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**MEMORANDUM**

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AZ CORP COMMISSION  
DOCKET CONTROL

2014 AUG 29 AM 10 23

TO: Docket Control

FROM: Steven M. Olea  
Director  
Utilities Division

DATE: August 29, 2014

RE: STAFF REPORT FOR GREEN ACRES WATER COMPANY'S APPLICATION  
FOR AN EMERGENCY RATE INCREASE  
(DOCKET NO. W-02271A-14-0265)

**ORIGINAL**

Attached is the Staff Report for Green Acres Water Company's application for an emergency rate increase. Staff recommends approval of the Staff recommended rates.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before September 10, 2014.

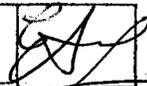
SMO:CSB:tdp|CHH

Originator: Crystal Brown

Arizona Corporation Commission

**DOCKETED**

**AUG 29 2014**

DOCKETED BY 

Service List for: Green Acres Water Company  
Docket No. W-02271A-14-0265

Green Acres Water Company  
c/o Nancy Miller, Interim Manager  
4743 East 30<sup>th</sup> Place  
Yuma, Arizona 85365

**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**GREEN ACRES WATER COMPANY**

**DOCKET NO. W-02271A-14-0265**

**APPLICATION  
FOR AN  
EMERGENCY RATE INCREASE**

**AUGUST 29, 2014**

## STAFF ACKNOWLEDGMENT

The Staff Report for Green Acres Water Company, Docket No. W-02271A-14-0265 was the responsibility of the Staff members listed below. Crystal Brown was responsible for the financial review and analysis of the Company's applications. Katrin Stukov was responsible for the engineering and technical analysis. Deborah Reagan was responsible for reviewing the Commission's records on the Company and for reviewing customer complaints filed with the Commission.



Crystal Brown  
Executive Consultant III



Katrin Stukov  
Utilities Engineer



Deborah Reagan  
Public Utilities Consumer Analyst

**EXECUTIVE SUMMARY  
GREEN ACRES WATER COMPANY  
DOCKET NO. W-02271A-14-0265**

Green Acres Water Company ("Green Acres" or "Company") is an Arizona Class E utility engaged in the business of providing potable water service to approximately 56 customers in portions of Yuma County, Arizona. The current rates, authorized in Decision No. 46192, have been in effect since June 1975. The Company is operating under the management of an interim operator appointed by the Commission.

On July 11, 2014, Green Acres Water Company filed a request for an emergency rate increase with the Arizona Corporation Commission ("Commission"). The Company claims that its cash flow is insufficient to maintain operations, to make needed plant repairs, and to meet water quality standards.

The Company did not recommend approval of a specific emergency surcharge. However, the Company proposed adding a \$20.00 service establishment charge, a \$75 deposit charge, and a 10 percent late payment fee to its existing miscellaneous service charges.

**STAFF'S RECOMMENDATIONS**

Staff recommends:

1. Staff recommends the approval of emergency rates which consists of a \$17.50 monthly minimum charge that will no longer include the first 2,000 gallons of usage and an inverted two-tier commodity rate structure. The first tier of the commodity rate structure is \$1.00 per thousand for the first 3,000 gallons. The second tier is \$2.00 per thousand for all gallons over 3,000. Staff's rate design is shown on Schedule CSB-5..
2. Approval of the Staff recommended \$17.19 Repair Surcharge as shown on Schedule CSB-5.
3. That upon approval of the Repair Surcharge, the Company shall open a separate interest-bearing account in which all surcharge monies collected from customers will be deposited.
4. That the only disbursement of funds from this account will be to purchase and/or install the high priority plant items listed on the attached Staff Engineering Memorandum.
5. That the Company shall file quarterly, beginning January 15, 2015, as a compliance item in this Docket, a report identifying all surcharge monies billed, collected, and withdrawn from the account along with copies of all invoices and other cost documentation supporting the amount withdrawn.
6. That the Company record the Repair Surcharge revenue as Contributions In Aid of Construction ("CIAC") on Green Acres general ledger.
7. That the Company's requested additions to its miscellaneous service charges be approved.

8. That the Company file a full permanent rate case no later than June 1, 2015, using a calendar year 2014 test year.
9. That the interim rates be subject to refund pending the Decision resulting from the permanent rate increase case required to be filed in this proceeding.
10. The Company be required to post a bond, irrevocable sight draft letter of credit, or a cashier's check with the Commission in the amount of \$10 prior to implementing the emergency rate increase authorized in this proceeding. A cashier's check is recommended as companies may be unable to obtain a bond or sight draft letter of credit for small amounts.
11. That the Company be directed to file with Docket Control, within 30 days of the Decision, a revised rate schedule reflecting the emergency rate increase, as a compliance item in this docket.
12. That the Commission approve the Cross-Connection/Backflow Tariff and Curtailment Plan Tarrif attached to the Engineering Memorandum.

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## **BACKGROUND**

Green Acres Water Company (“Green Acres” or “Company”) is an Arizona Class E utility engaged in the business of providing potable water service to approximately 56 customers in portions of Yuma County, Arizona. The Company is operating under the management of an interim operator appointed by the Commission.

On July 11, 2014, Green Acres filed a request for an emergency rate increase with the Arizona Corporation Commission (“Commission”). The Company claims that its cash flow is insufficient to maintain operations, to make needed plant repairs, and to meet water quality standards.

## **CONSUMER SERVICES**

In researching the Commission’s database for complaints for the Company from January 1, 2011 through August 19, 2014, Staff found the following:

- 2011-2012 – Zero Complaints
- 2013 – Two Complaints – Quality of Service
- 2014 – Zero Complaints or Opinions

The complaints are resolved and closed.

The Company does not have an approved Cross-Connection/Backflow Tariff or a Curtailment Plan.

Staff recommends the Commission approve the Cross-Connection/Backflow Tariff and Curtailment Plan Tarrif that are attached to Staff’s Engineering Memorandum.

## **ENGINEERING ANALYSIS**

A complete discussion of Staff’s technical findings and recommendations and a description of the water system are provided in the attached Engineering Memorandum.

## **COMPLIANCE**

Although “Green Acres Water Company” is listed in e-Docket, after researching e-Docket and the Compliance Database, there appears to be no trackable compliance items or delinquencies at this time for this company name.

The Company’s current rates were authorized in Decision No. 46192, dated June 23, 1975. The authorized minimum charge under this decision is \$6.50. However, the Company, with agreement from the customers, has been charging an unauthorized minimum charge of \$15.00. Staff has informed the Company that it should use the Commission authorized rates and the Company has complied.

**CONDITIONS NECESSARY FOR EMERGENCY RATE RELIEF**

General conditions necessary for interim emergency rates<sup>1</sup> include:

1. A sudden change that causes hardship to a company.
2. A company is insolvent.
3. A company's ability to maintain service (pending a formal rate determination) is in serious doubt.

**SUMMARY OF COMPANY'S JUSTIFICATION FOR EMERGENCY RATE RELIEF**

The Company's current rates have been in effect for approximately 40 years. The monthly customer charge for a 5/8-inch by 3/4-inch metered customer is \$6.50 and includes the first 2,000 gallons at no additional cost. For all gallons over 2,000, the cost is \$1.00 per thousand gallons. According to the Company's application, its current rates do not provide sufficient revenue to enable it to become financially viable. The Company claims the following system inadequacies:

***Inadequate System***

The Company's water system is inadequate to meet the needs of its current customers. The water system's pressure is typically at or below standards and may not be able to sustain pressure needed for fire protection. The Company's application states, "Customer calls indicate that they cannot shower, do dishes, wash clothes, etc. due to very low to no, water pressure." Further, the application states, "It is a dead-end line system and not a loop-system . . . There are no back-flow prevention devices." This condition could have adverse (disinfection) health impacts. Additionally, the water system is in general disrepair.

***Inadequate Water Quality***

The Company's water quality is currently not meeting water quality standards. The Company's application states that "An arsenic filtration system needs to be installed, possibly to both east and west sites, to bring the system into ADEQ compliance."

***Inadequate Operating Revenue***

Green Acres' current rates do not provide sufficient revenue to pay its operating expenses and to correct its inadequate infrastructure and water quality problems. The Company is not current

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<sup>1</sup> According to Attorney General Opinion No. 71-17, interim or emergency rates are proper when either all or any of the following conditions occur: when sudden change brings hardship to a Company; when the Company is insolvent; or when the condition of the Company is such that its ability to maintain service pending a formal rate determination is in serious doubt. Those criteria have been affirmed in *Scates v. Arizona Corporation Commission*, 118 Ariz. 531 (CT. App. 1978) and in *Residential Utility Consumer Office v. Arizona Corporation Commission*, 199 Ariz. 588 (2001).

on its sales taxes<sup>2</sup> and property taxes<sup>3</sup>. Moreover, it cannot make needed repairs and perform required maintenance on the system.

### ***Staff's Conclusion Regarding Emergency Rate Relief***

Staff concludes that the Company's condition satisfies criterion number three discussed in the "Conditions Necessary For Emergency Rate Relief" section of this Report. The Company is not currently providing adequate service, and there is no reasonable expectation that it could begin to provide adequate service at existing rates. Implementation of emergency rates may prevent further deterioration of this system. The Company's inability to provide adequate service is hampered by the lack of cooperation of the Company's owners. Staff is currently investigating whether there is the need to file a formal complaint or an Order to Show Cause against the Company's owners.

### **STAFF'S ANALYSIS OF FINANCIAL INFORMATION AND RECOMMENDED REVENUE REQUIREMENT**

The Company did not recommend approval of a specific emergency surcharge. However, the Company proposed adding a \$20.00 establishment charge, a \$75 deposit charge, and a 10 percent late payment fee to its existing miscellaneous service charges.

Staff reviewed the emergency rate application. The application contained no financial information from which to establish emergency rates. Staff went to the office of the interim manager, Nancy Miller, and found that she had taken over operations of Green Acres in December 2013 and, therefore, did not have a full year of financial information. Staff worked with the interim manager and her bookkeeper to annualize operating costs and utilized the 2007 annual report (i.e., the latest filed) to develop the income statement (Schedule CSB-1). Based on Staff's engineering findings, Staff developed a Repair Surcharge to only be used for the high priority plant identified in the attached Engineering Memorandum.

Staff recommends emergency rates that would produce total operating revenue of \$40,771 and operating income of \$10,454 as shown on Schedule CSB-4. Staff's recommended revenue was developed using the cash flow methodology as shown on Schedule CSB-4. Staff's recommended emergency surcharges and typical bill analysis are shown on Schedules CSB-5 and CSB-6, respectively.

### **Rate Design**

Under the Company's current rates customer class is distinguished by meter size. The monthly minimum charges vary by meter size and include 2,000 gallons. One commodity rate applies to all usage.

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<sup>2</sup> The interim manager stated that she was collecting sales taxes but was unable to remit them to the Arizona Department of Revenue because she does not have the taxpayer identification number.

<sup>3</sup> The interim manager stated that no property taxes have been paid since she took over operations.

Staff recommends the approval of emergency rates which consists of a \$17.50 monthly minimum charge that will no longer include the first 2,000 gallons of usage and an inverted two-tier commodity rate structure. The first tier of the commodity rate structure is \$1.00 per thousand for the first 3,000 gallons. The second tier is \$2.00 per thousand for all gallons over 3,000. The emergency monthly minimum and commodity rates are designed to recover operating expenses. Staff also recommends a \$17.19 Repair Surcharge which is designed to make needed system upgrades and repairs. Staff created a separate surcharge for the system repairs due to the ease of tracking the revenues and Staff's reporting recommendations concerning the surcharge. The calculation of the surcharge is discussed in the "Repair Surcharge" section of this Report. Staff's rate design is shown on Schedule CSB-5.

The Company proposed adding a \$20.00 service establishment charge, a \$75 deposit charge, and a 10 percent late payment fee to its existing miscellaneous service charges. Staff recommends approval of the Company's miscellaneous service charges.

### **Repair Surcharge**

#### Purpose of Repair Surcharge

The interim manager is not the owner of Green Acres and cannot apply for a loan to make needed improvements to the water system. The owner is not cooperating with the interim manager. Consequently, the interim manager needs a source to fund the purchase and installation of the high priority items identified by Staff in the amount of approximately \$132,000.

#### Calculation of Repair Surcharge

Schedule CSB-5 presents a calculation of the additional annual revenue needed by the Company to provide for the \$132,000 high priority plant repairs and improvements. The Repairs Surcharge was calculated based upon a \$132,000, 20-year amortizing loan with a 5.0 percent interest rate. Based on Staff's calculation, a loan of \$132,000 would require the Company to generate an annual cash flow of \$11,550 through the surcharge. Staff's calculation shows that a residential customer on a 5/8 x 3/4-inch meter will be required to pay a monthly surcharge of \$17.19.

### **STAFF'S RECOMMENDATIONS**

Staff recommends:

1. Staff recommends the approval of emergency rates which consists of a \$17.50 monthly minimum charge that will no longer include the first 2,000 gallons of usage and an inverted two-tier commodity rate structure. The first tier of the commodity rate structure is \$1.00 per thousand for the first 3,000 gallons. The second tier is \$2.00 per thousand for all gallons over 3,000. Staff's rate design is shown on Schedule CSB-5.
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9. That the interim rates be subject to refund pending the Decision resulting from the permanent rate increase case required to be filed in this proceeding.
10. The Company be required to post a bond, irrevocable sight draft letter of credit, or a cashier's check with the Commission in the amount of \$10 prior to implementing the emergency rate increase authorized in this proceeding. A cashier's check is recommended as companies may be unable to obtain a bond or sight draft letter of credit for small amounts.
11. That the Company be directed to file with Docket Control, within 30 days of the Decision, a revised rate schedule reflecting the emergency rate increase, as a compliance item in this docket.
12. That the Commission approve the Cross-Connection/Backflow Tariff and Curtailment Plan Tariff attached to the Engineering Memorandum.

**STATEMENT OF OPERATING INCOME**

	From Company	Staff Adjustments	Staff Adjusted	Staff Recommended Without Repair Surcharge	
<b>Revenues:</b>					
Metered Water Revenue	\$ 20,013	\$ -	\$ 20,013	\$ 8,934	\$ 28,946
System Upgrade Surcharge	\$ -	\$ -	\$ -	\$ -	\$ -
Other Water Revenues	\$ 274	\$ -	\$ 274	\$ -	\$ 274
<b>Total Operating Revenue</b>	<b>\$ 20,286</b>	<b>\$ -</b>	<b>\$ 20,286</b>	<b>\$ -</b>	<b>\$ 29,220</b>
<b>Operating Expenses:</b>					
601 Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 2,289	\$ -	\$ 2,289	\$ -	\$ 2,289
620 Repairs and Maintenance	\$ 7,200	\$ -	\$ 7,200	\$ -	\$ 7,200
621 Office Supplies & Expense	\$ 1,800	\$ -	\$ 1,800	\$ -	\$ 1,800
630 Contractual Services	\$ 11,295	\$ -	\$ 11,295	\$ -	\$ 11,295
635 Water Testing	\$ 1,588	\$ -	\$ 1,588	\$ -	\$ 1,588
650 Transportation Expenses	\$ 2,275	\$ -	\$ 2,275	\$ -	\$ 2,275
657 Insurance - General Liability	\$ -	\$ -	\$ -	\$ -	\$ -
666 Regulatory Comm Exp - Rate	\$ 1,200	\$ -	\$ 1,200	\$ -	\$ 1,200
675 Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	\$ -
403 Depreciation Expense	\$ 612	\$ -	\$ 612	\$ -	\$ 612
408 Taxes Other Than Income	\$ -	\$ -	\$ -	\$ -	\$ -
408.11 Property Taxes	\$ -	\$ -	\$ -	\$ 961	\$ 961
409 Income Tax	\$ (983)	\$ -	\$ (983)	\$ 983	\$ 0
<b>Total Operating Expenses</b>	<b>\$ 27,276</b>	<b>\$ -</b>	<b>\$ 27,276</b>	<b>\$ 1,944</b>	<b>\$ 29,220</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (6,990)</b>	<b>\$ -</b>	<b>\$ (6,990)</b>	<b>\$ (1,944)</b>	<b>\$ 0</b>

**SYSTEM IMPROVEMENT SURCHARGE CALCULATION**

Loan Amount: **\$132,000**  
Term: **20 Years**  
Interest Rate Before Subsidy: **5.00%**  
Subsidy Rate: **100%**  
Interest rate: **5.000%** If interest rate is not found on TABLE A, use the next highest percentage

**Step 1 - Find the Annual Payment on Loan**

\$132,000 Total Amount of Loan  
0.0792 TABLE A, Conversion Factor Table, Column B  
\$10,453.70 Annual Principle and Interest Payment

**Step 2 - Find the Annual Interest Payment on Loan**

\$132,000 Total Amount of Loan  
0.0493 TABLE A, Conversion Factor Table, Column C  
\$6,510.45 Annual Interest Payment on Debt

**Step 3 - Find the Annual Principal Payment on Loan**

\$132,000 Total Amount of Loan  
0.0299 TABLE A, Conversion Factor Table, Column D  
\$3,943.25 Annual Principal and Interest Payment

**Step 4 - Find the Gross Revenue Conversion Factor**

1.278123375

**Step 5 - Find the Incremental Income Tax Factor**

1.27812 minus 1 = 0.27812

**Step 6 - Find the Annual Income Tax Component of Surcharge Revenue**

0.27812 Incremental Income Tax Factor (from Step 5)  
\$3,943.25 Multiplied by: Annual Principal Payment on Loan (from Step 3)  
\$1,096.71 Annual Income Tax Component of the Annual Surcharge Revenue

**Step 7 - Find the Debt Service Component of the Annual Surcharge Revenue**

\$6,510.45 Annual Interest Payment on Debt (from Step 2)  
\$3,943.25 Plus: Annual Principal Payment (from Step 3)  
\$10,453.70 Debt Service Component of the Annual Surcharge Revenue

**Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**

\$1,096.71 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)  
\$10,453.70 Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 7)  
\$11,550.41 Total Annual Surcharge Revenue Requirement for the Loan

**Step 9 - Find the Equivalent Bills**

Equivalent Bills					
Col A	Col B	Col C	Col D	Col E	
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C x D	
5/8"x 3/4" Meter	1	56	12	672	
3/4" Meter	1.5	0	12	-	
1" Meter	2.5	0	12	-	
1½" Meter	5	0	12	-	
2" Meter	8	0	12	-	
3" Meter	15	0	12	-	
4" Meter	25	0	12	-	
6" Meter	50	0	12	-	
		<u>56</u>		<u>672</u>	

**Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**

\$11,550.41 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8)  
672 Divided by: Total Number of Equivalent Bills  
\$ 17.19 Monthly Surcharge for 3/4" Customers

**Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers**

Equivalent Bills				
Col A	Col B	Col C	Col D	
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C	
5/8"x 3/4" Meter	1	\$ 17.19	\$ 17.19	
3/4" Meter	1.5	\$ 17.19	\$ 25.78	
1" Meter	2.5	\$ 17.19	\$ 42.97	
1½" Meter	5	\$ 17.19	\$ 85.94	
2" Meter	8	\$ 17.19	\$ 137.50	
3" Meter	15	\$ 17.19	\$ 257.82	
4" Meter	25	\$ 17.19	\$ 429.70	
6" Meter	50	\$ 17.19	\$ 859.41	

**TABLE A**  
**Conversion Factor Table (Based on a 20-year Loan)**

Line No.	Column A Annual Interest	Column B Annual Payment Conversion Factor	Column C Annual Interest Payment Conversion Factor	Column D Annual Principal Payment Conversion Factor
1	3.50%	0.0696	0.0344	0.0352
2	3.75%	0.0711	0.0369	0.0342
3	4.00%	0.0727	0.0394	0.0333
4	4.25%	0.0743	0.0419	0.0324
5	4.50%	0.0759	0.0444	0.0316
6	4.75%	0.0775	0.0468	0.0307
7	<b>5.00%</b>	<b>0.0792</b>	<b>0.0493</b>	<b>0.0299</b>
8	5.25%	0.0809	0.0518	0.0291
9	5.50%	0.0825	0.0543	0.0283
10	5.75%	0.0843	0.0568	0.0275
11	6.00%	0.0860	0.0593	0.0267
12	6.25%	0.0877	0.0618	0.0259
13	6.50%	0.0895	0.0643	0.0252
14	6.75%	0.0912	0.0668	0.0245
15	7.00%	0.0930	0.0692	0.0238
16	7.25%	0.0948	0.0717	0.0231
17	7.50%	0.0967	0.0742	0.0224
18	7.75%	0.0985	0.0767	0.0218
19	8.00%	0.1004	0.0792	0.0211

**CASH FLOW ANALYSIS**

Line No.	[A] Staff Recommended Rates without Repair Surcharge	[B] Adjustments REF	[C] Staff Recommended Rates with Repair Surcharge
<b>1</b>	<b>INCOME STATEMENT</b>		
<b>2</b>	<b>Operating Revenue</b>		
3	\$ 28,946	\$ -	\$ 28,946
4	\$ -	\$ 11,550 A	\$ 11,550
5	\$ 274	\$ -	\$ 274
<b>6</b>	<b>\$ 29,220</b>	<b>\$ 11,550</b>	<b>\$ 40,771</b>
<b>7</b>	<b>Operating Expenses</b>		
8	\$ -	\$ -	\$ -
9	\$ 2,289	\$ -	\$ 2,289
10	\$ 7,200	\$ -	\$ 7,200
11	\$ 1,800	\$ -	\$ 1,800
12	\$ 11,295	\$ -	\$ 11,295
13	\$ 1,588	\$ -	\$ 1,588
14	\$ 2,275	\$ -	\$ 2,275
15	\$ -	\$ -	\$ -
16	\$ 1,200	\$ -	\$ 1,200
17	\$ -	\$ -	\$ -
18	\$ 612	\$ -	\$ 612
19	\$ -	\$ -	\$ -
20	\$ 961	\$ -	\$ 961
21	\$ 0	\$ 1,097 B	\$ 1,097
<b>22</b>	<b>\$ 29,220</b>	<b>\$ 1,097</b>	<b>\$ 30,317</b>
<b>23</b>	<b>\$ 0</b>	<b>\$ 10,454</b>	<b>\$ 10,454</b>
24	\$ -	\$ -	\$ -
25	\$ -	\$ 6,510 C	\$ 6,510
<b>26</b>	<b>\$ -</b>	<b>\$ (6,510)</b>	<b>\$ (6,510)</b>
<b>27</b>	<b>\$ 0</b>	<b>\$ 3,943</b>	<b>\$ 3,943</b>
<b>28</b>	<b>\$ 53,205</b>		<b>\$ 53,205</b>
<b>29</b>	<b>0.00%</b>		<b>19.65%</b>
<b>30</b>	<b>0.00%</b>		<b>25.64%</b>
31	\$ -	\$ 3,943 D	\$ 3,943
<b>32</b>	<b>\$ 612</b>	<b>\$ -</b>	<b>\$ 612</b>

A - See Sch CSB-2, Step 8  
B - See Sch CSB-2, Step 6  
C - See Sch CSB-2, Step 2  
D - See Sch CSB-2, Step 3

**RATE DESIGN**

	Present Rates	Staff Recommended Emergency Rates
<b>Monthly Minimum Charge:</b>		
5/8" x 3/4" Meter	\$6.50	\$17.50
<b>Gallons Included In Monthly Minimum Charge:</b>	2,000	0
Per 1,000 for all gallons over the first 2,000	\$1.00	N/A
From 1 to 3,000 gallons	N/A	\$1.00
Over 3,000 gallons	N/A	\$2.00
<b>Repair Surcharge</b>	N/A	\$17.19

Service Line and Meter Installation Charges	Present Rates			Staff Recommended		
	Services	Meters	Total	Services	Meters	Total
5/8" x 3/4" Meter	NT	NT	\$100	N/A	N/A	\$100
3/4" Meter	NT	NT	\$120	N/A	N/A	\$120
1" Meter	NT	NT	\$160	N/A	N/A	\$160
1 1/2" Meter	NT	NT	\$300	N/A	N/A	\$300
2" Meter	NT	NT	\$400	N/A	N/A	\$400

Service Charges	Present Rates	Company Proposed	Staff Recommended
Establishment	NT	\$20.00	\$20.00
Establishment (After Hours)	NT	NT	NT
Reconnection (Delinquent)	5.00	5.00	5.00
After Hours Charge (Flat Rate)	NT	NT	NT
Meter Test	25.00	25.00	25.00
Deposit	*	75.00	75.00
Deposit Interest	*	*	*
Re-establishment (Within 12 Months)	25.00	25.00	25.00
Re-establishment (Within 12 Months After Hrs)	NT	NT	NT
NSF Check	NT	NT	NT
Deferred Payment - per month	NT	NT	NT
Meter Re-read	2.50	2.50	2.50
Late Payment Penalty	NT	10.00%	10.00%
Moving Customer Meter (Customer Request)	NT	NT	NT
After Hours Service Charge (Rule R14-2-403.D)	NT	NT	NT

NT= No Tariff

\* Per Commission rule AAC R14-2-403.B

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter

Staff Recommended <u>Without Repair Surcharge</u>	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	16,000	\$20.50	\$46.50	\$26.00	126.8%

Staff Recommended <u>With Repair Surcharge</u>	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	16,000	\$20.50	\$63.69	\$43.19	210.7%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Authorized Present Rates</u>	<u>Staff Recommended Emergency Rates and Repair Surcharge Rates</u>	<u>% Increase</u>
0	\$6.50	\$34.69	433.7%
1,000	6.50	35.69	449.1%
2,000	6.50	36.69	464.5%
3,000	7.50	37.69	402.5%
4,000	8.50	39.69	366.9%
5,000	9.50	41.69	338.8%
6,000	10.50	43.69	316.1%
7,000	11.50	45.69	297.3%
8,000	12.50	47.69	281.5%
9,000	13.50	49.69	268.1%
10,000	14.50	51.69	256.5%
15,000	19.50	61.69	216.4%
20,000	24.50	71.69	192.6%
25,000	29.50	81.69	176.9%
50,000	54.50	131.69	141.6%
75,000	79.50	181.69	128.5%
100,000	104.50	231.69	121.7%
125,000	129.50	281.69	117.5%
150,000	154.50	331.69	114.7%
175,000	179.50	381.69	112.6%
200,000	204.50	431.69	111.1%

MEMORANDUM

DATE: July 29, 2013

TO: Crystal Brown  
Executive Consultant III

FROM: Katrin Stukov *OS*  
Utilities Engineer *bar*

RE: Green Acres Water Company emergency rate increase application  
Docket No. W-02271A-14-0265

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**Introduction**

On July 11, 2014, Green Acres Water Company ("Company" or "Green Acres") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for implementation of emergency rates to provide sufficient revenues to maintain, repair and improve the Company's water system. This emergency rate application has been submitted by Green Acres' interim manager, Nancy Miller (see Decision No.73931).

According to the interim manager, the system has numerous operational problems including low water pressure in the system. In its application, the Company referenced a water system evaluation report prepared by KUV Consultants, LLC ("KUV") for the Green Acres water system, dated June 2014. The Arizona Department of Environmental Quality ("ADEQ") retained KUV Consultants, LLC to conduct evaluation of Green Acres water system, as part of its "Capacity Development Program" initiative. ADEQ provided Staff with copies of the evaluation report and an Opinion of Probable Costs ("OPC") prepared by KUV.

**Existing Water System***Description of the Water System*

Staff reviewed information obtained from the Company's 2007 Annual Report<sup>1</sup>, an ADEQ Inspection Report, and the KUV evaluation report, which describes the water system's plant and deficiencies. Based on the information obtained, Staff concludes that the Company's water system currently consists of a single well ("West Well")<sup>2</sup>, a 5,000 gallon hydro-pneumatic tank and distribution system serving approximately 52 connections in a small community adjacent to the City of Yuma. A water storage tank (approximately 10,000 gallon) has been disconnected from the system. There is no water treatment or disinfection provided. There is no well meter.

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<sup>1</sup> The last Annual Report currently on records

<sup>2</sup> ADWR Well No.55-508614

Additionally, there is another site, known as the East Well facilities, consisting of two wells<sup>3</sup> and two pressure tanks. Ownership of the East Well facilities is not clear and needs to be confirmed. Mr. Todd Brandenberger, the apparent owner of Green Acres, claims that this is his private plant and does not belong to the Company. Apparently, these facilities were installed without approval from ADEQ. However, at the time of the last ADEQ inspection on December 19, 2012, the East Well facilities were connected to the Company's distribution system and in use. Sometime in 2013 the East Well facilities were disconnected from the Company's system.

### System Analysis

Since there is no well meter, the actual well production is unknown and the system's capacity cannot be determined (see recommended Assessment/Engineering Projects in the Recommended Capital Improvements and Costs Section of this Memorandum).

According to the last official records for the water system (Company's 2007 Annual Report), the Company reported the peak use month as July with 1,989,652 gallons sold. In the same records, the Company reported two wells in its Plant Description information: West Well#55-508614 with 150 gallons per minute ("GPM") capacity and East Well# 55-631266 with 75 GPM capacity<sup>4</sup>. Using this information, Staff determined that with one well (West Well), operating at the previously reported level, the well capacity of 150 GPM could adequately serve the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base. Based on the Company's 2007 water use data and the capacity analyses, a minimum of 75,000 gallons of storage is required on this system (with a single source) to meet seasonal peak demand.

### **ADEQ Compliance Status**

#### *Compliance*

The ADEQ regulates the Green Acres water system under ADEQ Public Water System ("PWS") No. 14-065. Per ADEQ Compliance Status Report dated March 25, 2014, ADEQ reported the following deficiencies: exceedance of the maximum containment level for arsenic (which may be due to the use two additional unapproved wells - ADWR well numbers 55-524336 and 55-631266), Lead and Copper levels reporting, Consumer Confidence reporting and operation & maintenance deficiencies.

Based upon the noted monitoring, reporting and operation & maintenance deficiencies, ADEQ cannot determine if the water system is currently delivering water that meets water quality standards required by 40 CFR141/Arizona Administrative Code, Title 18, Chapter 4.

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<sup>3</sup> ADWR well numbers 55-524336 and 55-631266, both wells have a high level of arsenic.

<sup>4</sup> According to the well driller, Mr. Dan Shuck, the West Well and East Well pumps were in 2010.

*Water Testing Expense*

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for water systems which serve less than 10,000 persons (approximately 3,300 service connections). Based on water tests required by ADEQ for Green Acres<sup>5</sup>, Staff's estimated average annual water testing expenses for the Company at \$1,588.

The table below shows the cost details of Staff's annual monitoring expense estimate totaling \$1,588 with participation in the MAP.

Water Testing Cost

Monitoring	Cost per Sample	No. of samples per year	Average Annual Cost
Total coliform	\$30	12	\$360
Lead & Copper	\$43	5	\$215
Arsenic	\$30	4	\$120
MAP – IOCs, SOCs, VOCs, Radiochemical, Nitrite, Asbestos	MAP	MAP	\$893
Total			<b>\$1,588</b>

**Arizona Department of Water Resources ("ADWR") Compliance Status**

The Company is not located in an Active Management Area ("AMA"). ADWR has determined that the Company's system is not in compliance with ADWR requirements with regard to Annual Report and System Water Plan filings<sup>6</sup>.

**Recommended Capital Improvements and Costs**

The KUV evaluation report and OPC identified the water system's numerous deficiencies, listed the recommended improvements and estimated probable costs to make the recommended improvements. Staff has reviewed this information and identified what Staff views as high priority projects.

<sup>5</sup> Per ADEQ e-mail dated July 22, 2014.

<sup>6</sup> Per ADWR Compliance Report dated July 24, 2014.

This cost estimate with high priority project descriptions and a breakdown of costs is summarized below:

Capital Improvement	Cost Basis	OPC	
Upgrade West Well	Repair well grade, seal and vent; replace discharge line from well head to pressure tank with 4-inch ductile iron pipe; install check valve, isolation valve, flow meter, sample tap and hose bib connection on well discharge line	\$10,000	
Repair/replace pressure tank at West Well site	-Drain, clean and paint the tank, replace discharge pipe -Or (if tank damaged beyond repair), replace tank with a new 5,000 gallon pressure tank	\$5,000	\$15,000
Construct water storage tank at West Well site	Construct water storage tank with a minimum capacity of 75,000 gallons	\$100,000	
Upgrade electrical system at West Well site	Replace well control system; install auto dialer to alarm pump failure	\$7,000	
	Sub-Total	\$122,000	\$132,000

#### Cross Connection/Backflow and Curtailment Tariffs

Since Green Acres does not have approved Cross Connection/Backflow and Curtailment Tariffs filed with the Commission, now is an opportune time for the Company to file these tariffs. Staff recommends that the Commission approve the Cross Connection/Backflow Tariff and the Curtailment Plan Tariff attached to this report as Exhibit A. If the tariffs are approved by the Commission, Staff shall file a letter in the Docket confirming that Green Acres' tariffs have been updated with the approved tariffs. Staff further recommends that Green Acres notify its customers in a form acceptable to Staff, of the tariffs approved by the Commission and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing, and provide copies of the approved tariffs to any customer upon request. Staff further recommends that the approved tariffs go into effect 30 days after the date notice is sent to customers.

## TARIFF SCHEDULE

Utility: \_\_\_\_\_  
 Docket No.: \_\_\_\_\_  
 Phone No.: \_\_\_\_\_

Tariff Sheet No.: 1 of 4  
 Decision No.: \_\_\_\_\_  
 Effective: \_\_\_\_\_

**CURTAILMENT PLAN FOR:** \_\_\_\_\_  
 (Template 102109)

ADEQ Public Water System No: \_\_\_\_\_

\_\_\_\_\_ (“Company”), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

### **Stage 1 Exists When:**

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

### **Stage 2 Exists When:**

- a. Company’s water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

## TARIFF SCHEDULE

Utility: \_\_\_\_\_  
Docket No.: \_\_\_\_\_  
Phone No.: \_\_\_\_\_

Tariff Sheet No.: 2 of 4  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

### **Stage 3 Exists When:**

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

### Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, the Company shall post at least \_\_\_\_\_ signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

## TARIFF SCHEDULE

Utility: \_\_\_\_\_  
Docket No.: \_\_\_\_\_  
Phone No.: \_\_\_\_\_

Tariff Sheet No.: 3 of 4  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

### Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

### Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least \_\_\_\_\_ signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

## TARIFF SCHEDULE

Utility: \_\_\_\_\_  
Docket No.: \_\_\_\_\_  
Phone No.: \_\_\_\_\_

Tariff Sheet No.: 4 of 4  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply with two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

**CROSS-CONNECTION OR BACKFLOW TARIFF**

**PURPOSE:**

The purpose of this tariff is to protect \_\_\_\_\_ (“Company”) water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer’s premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code (“A.A.C.”) R14-2-405.B.6 and A.A.C. R18-4-215.

**REQUIREMENTS:**

In compliance with the Rules of the Arizona Corporation Commission (“Commission”) and the Arizona Department of Environmental Quality (“ADEQ”), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and to have installed a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.
2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.
3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or may deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff
4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the backflow-prevention assembly within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

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**\*\*FOR OFFICIAL USE ONLY\*\***

Effective Date: \_\_\_\_\_

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.
6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
  - a. assembly identification number and description;
  - b. location
  - c. date(s) of test(s);
  - d. description of repairs and recommendations for repairs made by tester; and
  - e. the tester's name and certificate number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

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**\*\*FOR OFFICIAL USE ONLY\*\***

Effective Date: \_\_\_\_\_