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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUL 30 2014

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

DOCKETED BY [Signature]

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

DECISION NO. 74597

ORDER

Open Meeting
July 22 and 23, 2014
Phoenix, Arizona

BY 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

Procedural History

1. On January 31, 2014, Mr. Patton Earl Paulsell d/b/a Arizona Windsong Realty, Inc. ("Windsong Realty" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting a permanent increase in its water rates and charges ("Application"). The Application uses calendar year 2012 as its test year.

2. On February 11, 2014, the Company filed a declaration attesting that notice of the Application was mailed to each customer of record on or before January 31, 2014.

3. On February 24, 2014, the Company filed an amendment to its Application revising its proposed service charges.

4. On February 25, 2014, the Commission's Utilities Division ("Staff") filed a Letter of Sufficiency, stating the Application met the sufficiency requirements of the Arizona Administrative

1 Code ("A.A.C.") and that the Company had been classified as a Class D Utility.

2 5. On March 19, 2014, the Company filed a report from Mr. Terry Oldham, a water
3 system operator certified by the Arizona Department of Environmental Quality ("ADEQ"),
4 discussing the estimated costs for addressing the most urgent infrastructure issues for the Company.
5 Mr. Oldham indicates that the most pressing issues include: an unprotected wellhead; no functioning
6 chlorine system; no system pressure pump; the need to replace the pressure tank; and the need to
7 replace the structure housing the pressure pump and tank. According to Mr. Oldham, it is imperative
8 that these issues be addressed for the safety and reliability of the water system.

9 6. On March 24, 2014, the Company filed a Motion for Emergency/Interim Surcharge
10 stating that its president and operator, Mr. Paulsell, had recently passed away and requesting the
11 implementation of an emergency interim surcharge in an amount sufficient to allow the Company to
12 hire a certified operator.

13 7. On April 2, 2014, the Company filed a declaration attesting that notice of the Motion
14 for Emergency/Interim Rate Surcharge was mailed to each customer of record on April 2, 2014.

15 8. On April 3, 2014, Staff filed a Memorandum and Proposed Order stating that the lack
16 of a certified operator constituted an emergency and recommending the implementation of an
17 emergency interim surcharge of \$30.00 per month per customer to allow the Company to hire a
18 certified operator.

19 9. On April 18, 2014, the Commission granted the Company's Motion for
20 Emergency/Interim Surcharge and authorized the emergency interim surcharge recommended by
21 Staff (Decision No. 74442). In granting the motion, the Commission found that the facts and
22 circumstances demonstrated that the Company faced an emergency that justified granting interim
23 relief. The Commission ordered the emergency interim surcharge to terminate upon the effective
24 date of permanent rates approved in the Company's Application.

25 10. On April 18, 2014, in compliance with Decision No. 74442, the Company filed: proof
26 of hiring Mr. Oldham as certified operator; a copy of the performance bond that was delivered to the
27 Commission's Business Office; and a declaration attesting that notice of the approved emergency
28 interim surcharge was mailed to each customer of record on April 18, 2014.

1 11. On April 22, 2014, the Company filed an amendment to its Application revising its
2 proposed rates and charges.

3 12. On May 9, 2014, Staff filed a Staff Report recommending approval of the Application
4 using Staff's recommended rates and charges.

5 13. The Company did not file exceptions or comments to the Staff Report.

6 14. Customer comments were filed from a total of 18 customers, all of whom opposed a
7 rate increase. The comments allege customer experiences with frequent and prolonged water service
8 interruptions, inadequate and inconsistent water pressure, and poor customer service.

9 **Background**

10 15. Pursuant to authority granted by the Commission in Decision No. 49857 (April 18,
11 1979), Windsong Realty was issued a Certificate of Convenience and Necessity ("CC&N") to operate
12 a public service corporation to provide water service in the community of Sanders, Apache County,
13 Arizona. The Company's current rates and charges, other than the emergency interim surcharge,
14 were approved in Decision No. 51748 (January 22, 1981). During the test year, the Company
15 provided water service to approximately 69 customers.

16 16. According to the Application, Windsong Realty is a C corporation and is wholly
17 owned by Mr. Paulsell.¹

18 17. Staff reports that Windsong Realty is not in good standing with the Commission's
19 Corporations Division. On November 10, 1979, Windsong Realty's Articles of Incorporation
20 ("Articles") were revoked by the Commission for failing to maintain a statutory agent. After
21 revocation of Windsong Realty's Articles, Mr. Paulsell operated the Company as a sole
22 proprietorship without requesting Commission approval for the transfer of Windsong Realty's assets
23 and CC&N.

24 18. On November 21, 2002, Mr. Paulsell incorporated Arizona Windsong Water Co.
25 ("Windsong Water") to operate the water utility, but again failed to seek Commission approval to
26 transfer the utility's assets and CC&N. According to the most recent Annual Report filed with the
27

28 ¹ Mr. Paulsell is survived by his wife Lillie Paulsell who has assumed ownership and control of the Company.

1 Corporations Division (for calendar year 2008), Mr. Paulsell and Lillie Paulsell are the listed officers²
2 and shareholders of Windsong Water.

3 19. On May 16, 2003, the Commission ordered Mr. Paulsell and Windsong Realty to file,
4 by July 15, 2003, certification that it cured deficiencies noted in an ADEQ Notice of Violation³ and
5 an application for approval to transfer the utility's assets and CC&N to Windsong Water (Decision
6 No. 65918). The Commission further ordered that failure to meet the July 15, 2003 filing dates
7 would result in the assessment of a \$2,500 financial penalty against Mr. Paulsell and Windsong
8 Realty without further order by the Commission. According to Staff's Compliance Section, the
9 Company did not comply with these two filing requirements.

10 20. On April 30, 2010, Windsong Water was administratively dissolved for failure to file
11 its 2009 Annual Report with the Corporations Division. Further, Windsong Water failed to file its
12 2010, 2011, 2012, and 2013 Annual Reports. As a result, Windsong Water is also not in good
13 standing with the Corporations Division.

14 21. Staff's Compliance Section database shows that the Company has not filed an Annual
15 Report with the Utilities Division since April 15, 2008.

16 22. Staff's Consumer Services Section shows that three complaints were filed against the
17 Company from January of 2011 through April of 2014. According to Staff, only one of those
18 complaints remains open pending further investigation.

19 23. As part of its review of the Application, Staff conducted an on-site inspection of the
20 Company's water system. The Company's water system consists of one well capable of producing
21 45 gallons per minute ("gpm"); one storage tank with a capacity of 40,000 gallons; one booster
22 pump; and one pressure tank. According to Staff, the Company's water system has adequate
23 production capacity and storage capacity to serve the present customer base and reasonable growth.

24 24. The Company is not located in an Arizona Department of Water Resources
25 ("ADWR") designated Active Management Area ("AMA"). According to an ADWR Compliance
26 Status Report dated February 12, 2014, the Company failed to file its System Water Plan. As a

27 ² Mr. Paulsell is listed as president and Mrs. Paulsell is listed as secretary.

28 ³ The ADEQ Notice of Violation, issued on October 17, 2001, listed multiple violations including water testing, monitoring MCLs, and not having a certified operator to operate its system.

1 result, the Company's water system is not in compliance with ADWR requirements.

2 25. According to an ADEQ Compliance Status Report dated March 21, 2014, the
3 Company has the following deficiencies:

4 Monitoring and Reporting deficiencies

- 5 • Unresolved maximum containment level exceedences for combined uranium;⁴
- 6 and
- 7 • The Company did not report required water testing samplings for Total
- 8 Coliform, Lead and Copper, Disinfection By-products, Maximum Residual
- 9 Disinfection Level, and Radionuclides.

10 Operation and Maintenance deficiencies

- 11 • Operator compliance (no certified operator);⁵ and
- 12 • Deficiencies related to the system's well, storage tank, and distribution system.

13 Based upon the listed deficiencies, ADEQ is unable to determine whether the Company's system is
14 delivering water that meets the water quality standards required by 40 C.F.R. §§ 141.1, *et seq.*
15 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter
16 4.

17 26. In its Application, the Company states that it is current on its property and sales tax
18 payments.

19 27. The Company does not have an approved curtailment plan tariff on file with the
20 Commission.

21 28. The Company does not have an approved backflow prevention tariff on file with the
22 Commission.

23 Ratemaking

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

27 ⁴ The Company is under order from the United States Environmental Protection Agency ("EPA") stemming from a Notice
28 of Violation issued by the EPA in 2008.

⁵ This deficiency item has been cured as a result of the Company's recent hiring of Mr. Oldham as its certified operator.

	<u>Current Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>	
1	<u>MONTHLY USAGE CHARGES:</u>			
2	5/8" x 3/4" Meter	\$16.00	\$55.00	\$37.12
3	Emergency Interim Surcharge	30.00	0.00	0.00
4	Excess of Minimum – per 1,000 gallons	0.00	0.00	0.00
5	Gallons Included in Minimum	3,000	0.00	0.00
6	<u>COMMODITY CHARGES:</u> (per 1,000 Gallons)			
7	<u>5/8" x 3/4" Meter</u>			
8	First Tier – 0 to 3,000 gallons	\$0.00	N/A	N/A
9	Second Tier – Over 3,000 gallons	1.00	N/A	N/A
10	<u>5/8" x 3/4" Meter</u>			
11	First Tier – 0 to 7,000 gallons	N/A	\$2.75	N/A
12	Second Tier – 7,001 to 25,000 gallons	N/A	3.75	N/A
13	Third Tier – Over 25,000 gallons	N/A	4.95	N/A
14	<u>5/8" x 3/4" Meter</u>			
15	First Tier – 0 to 3,000 gallons	N/A	N/A	\$4.00
16	Second Tier – 3,001 to 12,000	N/A	N/A	5.00
17	Third Tier – Over 12,000 gallons	N/A	N/A	6.00
18	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (Refundable Pursuant to A.A.C. R-14-12-405)			
19		<u>Company and Staff Recommended</u>		
20	<u>Company Current Tariff</u>	<u>Service Line Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
21	5/8" x 3/4" Meter	\$490.00	\$131.50	\$621.50
22	3/4" Meter	120.00	232.50	722.50
23	1" Meter	160.00	293.00	840.00
24	1-1/2" Meter	300.00	609.50	1,115.00
25	2" Meter	400.00	927.00	1,957.50
26	3" Meter		1,030.50	1,957.50
27	4" Meter		1,661.00	2,832.50
28	6" Meter		1,661.00	4,307.50
	...	2,478.50	5,025.50	7,504.00
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	<u>Present</u> <u>Rates</u>	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
1 <u>SERVICE CHARGES:</u>			
2 Establishment	\$0.00	\$30.00	\$30.00
3 Reconnection (Delinquent)	5.00	30.00	30.00
4 After Hour Service Charge	0.00	35.00	35.00
5 Meter Test	0.00	30.00	30.00
6 Deposit	0.00	*	*
7 Deposit Interest	0.00%	*	*
8 Re-Establishment (Within 12 months)	\$25.00	**	**
9 NSF Check	0.00	\$20.00	\$20.00
10 Deferred Payment (Per Month)	0.00%	1.5%	1.5%
11 Meter Re-Read	\$2.50	\$15.00	\$15.00
12 Late Payment Fee	0.00	20.00	5.00

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

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

30. The Company proposed an original cost rate base ("OCRB") of \$0.00. According to the Company, its existing plant is old and was fully depreciated long ago.

31. Staff is in agreement that the Company's plant in service has been fully depreciated. However, for the purposes of ratemaking, Staff determined the Company's OCRB to be \$7,024, due to Staff's positive \$7,024 adjustment to cash working capital.⁶

32. We find Staff's adjustment to the Company's OCRB is reasonable and appropriate and should be adopted. We further find that the Company's fair value rate base ("FVRB") is equivalent to its OCRB and is \$7,024.

33. Staff made an adjustment to the Company's proposed test year operating revenues, resulting in a decrease of \$1,674, from \$21,506 to \$19,832. According to Staff, the Company over-collected \$1,674 from its customers during the test year because it incorrectly charged a monthly usage charge of \$18.00 instead of the \$16.00 charge authorized in Decision No. 51748.⁷ Staff states that it contacted the Company regarding this issue and the Company agreed to immediately begin charging the tariffed rate. We find that Staff's adjustment to the Company's test year operating revenues is reasonable and appropriate, and we adopt Staff's adjusted test year revenue figure of \$19,832.

⁶ Staff's recommended working capital allowance utilizes the formula method which amounts to 1/24 of purchased power expense and 1/8 of operations and maintenance expense.

⁷ Staff does not indicate when the Company began charging the unauthorized rate.

1 34. Staff also made several adjustments to the Company's proposed operating expenses,
2 resulting in a decrease of \$712, from \$67,641 to \$66,929. The decrease to the Company's operating
3 expenses is due to Staff's adjustments to salaries and wages expense, water testing expense,
4 transportation expense, property tax expense, and income tax expense. The Company did not object
5 to Staff's adjustments. We find that Staff's adjustments to the Company's proposed operating
6 expenses are reasonable and appropriate, and we adopt Staff's adjusted expense figure of \$66,929.

7 35. Based on Staff's analysis, the Company's present rates and charges produced adjusted
8 operating revenues of \$19,832 and adjusted test year operating expenses of \$63,495, resulting in test
9 year operating loss of \$43,663 and no rate of return on the Company's FVRB of \$7,024.

10 36. In its Application, the Company requested a revenue increase of \$55,873 over its
11 proposed test year revenues, from \$21,506 to \$77,379, or 259.80 percent. The Company proposes
12 operating expenses of \$67,641, resulting in an operating income of \$9,738 and a 138.64 percent rate
13 of return on the Company's FVRB of \$7,024.

14 37. Staff's recommended rates and charges result in a \$55,168 increase over adjusted test
15 year revenues, or 278.18 percent, for total revenues of \$75,000. Using the adjusted operating
16 expense figure of \$66,929 adopted herein, this would result in operating income of \$8,071; a rate of
17 return of 114.91 percent; and an operating margin of 10.76 percent.

18 38. The Company's proposed rates would increase the average water bill for residential
19 5/8 x 3/4-inch customers by \$62.78, or 271.8 percent, from \$23.10 to \$85.88, and increase the
20 monthly water bill for the same customers with median usage by \$48.53, or 289.9 percent, from
21 \$16.74 to \$65.27.

22 39. Staff's recommended rates would increase the average water bill for residential 5/8 x
23 3/4-inch customers by \$61.52, or 266.3 percent, from \$23.10 to \$84.62, and increase the monthly
24 water bill for the same customers with median usage by \$36.06, or 215.4 percent, from \$16.74 to
25 \$52.80.⁸

26 40. Staff states that it is in agreement with the Company's proposed service charges, but
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28 ⁸ Staff's bill impact analysis does not include the \$30.00 emergency interim surcharge.

1 recommends that the Late Payment Fee charge be \$5.00 per month instead of \$20.00 per month.
2 Staff further states that it is in agreement with the Company's proposed service line and meter
3 installation charges.

4 41. The Company did not object to Staff's recommended revenues, rates, or charges.

5 42. We find that Staff's recommended revenues, rates, and charges are just and reasonable
6 and should be adopted.

7 **Staff's Recommendations**

8 43. Staff recommends the following:

- 9 a) That Staff's recommended rates and charges be approved;
- 10 b) That the emergency interim surcharge authorized in Decision No. 74442 cease
11 when new rates become effective;
- 12 c) That the Company file with Docket Control, as a compliance item in this
13 docket, within 30 days of the effective date of this Decision, a schedule of its
14 new rates and charges;
- 15 d) That the Company file with the Utilities Division before December 31, 2014,
16 the Utilities Annual Report for the year ending December 31, 2013.
- 17 e) That the Company file all delinquent corporate Annual Reports for Windsong
18 Water and meet the requirements of good standing before the Corporations
19 Division within 90 days of the effective date of this Decision;
- 20 f) That Windsong Realty file an application with the Commission for approval to
21 transfer utility assets and CC&N to Windsong Water within 90 days of the
22 effective date of this order;
- 23 g) That the Company file with Docket Control, as a compliance item in this
24 docket, no later than December 31, 2014, documentation from ADEQ
25 indicating that there are no compliance deficiencies and the Company's water
26 system is delivering water that meets the water quality standards required by
27 40 C.F.R. §§ 141.1, *et seq.* (National Primary Drinking Water Regulations)
28 and Arizona Administrative Code, Title 18, Chapter 4, or a signed consent

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- agreement with ADEQ demonstrating a plan to reach compliance;
- h) That the Company file with Docket Control, as a compliance item in this docket, no later than December 31, 2014, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems;
- i) That the Company install a wellhead meter. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, documentation demonstrating that the wellhead meter has been installed;
- j) That the Company coordinate the reading of its well meter and individual customer meters on a monthly basis to collect and report this data in its Commission Annual Reports on a going forward basis. Staff also recommends that the Company continue to monitor the water system closely and take action to ensure that water loss is less than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10 percent, the Company shall create a plan to reduce water loss to 10 percent or less, or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. In no case shall the Company allow water loss to be greater than 15 percent;
- k) That the Company file a curtailment tariff with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, in a form acceptable to Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's website (www.azcc.gov/divisions/utilities/forms/CurtailmentTariffStandard.pdf). Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate;

1) That the Company file a backflow prevention tariff with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, in a form acceptable to Staff. Staff further recommends that this tariff shall generally conform to the sample tariff found on the Commission's website

(www.azcc.gov/divisions/utilities/forms/CrossConnection/BackflowTariff.pdf)

Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate;

m) That the Company 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 ("BMP") for the Commission's review and consideration, in the form of tariffs that conform to the templates available on the Commission's website (www.azcc.gov/Divisions/Utilities/Water/forms.asp). In its next general rate application, the Company may request recovery of the actual costs incurred by BMP implementation; and

n) That the Company be ordered to use the depreciation rates delineated in Table B of the Engineering Report portion of the Staff Report in this matter.

Resolution

44. In light of the recent passing of Mr. Paulsell, we no longer believe it is in the public interest to enforce the \$2,500 fine assessed to Mr. Paulsell and Windsong Realty in Decision No. 65918. Accordingly, we will permanently remove that fine. However, we put the Company and its new owner and operator on notice that failure to comply with the requirements set forth in this Decision may result in Commission action, including, but not limited to, the imposition of fines and other penalties.

45. We are concerned with the numerous customer comments alleging that Lillie Paulsell acted in an unprofessional manner in her interactions with customers, including abruptly hanging up

1 on customer calls and yelling at customers. Although we are sympathetic to Mrs. Paulsell's recent
2 loss, we expect the owners and employees of all public service corporations to act with utmost
3 professionalism in their interactions with customers. Accordingly, we put Mrs. Paulsell on notice
4 that failing to act in a professional manner with the Company's customers will not be tolerated by the
5 Commission.

6 46. We are also concerned with the numerous customer comments alleging that the
7 Company is providing poor customer service, including failing to notify customers of planned water
8 outages. In this regard, we remind the Company that pursuant to A.A.C. R14-2-407(D)(4):

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10 When a utility plans to interrupt service for more than four hours to
11 perform necessary repairs or maintenance, the utility shall attempt to
12 inform affected customers at least 24 hours in advance of the scheduled
13 date and estimated duration of the service interruption. Such repairs
14 shall be completed in the shortest possible time to minimize the
15 inconvenience to the customers of the utility.

16 We expect all public service corporations to abide by the Commission's orders, rules, and
17 regulations. Accordingly, we put the Company on notice that failure to comply with the
18 Commission's orders, rules, and regulations may result in Commission action, including, but not
19 limited to, the imposition of fines and other penalties.

20 47. It is apparent from the record that there are a myriad of issues plaguing the Company's
21 water system. We are concerned with the customer comments regarding water service interruptions
22 and inadequate water pressure. We are also concerned with the system infrastructure issues identified
23 in Mr. Oldham's report filed on March 19, 2014. Accordingly, we believe it is in the public interest
24 to order the Company to work with Staff, ADEQ, and the Water Infrastructure Finance Authority of
25 Arizona ("WIFA") to develop a capital improvement plan for the Company to address and remedy
26 these issues. The capital improvement plan should explain and prioritize the improvement projects as
27 well as provide estimated project costs and dates of completion. We direct the Company to file the
28 capital improvement plan with Docket Control, as a compliance item in this docket, within 90 days of
the effective date of this Decision. We further direct Staff to review the capital improvement plan
and make additional recommendations to the Commission, as necessary.

1 48. We find that the Company unlawfully increased its monthly usage charge in violation
2 of A.R.S. §§ 40-203, -367 and Decision No. 51748, resulting in an over-collection of \$1,674 from its
3 customers during the test year. Under the circumstances, we find that it is just and reasonable to
4 require the Company to provide each of its customers a credit in the amount of each customer's pro
5 rata share of the unlawfully collected \$1,674, with such credit to be credited on a pro rata basis to
6 each customer over the next twelve monthly bills, in equal installments, with the credit listed as "Bill
7 credit – incorrect charge 2012."⁹ While we are cognizant that the Company's customer base may
8 have changed somewhat since the 2012 test year, we find that this is a just and reasonable remedy for
9 the Company's unlawful conduct. We further find that it is just and reasonable to require the
10 Company to file, as a compliance item in this docket, within 60 days of the first anniversary of the
11 effective date of this Decision, documentation demonstrating that its customers have received the
12 credit in their bills as required herein. Additionally, we put the Company on notice that any
13 unauthorized charges in the future may result in Commission action, including, but not limited to, the
14 imposition of fines and other penalties.

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

23 50. Although we appreciate Staff's recommendations concerning BMPs for the Company,
24 we find that it is not in the public interest at this time to require the Company to adopt BMPs and file
25 the related tariffs as recommended by Staff. In addition, we will allow the Company an additional 90
26 days to install the wellhead meter.

27

28 ⁹ Assuming the Company has 69 customers, each customer would receive an account credit of \$24.26.

1 51. Staff's recommendations set forth in Findings of Fact No. 43, as modified herein, as
2 well as the requirements stated in Findings of Fact Nos. 47, 48, and 49, are in the public interest and
3 should be adopted.

4 **CONCLUSIONS OF LAW**

5 1. Arizona Windsong Realty, Inc. is a public service corporation within the meaning of
6 Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-321, and 40-331.

7 2. The Commission has jurisdiction over Arizona Windsong Realty, Inc. and the subject
8 matter of the application.

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

10 4. The fair value rate base for Arizona Windsong Realty, Inc. is \$7,024.

11 5. The rates and charges authorized herein are just and reasonable and should be
12 approved without a hearing.

13 6. Staff's recommendations set forth in Findings of Fact No. 43, as modified herein, as
14 well as the requirements stated in Findings of Fact Nos. 47, 48, and 49, are just and reasonable and in
15 the public interest.

16 **ORDER**

17 IT IS THEREFORE ORDERED that Arizona Windsong Realty, Inc. is hereby directed to file
18 with Docket Control, as a compliance item in this docket, on or before July 31, 2014, revised rate
19 schedules setting forth the following rates and charges:

20 **MONTHLY USAGE CHARGE:**
21 5/8" x 3/4" Meter \$ 37.12

22 **COMMODITY CHARGES:**
23 **(Per 1,000 Gallons)**
24 5/8" x 3/4" Meter
25 First Tier – 0 to 3,000 gallons \$ 4.00
26 Second Tier – 3,001 to 12,000 \$ 5.00
27 Third Tier – Over 12,000 gallons \$ 6.00
28 ...
...

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable Pursuant to A.A.C. R-14-12-405)

	<u>Service Line</u> <u>Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$ 490.00	\$ 131.50	\$ 621.50
3/4" Meter	490.00	232.50	722.50
1" Meter	547.00	293.00	840.00
1-1/2" Meter	609.50	505.50	1,115.00
2" Meter	927.00	1,030.50	1,957.50
3" Meter	1,171.00	1,661.50	2,832.50
4" Meter	1,661.00	2,646.50	4,307.50
6" Meter	2,478.50	5,025.50	7,504.00

SERVICE CHARGES:

Establishment	\$30.00
Reconnection (Delinquent)	30.00
After Hour Service Charge	35.00
Meter Test	30.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 months)	**
NSF Check	\$20.00
Deferred Payment (Per Month)	1.5%
Meter Re-Read	\$15.00
Late Payment Fee	5.00

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

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

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

IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall notify its customers of the authorized rates and charges and their effective date, in a form acceptable to the Commission's Utilities Division, by means of an insert in its next regularly scheduled billing.

IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall use the depreciation rates delineated in Table B of the Engineering Report portion of the Staff Report.

IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall, in equal installments, in its first twelve monthly billings after the effective date of this Decision, provide each of its customers with a credit in the amount of each customer's pro rata share of the unlawfully collected \$1,674, which shall be listed separately on each customer bill as "Bill credit – incorrect charge 2012."

1 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file with Docket
2 Control, as a compliance item in this docket, within 60 days of the first anniversary of the effective
3 date of this Decision, documentation demonstrating that all of its customers have received the credit
4 in their bills as required herein.

5 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file with the
6 Commission's Utilities Division, no later than December 31, 2014, the Utilities Annual Report for the
7 year ending December 31, 2013.

8 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file all delinquent
9 corporate Annual Reports for Arizona Windsong Water Co. and cause Arizona Windsong Water Co.
10 to meet the requirements of good standing before the Commission's Corporations Division within 90
11 days of the effective date of this Decision.

12 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file an application
13 with the Commission for approval to transfer utility assets and Certificate of Convenience and
14 Necessity to Arizona Windsong Water Co. within 90 days of the effective date of this Decision.

15 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall work with the
16 Commission's Utilities Division, the Arizona Department of Environmental Quality, and the Water
17 Infrastructure Finance Authority of Arizona to develop a capital improvement plan, as discussed
18 herein.

19 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file the capital
20 improvement plan with Docket Control, as a compliance item in this docket, within 90 days of the
21 effective date of this Decision. We direct the Commission's Utilities Division to review the capital
22 improvement plan and make additional recommendations to the Commission, as necessary.

23 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file with Docket
24 Control, as a compliance item in this docket, no later than December 31, 2014, either: documentation
25 from the Arizona Department of Environmental Quality indicating that there are no compliance
26 deficiencies and Arizona Windsong Realty, Inc.'s water system is delivering water that meets the
27 water quality standards required by 40 C.F.R. §§ 141.1, *et seq.* (National Primary Drinking Water
28 Regulations) and Arizona Administrative Code, Title 18, Chapter 4; or a signed consent agreement

1 with the Arizona Department of Environmental Quality demonstrating a plan to reach compliance.

2 IT IS FURTHER ORDERED directing the Commission's Utilities Division to monitor
3 Arizona Windsong Realty, Inc.'s progress towards achieving compliance with the Arizona
4 Department of Environmental Quality and make additional recommendations to the Commission, as
5 necessary.

6 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file with Docket
7 Control, as a compliance item in this docket, no later than December 31, 2014, documentation from
8 the Arizona Department of Water Resources indicating that the water system is compliant with
9 departmental requirements governing water providers and/or community water systems.

10 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall install a wellhead
11 meter and file with Docket Control, as a compliance item in this docket, within 180 days of the
12 effective date of this Decision, documentation demonstrating that the wellhead meter has been
13 installed.

14 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall coordinate the reading
15 of its wellhead meter and individual customer meters on a monthly basis to collect and report this
16 data in its Commission Annual Reports on a going forward basis. Arizona Windsong Realty, Inc.
17 shall continue to monitor the water system closely and take action to ensure that water loss is less
18 than 10 percent in the future. If the water loss at any time before the next rate case is greater than 10
19 percent, Arizona Windsong Realty, Inc. shall create a plan to reduce water loss to 10 percent or less,
20 or prepare a report demonstrating why a water loss reduction to 10 percent or less is not feasible or
21 cost effective. Such a report shall be docketed in this case. In no case shall Arizona Windsong
22 Realty, Inc. allow water loss to be greater than 15 percent.

23 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file a curtailment tariff
24 with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this
25 Decision, in a form acceptable to the Commission's Utilities Division. This tariff shall generally
26 conform to the sample tariff found on the Commission's website.

27 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file a backflow
28 prevention tariff with Docket Control, as a compliance item in this docket, within 90 days of the

1 effective date of this Decision, in a form acceptable to the Commission's Utilities Division. This
2 tariff shall generally conform to the sample tariff found on the Commission's website.

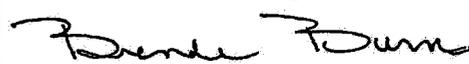
3 IT IS FURTHER ORDERED that the \$2,500 financial penalty assessed to Mr. Patton Earl
4 Paulsell and Arizona Windsong Realty, Inc. in Decision No. 65918 is hereby revoked.

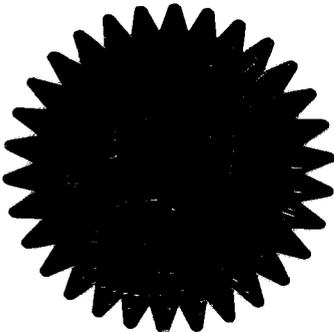
5 IT IS FURTHER ORDERED that, in addition to collection of its regular rates and charges,
6 Arizona Windsong Realty, Inc. shall collect from its customers a proportionate share of any privilege,
7 sales or use tax per A.A.C. R14-2-409(D).

8 IT IS FURTHER ORDERED that Arizona Windsong Realty, Inc. shall file annually, as part
9 of its Annual Report, an affidavit with the Commission's Utilities Division attesting that it is current
10 in paying its property taxes in Arizona.

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

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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14			
15	CHAIRMAN		COMMISSIONER
16		EXCUSED COMM. BURNS	
17	COMMISSIONER	COMMISSIONER	COMMISSIONER



19 IN WITNESS WHEREOF, I, JODI JERICH, Executive
20 Director of the Arizona Corporation Commission, have
21 hereunto set my hand and caused the official seal of the
22 Commission to be affixed at the Capitol, in the City of Phoenix,
23 this 30th day of July 2014.

24 
JODI JERICH
EXECUTIVE DIRECTOR

25 DISSENT _____

27 DISSENT _____
SMH:ru

1 SERVICE LIST FOR:

ARIZONA WINDSONG REALTY, INC.

2 DOCKET NO.:

W-02250A-14-0028

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