

OPEN MEETING ITEM

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



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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

DOCKETED

SEP 26 2014

DATE:

SEPTEMBER 26, 2014
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKET NO.:

W-02027A-13-0470

DOCKETED BY

TO ALL PARTIES:

ORIGINAL

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

DATELAND PUBLIC SERVICE COMPANY
(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:

OCTOBER 6, 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:

OCTOBER 16, 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.

JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

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

8 IN THE MATTER OF THE APPLICATION OF
9 DATELAND PUBLIC SERVICE COMPANY,
10 INC. FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02027A-13-0470

DECISION NO. _____

11 ORDER

12 Open Meeting
13 October 16, 2014
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

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

18 FINDINGS OF FACT

19 PROCEDURAL HISTORY

20 1. On December 26, 2013, Dateland Public Service Company, Inc. ("Dateland" or
21 "Company"), filed an application with the Commission for a permanent rate increase. The Company
22 attached a copy of the notice it sent to customers on December 23, 2013, advising them of the
23 pending application. One customer filed an opinion opposing the rate increase.

24 2. Dateland docketed an amendment to its application in the Commission's Tucson
25 Office on January 21, 2014.

26 3. On January 23, 2014, the Commission's Utilities Division ("Staff") issued its
27 Sufficiency Letter stating that the application met the requirements of Arizona Administrative Code
28 ("A.A.C.") R14-2-103 and classifying Dateland as a Class D utility.

1. The Company filed amendments to its application on January 31 and February 18,
2014. (The application and the amendments are collectively referred to as the "Application.")

...

1 5. On April 9, 2014, Staff submitted a Request for Extension of time to file the Staff
2 Report. Staff related it had scheduled a meeting with the United States Department of Agriculture
3 (“USDA”) to discuss questions about grants Dateland had received from the USDA and requested an
4 extension of 61 days to file the Staff Report. The Company did not object to the extension.

5 6. A Procedural Order issued April 15, 2014, granted Staff an extension to June 9, 2014,
6 to file the Staff Report. The time clock was extended accordingly.

7 7. Staff filed a second request for an extension of time to file the Staff Report, which was
8 granted by a Procedural Order docketed June 10, 2014. The filing deadline was extended to June 23,
9 2014, and the time clock was also extended.

10 8. On June 23, 2014, Staff issued its Staff Report recommending Commission approval
11 of Staff’s proposed rates and charges, subject to certain conditions. Staff noted its recommended
12 rates and charges were higher than those proposed by Dateland and asked the Company to re-notice
13 its customers regarding Staff’s proposals.

14 9. Dateland submitted its comments to the Staff Report on July 3, 2014, objecting to
15 certain of Staff’s conditions and recommendations.

16 10. On July 28, 2014, the Company filed an affidavit averring that it had provided its
17 customers with notice of Staff’s proposed rates. No customers submitted comments in response to
18 the new notice.

19 11. A Procedural Order docketed July 30, 2014, directed Staff to docket a reply to
20 Dateland’s comments by August 22, 2014. The Company was directed to file any comments to
21 Staff’s reply by September 12, 2014, and indicate whether Dateland wanted the matter to be set for
22 hearing. The Procedural order suspended the time clock.

23 12. Staff docketed its reply to Dateland’s comments on August 22, 2014.

24 13. On September 10, 2014, Dateland submitted its response to Staff’s reply, stating that it
25 withdrew its objections to Staff’s recommendations and did not want a hearing on its Application.

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BACKGROUND**Company Background**

14. Dateland is an Arizona non-profit corporation providing water service to 112 customers in Yuma County, approximately 50 miles southwest of Gila Bend, Arizona. The Commission granted Dateland's Certificate of Convenience and Necessity in Decision No. 39886 (January 29, 1969).

15. An Arizona Department of Water Resources ("ADWR") compliance status report dated February 28, 2014, indicated that the Company is in compliance with ADWR requirements governing water providers and/or community water systems.

16. Dateland is not within an ADWR active management area ("AMA") and is not subject to any ADWR AMA reporting and conservation requirements. Staff and the Company selected three Best Management Practices Tariffs ("BMPs") based on Dateland's service area characteristics and believe these BMPs will allow the Company to address any high water use and waste by educating customers about water conservation.¹ Staff related that Dateland has already implemented a number of the provisions contained in the selected BMPs.

17. An Arizona Department of Environmental Quality ("ADEQ") Compliance Status Report dated June 9, 2014, indicated that the Company's system is in compliance with ADEQ regulations and currently delivers water that meets the water quality standards required by 40 CFR 141 and A.A.C., Title 18, Chapter 4.

18. Dateland has Commission-approved Backflow and Curtailment Tariffs.

19. Staff stated that Dateland has no outstanding compliance issues, is in good standing with the Corporation Division, and is current on its property and sales tax. Staff noted that between March 17, 2009, and April 9, 2014, there were no complaints filed against the Company.

Water System

20. According to Staff, Dateland's water system is comprised of two active wells with a total yield of 200 gallons per minute, two storage tanks with 150,000 gallons of storage capacity, one

¹ The proposed BMPs are found in Exhibit A to the Engineering Report attached to the Staff Report.

1 pressure tank, two booster pumps, a new reverse osmosis ("RO") system, and a distribution system.
2 All customers are served by 5/8 x 3/4-inch meters.

3 21. Dateland noted most customers are retirees and it estimates the area will experience
4 no-to-little growth over the next five years. Staff concluded that the Company's system has adequate
5 production and storage capacity to serve the existing customer base and reasonable growth.

6 22. For its Application, Dateland adopted a test year ending December 31, 2012. The
7 Company reported that during the test year it pumped 15,971,501 gallons and sold 9,984,132 gallons,
8 reflecting water loss of 37.49 percent. According to Staff, Dateland explained that the high water loss
9 was caused by an old RO system, and the extensive system construction that occurred in 2012,
10 pointing out that contractors had used water from the system for dust control and other purposes.
11 Dateland believes the new RO system will reduce water loss levels.²

12 23. Staff noted that the new RO system was custom built and designed to accommodate
13 up to 130 customers. However, Staff expressed concern about the operation and maintenance
14 expenses associated with a custom-built system, noting that Dateland's engineering company
15 estimated operation and maintenance costs for the RO system with solar power at \$63,000 per year
16 and the Company projected total 2014 repair and maintenance costs of \$58,288. Staff stated that it
17 may be difficult for the Company to find qualified operators in the Dateland area for this unique,
18 automated system. Further, the plant is complex and it may be a challenge for a company of
19 Dateland's size to own and manage, relating that on May 12, 2014, the RO system failed and the
20 Company had to operate the system manually. Dateland also reported that all manufacturer
21 warranties have expired and the manufacture of its solar system inverters has gone out of business.
22 Further, a sensor on the new storage tank failed and the replacement sensor cost \$1,100.

23 **Financial and Accounting Issues**

24 24. The Company's current rates were set in Decision No. 70847 (March 17, 2009).

25 25. In the Decision, the Commission noted that in 2007 Dateland had received a \$726,000
26 Rural Utilities Service Colonia Grant from the United States Department of Agriculture – Rural

27 _____
28 ² Engineering Staff noted that Dateland's water loss for 2010 was 38.13 percent and 32.05 percent for 2011. Engineering Report, page 5, footnote 1.

1 Development (“USDA – RD”) to fund extensive system improvements. Staff related that in 2008 the
 2 amount of the grant increased to \$1,476,100; through 2012, the amount received under the grant
 3 totaled \$2,661,285. By the end of the test year, the plant funded by the grant and placed into service
 4 included two additional building lots, two new wells with booster pumps, a new storage tank and the
 5 rehabilitation of an existing one, a pressure tank, an electrical service line, a solar electric system, and
 6 the new RO plant with a computer system. In addition, the Company has received a permit to
 7 construct a new building using USDA – RD grant money.

8 26. Staff found the Application and Dateland’s Utilities Annual Reports contained a
 9 number of errors and inaccuracies. According to Staff, Dateland does not have a general ledger and
 10 could not provide a complete and detailed breakdown of how grant funds were spent.³

11 27. Based on Staff’s review of the Application, its Utilities Annual Reports, the USDA –
 12 RD grant records, Dateland’s financial records, and its record-keeping practices, Staff proposed the
 13 following recommendations:

- 14 • The Company should provide to Staff a copy of all annual audit reports
 15 required by the USDA within 30 days from the date after the reports are
 submitted to the USDA.
- 16 • Dateland shall use the depreciation rates by individual NARUC category set
 17 forth in Exhibit A attached to this Decision. Dateland should obtain qualified
 18 assistance to create an accounting system in compliance with the NARUC
 19 Uniform System of Accounts, including a general ledger, a journal and
 financial statements, an inventory of plant, and the approved depreciation and
 amortization schedules.
- 20 • The Company should file with Docket Control, within 180 days of the
 21 effective date of the Decision, as a compliance item in this docket, a report
 detailing the steps taken to implement the accounting system.
- 22 • Dateland should develop a verifiable five-year plant maintenance and
 23 replacement schedule, including cost estimates, to be used in planning and
 24 managing ongoing operations and should file with Docket Control, within 180
 days of the effective date of this Decision, as a compliance item in this docket,
 the five-year plant maintenance and replacement schedule.
- 25 • Dateland should monitor the number of gallons of water pumped and sold to
 26 determine the amount of non-account water for one year and coordinate its
 27 reading of well meters with its reading of customer meters each month, and
 keep records on any non-account water it uses for legitimate purposes. The

28 ³ Staff noted that Dateland’s record keeping is important for audit and tax purposes.

1 Company should file with Docket Control, within 13 months of the Decision's
 2 effective date, as a compliance item in this docket, a water use data report
 3 reflecting the monitoring results. If the reported water loss is greater than 10
 4 percent, Dateland should prepare a report containing a detailed analysis and
 5 plan to reduce water loss to 10 percent or less. If the Company believes it is
 6 not cost effective to reduce the water loss to less than 10 percent, it should
 7 submit a detailed cost/benefit analysis to support its opinion. The water loss
 8 reduction report or the detailed analysis, whichever is submitted, should be
 9 docketed as a compliance item file with Docket Control, as a compliance item
 10 in this docket, within 13 months of the Decision's effective date.

- 6 • The three BMPs found in Exhibit A of the Engineering Report attached to the
 7 Staff Report should be approved.
- 8 • Dateland should notify its customers, in a form acceptable to Staff, of the
 9 approved BMP Tariffs and their effective date by means of either an insert in
 10 the next regularly scheduled billing or by a separate mailing, and should
 11 provide copies of the BMP Tariffs to any customer upon request. The
 approved BMP Tariffs should go into effect 30 days after the date notice is
 sent to customers. Dateland may request recovery of the actual costs
 associated with implementing the BMPs in its next rate application.

12 28. Dateland does not object to Staff's recommendations. We find Staff's
 13 recommendations are reasonable and we adopt them.

RATE APPLICATION

Summary

16 29. In the Application, Dateland proposed a 50.19 percent revenue increase of \$26,757,
 17 from \$53,316 to \$80,073. Staff determined that Dateland's rate design actually produces revenues of
 18 \$78,625, resulting in an operating loss of \$53,722.

19 30. Staff recommends revenues higher than those proposed by Dateland. Staff
 20 recommended an ultimate increase in operating revenue of \$50,670, but recommended that the
 21 increase be phased in over three years in order to promote rate gradualism. Rates in the first year
 22 would result in a \$32,643 (68.82 percent) increase over adjusted test year revenues of \$47,430. In the
 23 second year, there would be an increase of \$41,607 (87.72 percent) over adjusted test year revenues.
 24 Finally, the full increase of \$50,670 (106.62 percent) over adjusted test year revenues would be
 25 implemented in the third year.

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Rate Design

31. During the test year, the average and median water use by customers were 7,405 and 5,475 gallons per month, respectively.

32. The rates and charges for Dateland at present, as proposed by the Company, and as recommended by Staff in each phase, are as follows:

PHASE 1**MONTHLY USAGE CHARGE:**

	Present Rates	Company Proposed	Staff Proposed
5/8 x 3/4-Inch Meter	\$26.00	\$40.00	\$36.00
3/4-Inch Meter	0.00	0.00	36.00
1-Inch Meter	0.00	0.00	75.00
1-1/2-Inch Meter	0.00	0.00	150.00
2-Inch Meter	0.00	0.00	240.00
3-Inch Meter	0.00	0.00	480.00
4-Inch Meter	0.00	0.00	750.00
6-Inch Meter	0.00	0.00	1,500.00
Excess of Minimum – Per 1,000 Gallons Gallons Included in Minimum	\$0.00 0	\$0.00 0	\$0.00 0

COMMODITY CHARGES:

Per 1,000 Gallons (All Classes)

5/8 x 3/4-Inch Meter

0 to 3,000 gallons	\$1.00	\$2.00	\$2.00
3,001 to 7,000 gallons	1.25	2.50	3.10
Over 7,000 gallons	1.50	3.00	4.40

3/4-Inch Meter

0 to 3,000 gallons	N/A	N/A	\$2.00
3,001 to 7,000 gallons	N/A	N/A	3.10
Over 7,000 gallons	N/A	N/A	4.40

1-Inch Meter

0 to 40,000 gallons	N/A	N/A	\$3.10
Over 40,000 gallons	N/A	N/A	4.40

1-1/2-Inch Meter

0 to 120,000 gallons	N/A	N/A	\$3.10
Over 120,000 gallons	N/A	N/A	4.40

2-Inch Meter

0 to 225,000 gallons	N/A	N/A	\$3.10
Over 225,000 gallons	N/A	N/A	4.40

3-Inch Meter

0 to 500,000 gallons	N/A	N/A	\$3.10
Over 500,000 gallons	N/A	N/A	4.40

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4-Inch Meter

0 to 800,000 gallons	N/A	N/A	\$3.10
Over 800,000 gallons	N/A	N/A	4.40

6-Inch Meter

0 to 1,500,000 gallons	N/A	N/A	\$3.10
Over 1,500,000 gallons	N/A	N/A	4.40

PHASE 2

MONTHLY USAGE CHARGE:

	Present Rates	Company Proposed	Staff Proposed
5/8 x 3/4-Inch Meter	\$26.00	\$40.00	\$36.00
3/4-Inch Meter	0.00	0.00	36.00
1-Inch Meter	0.00	0.00	75.00
1-1/2-Inch Meter	0.00	0.00	150.00
2-Inch Meter	0.00	0.00	240.00
3-Inch Meter	0.00	0.00	480.00
4-Inch Meter	0.00	0.00	750.00
6-Inch Meter	0.00	0.00	1,500.00
Excess of Minimum – Per 1,000 Gallons	\$0.00	\$0.00	\$0.00
Gallons Included in Minimum	0	0	0

COMMODITY CHARGES:

Per 1,000 Gallons (All Classes)

5/8 x 3/4-Inch Meter

0 to 3,000 gallons	\$1.00	\$2.00	N/A
3,001 to 7,000 gallons	1.25	2.50	N/A
Over 7,000 gallons	1.50	3.00	N/A

5/8 x 3/4-Inch Meter

0 to 3,000 gallons	N/A	N/A	\$3.00
3,001 to 12,000 gallons	N/A	N/A	4.25
Over 12,000 gallons	N/A	N/A	5.00

3/4-Inch Meter

0 to 3,000 gallons	N/A	N/A	\$3.00
3,001 to 7,000 gallons	N/A	N/A	4.25
Over 7,000 gallons	N/A	N/A	5.00

1-Inch Meter

0 to 40,000 gallons	N/A	N/A	\$4.25
Over 40,000 gallons	N/A	N/A	5.00

1-1/2-Inch Meter

0 to 120,000 gallons	N/A	N/A	\$4.25
Over 120,000 gallons	N/A	N/A	5.00

2-Inch Meter

0 to 225,000 gallons	N/A	N/A	\$4.25
Over 225,000 gallons	N/A	N/A	5.00

1	<u>3-Inch Meter</u>			
	0 to 500,000 gallons	N/A	N/A	\$4.25
2	Over 500,000 gallons	N/A	N/A	5.00
3	<u>4-Inch Meter</u>			
	0 to 800,000 gallons	N/A	N/A	\$4.25
4	Over 800,000 gallons	N/A	N/A	5.00
5	<u>6-Inch Meter</u>			
	0 to 1,500,000 gallons	N/A	N/A	\$4.25
6	Over 1,500,000 gallons	N/A	N/A	5.00

PHASE 3

8	<u>MONTHLY USAGE CHARGE:</u>	Present	Company	Staff
		Rates	Proposed	Proposed
9	5/8 x 3/4-Inch Meter	\$26.00	\$40.00	\$36.60
	3/4-Inch Meter	0.00	0.00	36.60
10	1-Inch Meter	0.00	0.00	75.00
	1-1/2-Inch Meter	0.00	0.00	150.00
11	2-Inch Meter	0.00	0.00	240.00
	3-Inch Meter	0.00	0.00	480.00
12	4-Inch Meter	0.00	0.00	750.00
	6-Inch Meter	0.00	0.00	1,500.00
13	Excess of Minimum – Per 1,000 Gallons	\$0.00	\$0.00	\$0.00
14	Gallons Included in Minimum	0	0	0

COMMODITY CHARGES:
Per 1,000 Gallons (All Classes)

16	<u>5/8 x 3/4-Inch Meter</u>			
	0 to 3,000 gallons	\$1.00	\$2.00	N/A
17	3,001 to 7,000 gallons	1.25	2.50	N/A
18	Over 7,000 gallons	1.50	3.00	N/A

19	<u>5/8 x 3/4-Inch Meter</u>			
	0 to 3,000 gallons	N/A	N/A	\$3.20
20	3,001-12,000 gallons	N/A	N/A	5.25
	Over 12,000 gallons	N/A	N/A	6.25

21	<u>3/4-Inch Meter</u>			
	0 to 3,000 gallons	N/A	N/A	\$3.20
22	3,001 to 7,000 gallons	N/A	N/A	5.25
23	Over 7,000 gallons	N/A	N/A	6.25

24	<u>1-Inch Meter</u>			
	0 to 40,000 gallons	N/A	N/A	\$5.25
25	Over 40,000 gallons	N/A	N/A	6.25

26	<u>1-1/2-Inch Meter</u>			
	0 to 120,000 gallons	N/A	N/A	\$5.25
27	Over 120,000 gallons	N/A	N/A	6.25

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1	<u>2-Inch Meter</u>			
	0 to 225,000 gallons	N/A	N/A	\$5.25
2	Over 225,000 gallons	N/A	N/A	6.25
3	<u>3-Inch Meter</u>			
	0 to 500,000 gallons	N/A	N/A	\$5.25
4	Over 500,000 gallons	N/A	N/A	6.25
5	<u>4-Inch Meter</u>			
	0 to 800,000 gallons	N/A	N/A	\$5.25
6	Over 800,000 gallons	N/A	N/A	6.25
7	<u>6-Inch Meter</u>			
	0 to 1,500,000 gallons	N/A	N/A	\$5.25
8	Over 1,500,000 gallons	N/A	N/A	6.25

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

	Current Service	Current Meter Charges	Current Total Charges	Company Proposed Total Charges	Staff Recommended Service Line Charges	Staff Recommended Meter Charges	Staff Recommended Total Charges	
12	5/8 x 3/4" Meter	\$400	\$100	\$500	\$600	\$450	\$150	\$600
13	3/4 " Meter	415	205	620	750	415	205	620
	1" Meter	465	265	730	1,000	465	265	730
14	1-1/2" Meter	520	475	995	1,250	520	475	995
	2" Turbine Meter	800	995	1,795	1,795	800	995	1,795
15	2" Compound Meter	800	1,840	2,640	2,640	800	1,840	2,640
	3" Turbine Meter	1,015	1,620	2,635	2,635	1,015	1,620	2,635
16	3" Compound Meter	1,135	2,495	3,630	3,630	1,135	2,495	3,630
	4" Turbine Meter	1,430	2,570	4,000	4,000	1,430	2,570	4,000
17	4" Compound Meter	1,610	3,545	5,155	5,155	1,610	3,545	5,155
	6" Turbine Meter	2,150	4,925	7,075	7,075	2,150	4,925	7,075
18	6" Compound Meter	2,270	6,820	9,090	9,090	2,270	6,820	9,090

SERVICE CHARGES:

	Present Rates	Company Proposed	Staff Recommended	
20	Establishment	\$35.00	\$50.00	\$40.00
21	Reconnection (Delinquent)	35.00	65.00	40.00
	After Hours Service Charge	50.00	50.00	50.00
22	Meter Test	Cost	Cost	30.00
	Meter Re-Read	\$5.00	\$5.00	10.00
23	NSF Check	35.00	35.00	35.00
	Deposit	\$0.00	\$0.00	*
24	Deposit Interest	*	*	*
	Re-Establishment (Within 12 months)	**	**	**
25	Deferred Payment Per Month	1.50%	1.50%	1.50%
	Late Fee	1.50%	1.50%	1.50%

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Monthly Service Charge for Fire Sprinkler

1	4-Inch to Larger than 10-Inch	\$0.00	\$0.00	***
2	6-Inch	0.00	0.00	***
	8-Inch	0.00	0.00	***
3	10-Inch	0.00	0.00	***
	Larger than 10-Inch	0.00	0.00	***

4 * Per Commission Rule A.A.C. R14-2-403(B).

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

6 *** 2.00% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month.
 7 The service charge for fire sprinklers is only applicable for service lines separate and distinct from the
 8 primary water service line.

9 33. Staff determined Dateland's original cost rate base, which is the same as its fair value
 10 rate base ("FVRB"), to be \$21,375. This \$1,385,896 decrease to Dateland's proposed FVRB of
 11 \$1,407,271 resulted from Staff's adjustments to plant-in-service and accumulated depreciation;
 12 removal of contributions in aid of construction ("CIAC") and the accumulated amortization of CIAC
 13 related to the USDA - RD grant-funded plant; and the addition of working capital. Dateland did not
 14 object to Staff's adjustments to its proposed FVRB. Staff's proposed rate base adjustments are
 15 reasonable and will be adopted.

16 34. Staff reduced Dateland's proposed test year operating revenues from \$53,316 to
 17 \$47,430 to reflect removal of non-recurring other water revenue. Staff's adjustments to the
 18 Company's proposed test year operating expenses resulted in a net decrease of \$46,312, from
 19 \$133,795 to \$87,483, due to Staff's adjustments to purchased power, repairs and maintenance,
 20 outside services expense, water testing expense, rate case expense, depreciation expense and taxes.
 21 Dateland accepted Staff's adjustments to its proposed operating revenues and expenses. Staff's
 22 proposed adjustments to operating revenues and expenses are reasonable and will be adopted.

23 35. After Staff's adjustments, Dateland's present water rates and charges reflect an
 24 operating loss of (\$40,053), for no return on the adjusted FVRB.

25 36. Because Dateland's adjusted FVRB is \$21,375, Staff was unable to derive a revenue
 26 requirement by applying a rate of return methodology, electing instead to use a cash flow calculation.
 27 Staff's recommended three-year phased-in rates and charges would produce operating revenue and
 28 cash flow as follow:

...

	YEAR ONE	YEAR TWO	YEAR THREE
OPERATING REVENUE	\$80,073	\$89,037	\$98,000
OPERATING EXPENSE	\$87,907	\$87,962	\$88,012
OPERATING INCOME	(\$7,834)	\$1,075	\$9,988
CASH FLOW	\$598	\$9,247	\$18,096
RATE OF RETURN	--	5.03%	46.73%

37. Staff asserted that its phased-in rate design both reduces rate shock and provides Dateland with sufficient cash flow to meet its operating expenses and other contingencies, including the expenses associated with the new RO system. The recommended rates proposed by Staff in the Staff Report would increase the average and median monthly residential customer bill as follows:

	PRESENT RATES	PROPOSED RATES	DOLLAR INCREASE	PERCENT INCREASE
<u>PHASE ONE</u>				
AVERAGE	\$34.61	\$56.18	\$21.58	62.3%
MEDIAN	\$34.00	\$49.67	\$15.67	46.1%
<u>PHASE TWO</u>				
AVERAGE	\$34.61	\$64.03	\$29.42 (+\$7.84)	85.0%
MEDIAN	\$34.00	\$55.52	\$21.52 (+\$5.85)	63.3%
<u>PHASE THREE</u>				
AVERAGE	\$34.61	\$69.73	\$35.13 (+\$5.71)	101.5%
MEDIAN	\$34.00	\$59.19	\$25.19 (+\$3.67)	74.1%

38. Dateland agreed with Staff's rate design and charges.

39. Staff recommended that Dateland file a schedule of its approved rates and charges with the Commission within 30 days of the effective date of the Decision, and notify its customers of the authorized rates and charges, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly scheduled billing.

40. Staff also recommended that Dateland should file a permanent rate application no later than June 1, 2018, with a test year ending December 31, 2017.

41. Dateland initially objected to a number of Staff's recommendations, claiming they were onerous and resulted in additional expense for the Company. However, in its comments to Staff's reply to Dateland's objections, the Company withdrew its opposition to Staff's proposed conditions.

1 42. We find that Staff's recommendations are just and reasonable and we adopt them.

2 43. In addition to Staff's recommendations, we believe it is reasonable to authorize
3 Dateland to collect from its customers a proportionate share of any privilege, sales or use tax as
4 provided for in A.A.C. R-14-2-409(D).

5 44. In Decision No. 70847, the Commission ordered Dateland to file annually, as part of
6 its Annual Report, an affidavit with the Utilities Division attesting that it is current on paying its
7 property taxes. We believe it is reasonable to require Dateland to continue to file the property tax
8 affidavit.

9 45. We find that Staff's recommendations, as well as the recommendations stated in
10 Findings of Fact Nos. 43 and 44, are reasonable and we will adopt them.

11 **CONCLUSIONS OF LAW**

12 1. Dateland is a public service corporation within the meaning of Article XV of the
13 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

14 2. The Commission has jurisdiction over Dateland and the Application's subject matter.

15 3. Notice of the Application was provided in the manner prescribed by Arizona law.

16 4. The authorized rates and charges are just and reasonable and should be approved
17 without a hearing.

18 5. Staff's recommendations, as well as the recommendations stated in Findings of Fact
19 Nos. 43 and 44, are reasonable and should be adopted.

20 **ORDER**

21 IT IS THEREFORE ORDERED that Dateland Public Service Company, Inc. shall file with
22 Docket Control, as a compliance item in this docket, by October 31, 2014, revised tariffs setting forth
23 the following rates and charges:

24 ...

25 ...

26 ...

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PHASE 1
(Effective November 1, 2014)

MONTHLY USAGE CHARGE:

5/8 x 3/4-Inch Meter	\$36.00
3/4-Inch Meter	36.00
1-Inch Meter	75.00
1-1/2-Inch Meter	150.00
2-Inch Meter	240.00
3-Inch Meter	480.00
4-Inch Meter	750.00
6-Inch Meter	1,500.00

COMMODITY CHARGES:

Per 1,000 Gallons (All Classes)

5/8 x 3/4-Inch Meter

0 to 3,000 gallons	\$2.00
3,001 to 7,000 gallons	3.10
Over 7,000 gallons	4.40

3/4-Inch Meter

0 to 3,000 gallons	\$2.00
3,001 to 7,000 gallons	3.10
Over 7,000 gallons	4.40

1-Inch Meter

0 to 40,000 gallons	\$3.10
Over 40,000 gallons	4.40

1-1/2-Inch Meter

0 to 120,000 gallons	\$3.10
Over 120,000 gallons	4.40

2-Inch Meter

0 to 225,000 gallons	\$3.10
Over 225,000 gallons	4.40

3-Inch Meter

0 to 500,000 gallons	\$3.10
Over 500,000 gallons	4.40

4-Inch Meter

0 to 800,000 gallons	\$3.10
Over 800,000 gallons	4.40

6-Inch Meter

0 to 1,500,000 gallons	\$3.10
Over 1,500,000 gallons	4.40

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PHASE 2
(Effective November 1, 2015)

MONTHLY USAGE CHARGE:

5/8 x 3/4-Inch Meter	\$36.00
3/4-Inch Meter	36.00
1-Inch Meter	75.00
1-1/2-Inch Meter	150.00
2-Inch Meter	240.00
3-Inch Meter	480.00
4-Inch Meter	750.00
6-Inch Meter	1,500.00

COMMODITY CHARGES:

Per 1,000 Gallons (All Classes)

<u>5/8 x 3/4-Inch Meter</u>	\$3.00
0 to 3,000 gallons	4.25
3,001-12,000 gallons	5.00
Over 12,000 gallons	
<u>3/4-Inch Meter</u>	\$3.00
0 to 3,000 gallons	4.25
3,001 to 7,000 gallons	5.00
Over 7,000 gallons	
<u>1-Inch Meter</u>	\$3.00
0 to 40,000 gallons	4.25
Over 40,000 gallons	5.00
<u>1-1/2-Inch Meter</u>	
0 to 120,000 gallons	\$4.25
Over 120,000 gallons	5.00
<u>2-Inch Meter</u>	
0 to 225,000 gallons	\$4.25
Over 225,000 gallons	5.00
<u>3-Inch Meter</u>	
0 to 500,000 gallons	\$4.25
Over 500,000 gallons	5.00
<u>4-Inch Meter</u>	
0 to 800,000 gallons	\$4.25
Over 800,000 gallons	5.00
<u>6-Inch Meter</u>	
0 to 1,500,000 gallons	\$4.25
Over 1,500,000 gallons	5.00

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PHASE 3
(Effective November 1, 2016)

MONTHLY USAGE CHARGE:

5/8 x 3/4-Inch Meter	\$36.60
3/4-Inch Meter	36.60
1-Inch Meter	75.00
1-1/2-Inch Meter	150.00
2-Inch Meter	240.00
3-Inch Meter	480.00
4-Inch Meter	750.00
6-Inch Meter	1,500.00

COMMODITY CHARGES:
Per 1,000 Gallons (All Classes)

<u>5/8 x 3/4-Inch Meter</u>	
0 to 3,000 gallons	\$3.20
3,001 to 12,000 gallons	5.25
Over 12,000 gallons	6.25

<u>3/4-Inch Meter</u>	
0 to 3,000 gallons	\$3.20
3,001 to 7,000 gallons	5.25
Over 7,000 gallons	6.25

<u>1-Inch Meter</u>	
0 to 40,000 gallons	\$5.25
Over 40,000 gallons	6.25

<u>1-1/2-Inch Meter</u>	
0 to 120,000 gallons	\$5.25
Over 120,000	6.25

<u>2-Inch Meter</u>	
0 to 225,000 gallons	\$5.25
Over 225,000 gallons	6.25

<u>3-Inch Meter</u>	
0 to 500,000 gallons	\$5.25
Over 500,000 gallons	6.25

<u>4-Inch Meter</u>	
0 to 800,000 gallons	\$5.25
Over 800,000 gallons	6.25

<u>6-Inch Meter</u>	
0 to 1,500,000 gallons	\$5.25
Over 1,500,000 gallons	6.25

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	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>
	<u>Charges</u>	<u>Charges</u>	<u>Charges</u>
1	<u>SERVICE LINE AND METER CHARGES:</u> (Refundable Pursuant to A.A.C. R14-2-405)		
2	5/8 x 3/4-Inch Meter	\$ 150.00	\$ 600.00
3	3/4-Inch Meter	205.00	620.00
3	1-Inch Meter	265.00	730.00
4	1-1/2-Inch Meter	475.00	995.00
4	2-Inch Turbine Meter	995.00	1,795.00
5	2-Inch Compound Meter	1,840.00	2,640.00
5	3-Inch Turbine Meter	1,620.00	2,635.00
6	3-Inch Compound Meter	2,495.00	3,630.00
6	4-Inch Turbine Meter	2,570.00	4,000.00
7	4-Inch Compound Meter	3,545.00	5,155.00
7	6-Inch Turbine Meter	4,925.00	7,075.00
8	6-Inch Compound Meter	6,820.00	9,090.00

	<u>Service Line</u>
9	<u>SERVICE CHARGES:</u>
9	Establishment \$40.00
10	Reconnection (Delinquent) 40.00
10	After Hours Service Charge 50.00
11	Meter Test 30.00
11	Meter Re-Read 10.00
12	NSF Check 35.00
12	Deposit *
13	Deposit Interest *
13	Re-Establishment (Within 12 months) **
14	Deferred Payment Per Month 1.50%
14	Late Fee 1.50%

	<u>Service Line</u>
15	<u>Monthly Service Charge for Fire Sprinkler:</u>
16	4-Inch to Larger than 10-Inch ***
16	6-Inch ***
17	8-Inch ***
17	10-Inch ***
18	Larger than 10-Inch ***

19 * Per Commission Rule A.A.C. R14-2-403(B).
 20 ** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
 21 *** 2.00% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month.
 The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

22 IT IS FURTHER ORDERED that the above rates and charges for Phase 1 shall be effective
 23 for all service provided on and after November 1, 2014; for Phase 2, on and after November 1, 2015;
 24 and for Phase 3, on and after November 1, 2016.

25 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall notify its
 26 customers of the authorized phased-in rates and charges, and their effective dates, in a form
 27 acceptable to the Commission Staff, by means of an insert in its next regularly scheduled billing or
 28 separate mailing.

1 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
2 Dateland Public Service Company, Inc. is authorized to collect from its customers a proportionate
3 share of any privilege, sales or use tax pursuant to A.C.C. R14-2-409(D).

4 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall provide to
5 Commission Staff a copy of all annual audit reports required by the USDA within 30 days from the
6 date after the reports are submitted to the USDA.

7 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall use the
8 depreciation rates by individual NARUC category set forth in the attached Exhibit A.

9 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall obtain
10 qualified assistance to create an accounting system in compliance with NARUC Uniform System of
11 Accounts, which shall include a general ledger, a journal and financial statements, an inventory of
12 plant, and the depreciation and amortization schedules adopted in this Decision, and shall file with
13 Docket Control, as a compliance item in this docket, within 180 days of the effective date of this
14 Decision, a report detailing steps taken to implement the accounting system.

15 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall develop a
16 verifiable five-year plant maintenance and replacement schedule, including cost estimates, to be used
17 in planning and managing ongoing operations, and shall file with Docket Control, as a compliance
18 item in this docket, within 180 days of the effective date of this Decision, the five-year plant
19 maintenance and replacement schedule.

20 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall monitor the
21 number of gallons of water pumped and sold to determine the amount of non-account water for one
22 year and shall coordinate its reading of well meters with its reading of customer meters each month,
23 and shall keep records on any non-account water it uses for legitimate purposes. Dateland Public
24 Service Company, Inc. shall file with Docket Control, as a compliance item in this docket, within 13
25 months of the Decision's effective date, a water use data report reflecting the monitoring results. If
26 the reported water loss is greater than 10 percent, Dateland Public Service Company, Inc. shall
27 prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If
28

1 the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should
2 submit a detailed cost/benefit analysis to support its opinion. The water loss reduction report or the
3 detailed analysis, whichever is submitted, shall be docketed as a compliance item with Docket
4 Control, within 13 months of the Decision's effective date.

5 IT IS FURTHER ORDERED that the BMP Tariffs found in Exhibit A of the Engineering
6 Report attached to the Staff Report are approved.

7 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall notify its
8 customers, in a form acceptable to Staff, of the approved BMP Tariffs and their effective date by
9 means of either an insert in the next regularly scheduled billing or by a separate mailing and shall
10 provide copies of the BMP Tariffs to any customer upon request.

11 IT IS FURTHER ORDERED that the approved BMP Tariffs shall go into effect 30 days after
12 the date notice is sent to customers.

13 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. may request in its
14 next rate application recovery of the actual costs associated with the BMPs implemented.

15 IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall file a
16 permanent rate application no later than June 1, 2018, using a test year ending December 31, 2017.

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IT IS FURTHER ORDERED that Dateland Public Service Company, Inc. shall continue to file annually, as part of its Utilities Annual Report, an affidavit with Commission Staff attesting that Dateland Public Service Company Inc. is current in paying its property taxes in Arizona.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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

JODI JERICH
EXCUTIVE DIRECTOR

DISSENT _____

DISSENT _____
BAM:tv

1 SERVICE LIST FOR: DATELAND PUBLIC SERVICE COMPANY, INC.

2 DOCKET NO. W-02027A-13-0470

3
4 DATELAND PUBLIC SERVICE COMPANY, INC.
5 P.O. Box 3011
6 Dateland, AZ 85333

7 Janice Alward, Chief Counsel
8 Legal Division
9 ARIZONA CORPORATION COMMISSION
10 1200 West Washington Street
11 Phoenix, AZ 85007

12 Steven M. Olea, Director
13 Utilities Division
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington Street
16 Phoenix, AZ 85007

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EXHIBIT A

Table B. Depreciation Rates

NARUC Acct. 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.

DECISION NO. _____