring report to the Commission every January and July, until
 16 water loss is less than 10 percent, or until further order of the Commission, whichever comes first.
 17 The water loss monitoring report should include gallons purchased, gallons sold, gallons of non-
 18 revenue beneficial uses and water loss percentage for each month during the year.

19 23. Q Mountain states its goal is to reduce its non-revenue water loss, by being proactive
 20 in finding unreported leaks in its system; optimizing leak repairs; operating its water system at no
 21 more than 45 pounds per square inch ("PSI") on its system; and continuing to inspect its meters and
 22 services for low flows in order to reduce its non-revenue water loss.

23 24. The Company's goal and efforts to reduce its non-revenue water loss is commendable
 24 and we encourage Q Mountain to continue its efforts.

25 ...

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 27 ¹⁶ Company Response dated March 17, 2014.

¹⁷ *Id.*

¹⁸ Staff's Response docketed May 2, 2014 at 4.

28 ¹⁹ *Id.* at 5.

1 25. Q Mountain states that it no longer opposes Staff's adjustment to purchased water
2 expense.

3 26. We find Staff's recommendation reasonable and we will adopt it. We also find that
4 Staff's adjustments to operating expenses are just and reasonable and should be adopted. Further, we
5 find that for the TY, Q Mountain had an operating loss of \$177, on operating revenues of \$61,737,
6 and adjusted TY expenses of \$61,914.

7 **Revenue Requirement**

8 27. Staff recommends a total operating revenue requirement of \$77,361, an increase of
9 \$15,624 or 25.31 percent over the Company's TY revenues, resulting in an operating income of
10 \$15,304,²⁰ a rate of return of 48.05 percent, and an operating margin of 19.78 percent.²¹

11 28. Q Mountain does not oppose Staff's recommended revenue requirement.²² We find
12 that Staff's recommended requirement is just and reasonable and should be adopted. Therefore, we
13 find that Q Mountain has a revenue requirement of \$77,361.

14 **Rate Design**

15 29. Q Mountain agrees with Staff's proposed rate structure that includes a monthly
16 minimum charge that increases by meter size and an inverted three-tier commodity rate with
17 breakover points at 2,000 gallons and 7,000 gallons for 5/8 x 3/4-inch meters and graduates by meter
18 size.²³

19 30. Staff states that its recommended rate design takes into consideration the large number
20 of Q Mountain customers that are seasonal. Out of 228 metered customers, 139 of the customers are
21 seasonal. To account for the seasonal customers, Staff's recommended rates result in 60 and 40
22 percent of revenues being generated from the monthly minimum and commodity charges,
23 respectively.²⁴

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26 ²⁰ Although Staff's Schedule TBH-1 shows the amount of \$15,303, using \$62,058 for operating expenses, the actual amount is \$15,304.

27 ²¹ Staff Schedule TBH-1.

28 ²² Company Response docketed May 9, 2014.

²³ *Id.*

²⁴ Staff Schedule TBH-4.

1 31. Q Mountain relies 100 percent on the Town for its water supply. Q Mountain requests
2 that the Commission authorize a Purchased Water Adjustor Mechanism ("PWAM") to allow the
3 Company to pass through increases in its purchased water costs.²⁵ Q Mountain's contract with the
4 Town expires on August 31, 2014, at which time Q Mountain's current rates will expire and the
5 Town will set new rates.²⁶ Q Mountain states that because the Company is a captive customer with no
6 alternative but to absorb the price adjustments set by the Town, that it should be allowed to
7 implement a PWAM for both its monthly base rates and its commodity rates. Q Mountain asserts that
8 the PWAM will allow it to automatically pass through the Town's increases in its rates and eliminate
9 the need for the Company to incur the expense of filing another rate application. Further, Q Mountain
10 contends that the PWAM will allow it to maintain an operating margin to address its excessive water
11 loss without the Company needing to cover the increased rates.²⁷

12 32. Staff concurs with the Company's proposed implementation of a PWAM. Staff states
13 that due to the Company's reliance on the Town for all its water supply and the Town-controlled cost
14 of water, the creation of a PWAM will allow the Company to recover increased costs that are outside
15 its control.

16 33. Staff recommends approval of a PWAM that covers both the commodity rate and the
17 customer charge billed from the Town. Staff also recommends that the Company notify its customers
18 of any changes in the Town's water charges within 30 calendar days of notice provided by the Town
19 to the Company. Staff further recommends that the surcharge be applied 30 calendar days after the
20 Town implements new water rates.

21 34. Staff also recommends that Q Mountain file with the Commission's Utilities Division,
22 30 days prior to the implementation of a new surcharge, documentation showing the calculation of
23 the surcharge using the methodology shown in Staff's recommended tariff, attached hereto as
24 Attachment A.

25 _____
26 ²⁵ Company Response docketed April 9, 2014.

27 ²⁶ The Town is proposing to increase the monthly base rate for a 6-inch meter from \$843.23 to \$1,047.29; increasing
28 commodity rates from \$2.37 per thousand gallons to \$4.48 up to the first 15,000 gallons; and from \$2.37 to \$5.43 over
15,000 gallons. The Company states that these proposed rates and charges are going through workshops and public
hearings and have not been adopted by the Town.

²⁷ Company response docketed April 9, 2014.

1 35. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter bill with a
2 median usage of 1,290 gallons from \$16.58 to \$20.23, an increase of \$3.65 or 21.98 percent.

3 36. Q Mountain agrees with Staff's recommended charge for Non-Sufficient Fund check
4 of \$20. Q Mountain did not propose any other changes to its existing charges.

5 37. Q Mountain's current tariff schedule does not include Service Line and Meter
6 Installation charges. Q Mountain has proposed that it continue not charging for service line and
7 meter installations. According to Staff, the developer for Q Mountain's mobile home area installed
8 service lines and meters to most of the 244 lots in the late 1980s and 1990s, and that the Company
9 prefers not to charge for customers for meters and service line installations because Q Mountain
10 believes the administrative cost of refunding these charges outweighs the benefit. Staff concurs.

11 38. We find that Staff's recommended rates and charges are just and reasonable and
12 should be adopted. Further, we find that Staff's recommendation for the implementation of a PWAM
13 is just and reasonable and should be adopted. However, we believe that prior to implementing a
14 surcharge, Q Mountain should be required to provide Staff its proposed PWAM tariffed rates, for
15 Staff's review and confirmation that the surcharge rate will correctly collect the increases or
16 decreases in charges implemented by the Town. Upon review and confirmation by Staff of Q
17 Mountain's a new surcharge, Q Mountain shall file, within 15 days of Staff's confirmation, with
18 Docket Control, as a compliance item, a new PWAM tariff showing its new surcharge and the date
19 when the new surcharge will be implemented. Further, we will require Q Mountain to file its next
20 general rate case by April 30, 2018, to insure that the PWAM is operating appropriately and that Q
21 Mountain's rates are just and reasonable with the PWAM in place.

22 **Water System/Compliance**

23 39. Based on a compliance status report issued on December 23, 2013, the Arizona
24 Department of Environmental Quality ("ADEQ") indicated Q Mountain's water system, via the
25 interconnection with the Town, meets water quality standards as set forth in the A.A.C.

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1 40. According to Staff, Q Mountain provided documentation showing that it is in
2 compliance with ADEQ monitoring and reporting requirements.²⁸

3 41. Q Mountain is not located within an Arizona Department of Water Resources
4 (“ADWR”) Active Management Area (“AMA”). ADWR has determined that Q Mountain is in
5 compliance with departmental requirements governing water providers and/or community water
6 systems.

7 42. Staff recommends that Q Mountain file with Docket Control, as a compliance item in
8 this docket, within 90 days of the effective date of this Decision, at least three Best Management
9 Practices (“BMPs”) in the form of tariffs that substantially conform to the templates created by Staff,
10 for the Commission’s review and consideration. Although Q Mountain did not oppose Staff’s
11 recommendation for the implementation of a BMP tariff, we find that it is appropriate not to require
12 Q Mountain to file BMP tariffs and that our finding is consistent with other Commission Decisions.²⁹

13 43. The Commission’s Utilities Division Compliance Section reports no delinquent
14 compliance issues for the Company.

15 44. Q Mountain has approved Curtailment and Backflow Prevention tariffs on file with
16 the Commission.

17 45. Q Mountain is current on its property and sales taxes in Arizona.

18 46. Because an allowance for the property tax expense of Q Mountain is included in the
19 Company’s rates and will be collected from its customers, the Commission seeks assurances from the
20 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
21 authority. It has come to the Commission’s attention that a number of water companies have been
22 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,
23 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure, Q
24 Mountain should annually file, as part of its annual report, an affidavit with the Utilities Division
25 attesting that the Company is current in paying its property taxes in Arizona.

26 ...

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²⁸ Staff Response at 6.

²⁹ See Decision No. 74446 (April 18, 2014) and Decision No. 74391 (March 19, 2014).

CONCLUSIONS OF LAW

1. Q Mountain is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 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. The rates and charges authorized herein are just and reasonable and should be approved without a hearing.

5. Staff's recommendations, as modified herein are just and reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista Water shall file by July 31, 2014, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGES:

5/8" x 3/4" Meter	\$17.00
3/4" Meter	25.50
1" Meter	42.50
1-1/2" Meter	85.00
2" Meter	136.00
3" Meter	272.00
4" Meter	425.00
6" Meter	850.00

COMMODITY CHARGES: (Per 1,000 Gallons)

5/8 x 3/4" Meter and 3/4" Meter (All Classes)

0 - 2,000 gallons	\$2.50
2,001 to 7,000 gallons	5.00
Over 7,000 gallons	7.50

1" Meter (All Classes)

0 - 20,000 gallons	\$5.00
Over 20,000 gallons	7.50

...

1 1/2" Meter (All Classes)

0 - 50,000 gallons	\$5.00
Over 50,000 gallons	7.50

2" Meter (All Classes)

0 - 80,000 gallons	\$5.00
Over 80,000 gallons	7.50

3" Meter (All Classes)

0 - 150,000 gallons	\$5.00
Over 150,000 gallons	7.50

4" Meter (All Classes)

0 - 300,000 gallons	\$5.00
Over 300,000 gallons	7.50

6" Meter (All Classes)

0 - 500,000 gallons	\$5.00
Over 500,000 gallons	7.50

SERVICE CHARGES:

Establishment	\$35.00
Reconnection (Delinquent)	50.00
After Hour Service Charge (At Customers Request)	45.00
Meter Test (If Correct)	20.00
Deposit	(a)
Deposit Interest	(a)
Re-Establishment (Within 12 months)	(b)
NSF Check	\$20.00
Deferred Payment (Per Month)	1.5% (c)
Meter Re-Read (If Correct)	\$10.00

(a) Per Commission rule A.A.C. R-2-403(B).

(b) Number of months off system times the monthly minimum A.A.C.R14-2-403(D).

(c) Per Month.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use and franchise tax. Per Commission rule 14-2-409D(5)

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

...

1 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
2 Water shall notify its customers of the rates and charges approved in this Decision, and the condition
3 for the rates and charges to take effect, in a form acceptable to Staff, by means of an insert in its next
4 regular scheduled billing.

5 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
6 Water is hereby authorized to implement a Purchased Water Adjustor Mechanism tariff to recover
7 increases and decreases in both its commodity rate charges and the monthly customer charge billed
8 by the Town of Quartzsite.

9 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
10 Water shall file, within 30 days of the effective date of this Decision, a Purchased Water Adjustor
11 Mechanism tariff using the methodology outlined in Attachment A, attached hereto.

12 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
13 Water shall notify its customers of any proposed changes in the Town of Quartzsite's water charges
14 within thirty (30) days of receiving notice from the Town of Quartzsite that it intends to increase its
15 water charges.

16 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
17 Water shall file with the Commission's Utilities Division Staff, documentation showing the
18 calculation of any proposed Purchased Water Adjustor surcharges using a methodology consistent
19 with that recommended by Staff and outlined in Attachment A, within thirty (30) days of receiving
20 notice from the Town of Quartzsite that it intends to increase its rates and charges.

21 IT IS FURTHER ORDERED that the Commission's Utilities Division Staff shall review Q
22 Mountain Mobile Home Park dba Q Mountain Vista Water's calculation and proposed surcharge
23 rates and confirm, by making a filing with Docket Control, that Q Mountain's proposed surcharge
24 will collect the appropriate costs associated with any increases or decreases in the Town of
25 Quartzsite's rates and charges.

26 IT IS FURTHER ORDERED that upon confirmation by Commission Utilities Division Staff
27 of the correct Purchased Water Adjustor surcharge, Q Mountain Mobile Home Park dba Q Mountain
28 Vista Water shall file with Docket Control, as a compliance item in this docket, within 15 days of

1 Staff's confirmation, a new tariff showing the surcharge and the date (which shall not precede the
2 effective date of the increase in water charges from the Town of Quartzsite) that the surcharge will be
3 implemented.

4 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
5 Water shall file its next general rate case no later than April 30, 2018, which shall include a review of
6 any Purchased Water Adjustor surcharges.

7 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
8 Water shall continue to record and monitor monthly water losses, repair any leaks as soon as
9 discovered, and implement corrective measures recommended by the ADEQ Technical Assistance
10 Program.

11 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
12 Water shall submit a water loss monitoring report to the Commission every January and July, until
13 water loss is less than 10 percent, or until further order of the Commission, whichever comes first.
14 The Company's water loss monitoring report should include gallons purchased, gallons sold, gallons
15 of non-revenue beneficial uses and water loss percentage for each month during the year.

16 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
17 Water shall, on an a going-forward basis, use the depreciation rates delineated in Table B attached
18 hereto as Attachment B.

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1 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista
2 Water shall continue not charging for Service Line and Meter Installation.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
5
6

7 CHAIRMAN _____ COMMISSIONER _____

8
9 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____

10
11 IN WITNESS WHEREOF, I, JODI JERICH, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this _____ day of _____ 2014.

16 _____
17 JODI JERICH
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20 DISSENT _____
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SERVICE LIST FOR:

Q MOUNTAIN MOBILE HOME PARK dba
Q MOUNTAIN VISTA WATER

DOCKET NO.:

W-02518A-13-0414

Cheryl A. Greenstreet
Secretary, Board of Directors
Q MOUNTAIN MOBILE HOME PARK
PO Box 4930
Quartzsite, AZ 85359

Robert Kelley, Jr.
Board of Directors
Q MOUNTAIN MOBILE HOME PARK
PO Box 4930
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Janice Alward, Chief Counsel
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ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
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Steven Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
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Q MOUNTAIN MOBILE HOME PARK DBA Q MOUNTAIN VISTA WATER
STAFF RECOMMENDED PURCHASED WATER ADJUSTOR MECHANISM ("PWAM")
TARIFF

APPLICABILITY

Applicable to all customers of Q Mountain Mobile Home Park DBA Q Mountain Vista Water.

BASE COST OF PURCHASED WATER¹

Base Cost of Purchased Water - Commodity Rate: \$2.37 per 1,000 gallons

Base Cost of Purchased Water - Monthly Customer Charge: \$843.23 per month

TERMS AND CONDITIONS

1. Q Mountain Mobile Home Park ("Q Mountain") is authorized to make adjustments to its rates and charges to recover changes to the cost of purchased water from the Town of Quartzsite ("Town") for both the Commodity Rate and the Monthly Customer Charge.
2. An average commodity rate will need to be calculated on a monthly basis when more than one commodity rate is charged by the Town. The average commodity rate is calculated by dividing the total monthly charges for the gallons purchased for all commodity rates by the gallons purchased in thousands.
3. The commodity rate surcharge will be calculated by subtracting the base cost of \$2.37 from the average purchased water commodity rate (per 1,000) being charged by the Town. The difference is multiplied by the actual customer usage divided by 1,000 gallons then multiplied by 1.10² for current allowable water loss (10%). The calculation is as follows: Difference X ((Actual Usage/1,000 gallon) X 1.10 (Current Allowable Water Loss)).
4. The monthly customer surcharge will be calculated by subtracting \$843.23 from the cost of the monthly customer charge (Monthly Base Rate³) being charged by the Town. The difference is divided by the average number of customers from the current year. The calculation is as follows: Difference / Average number of current year customers.
5. Customers shall be notified of any changes in the Town's water charges within 30 days of the notice provided by the Town to Q Mountain.
6. The Purchased Water Cost Adjustor Surcharges shall appear on each customer's bill as a separate charge (Total for the Purchased Water – Commodity Rate Surcharge and Purchased Water - Monthly Customer Surcharge).

¹ This expense is already embedded in the Company's current rates. These are the current rates and charges for Test Year 2012.

² The current allowable water losses may not exceed 10 percent. Once the Company reduces its water losses to less than 10 percent, the surcharge would include only the actual water loss percentage.

³ The Town of Quartzsite refers to this charge as the Monthly Base Rate.

ATTACHMENT A

DECISION NO. _____

7. The Purchased Water Adjustor Mechanism Tariff can be implemented upon new water charges by the Town.
8. Q Mountain shall apply the surcharge 30 days after the Town implements the new water charges.
9. Q Mountain will make a filing with the Utilities Division of the Arizona Corporation Commission ("Staff") showing the calculation of the surcharges using the same methodology discussed herein within 30 days prior to the implementation of new surcharges due to new water charges by the Town.

CALCULATION OF THE 2015 SURCHARGE – FOR ILLUSTRATIVE PURPOSES ONLY

Monthly Average Cost of Water (Cost of purchased water per 1,000 gallons by Town / Total Gallons Purchased) ⁵	\$5.41
Less: Staff recommended base cost of purchased water per 1,000 gallons	<u>\$2.37</u>
Cost of purchased water gallonage surcharge per 1,000 gallons	\$3.04
Median Usage Customer Example: ⁶	
Median Usage plus 10% usage (1,290 gallons/1,000 gallons) * 1.10 (Current Allowable Water Loss)	1.419
Multiplied: By the Cost of purchased water gallonage surcharge per 1,000 gallons	<u>\$3.04</u>
Cost of Median Usage purchased water surcharge	\$4.31
2015 Cost of monthly customer charge (per month) by Town	
	\$1,047.29
Less: Staff recommended base cost of monthly customer charge (per month)	<u>\$843.23</u>
Cost of monthly customer charge (per month)	\$204.06
Divided: By the Current Year Average Customers ⁷	<u>223</u>
Cost of monthly customer surcharge per customer	\$0.92
Median Usage Customer Example: ⁸	
Cost of Median Usage purchased water gallonage surcharge (Median Usage 1,290 gallons)	\$4.31
Cost of monthly customer surcharge per customer	<u>\$0.92</u>
Total Surcharges for Median Usage Customer	<u>\$5.23</u>

DOCKET NO. W-02418A-13-0414

EFFECTIVE DATE: September 1, 2014

⁴ The 2015 rates and charges from the Town of Quartzsite's Town Manager on April 21, 2014 used as illustrative examples based on recommended rates by Town's water study for upcoming fiscal year.

⁵ The Monthly Average Cost of Water is calculated by dividing the total monthly charges for the gallons purchased for all commodity rates by the gallons purchased in thousands.

⁶ Test Year Median Usage is 1,290 gallons.

⁷ The 2013 Current Year Average Customers are 223 customers.

⁸ Test Year Median Usage is 1,290 gallons.

TABLE B

DEPRECIATION RATE TABLE FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	---

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

ATTACHMENT B

DECISION NO. _____