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CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: JULY 19, 2000
DOCKET NO: W-01079A-00-0328
TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Opinion and Order on:

OATMAN WATER COMPANY
(EMERGENCY RATES)

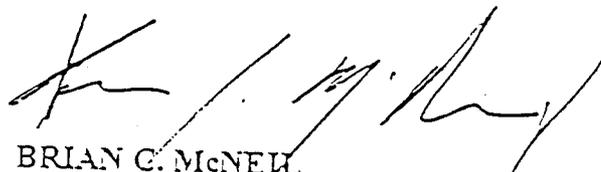
Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JULY 28, 2000

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 Working Session and Open Meeting to be held on:

AUGUST 1, 2000 and AUGUST 2, 2000

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 WILLIAM A. MUNDELL
COMMISSIONER
5

6 IN THE MATTER OF THE APPLICATION OF
OATMAN WATER COMPANY FOR AN
7 EMERGENCY RATE INCREASE.

DOCKET NO. W-01079A-00-0328

DECISION NO. _____

8 **OPINION AND ORDER**

9 DATE OF HEARING: June 8, 2000
10 PLACE OF HEARING: Phoenix, Arizona
11 PRESIDING OFFICER: Marc E. Stern
12 APPEARANCES: Steven Anderson, on behalf of Oatman Water Company;
13 and Devinti Williams, Staff Attorney, Legal Division,
on behalf of the Utilities Division of the Arizona
Corporation Commission.

14 **BY THE COMMISSION:**

15 On May 12, 2000, Oatman Water Company ("Company or Applicant") filed with the Arizona
16 Corporation Commission ("Commission") an application for an emergency rate increase of one cent
17 per gallon or \$7.50 cents per 750 gallons.¹

18 On May 17, 2000, the Commission, by Procedural Order, scheduled a hearing on the above-
19 captioned matter to determine if an emergency existed that would require the relief requested by
20 Applicant. The Commission's Procedural Order also required Applicant to provide notice to each
21 customer by mailing and posting a copy of the notice in a public place so that the Company's
22 customers were aware of the proceeding.

23 On June 8, 2000, a full public hearing was commenced before a duly authorized
24 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. A representative of
25 the Company entered an appearance and the Commission's Utility Division Staff ("Staff") appeared
26

27 ¹ Pursuant to Decision No. 53669 (July 29, 1983), the Company's excess gallonage charge is determined in seven
28 hundred and fifty-gallon increments instead of one thousand gallon increments because the Company's meters measure
water usage in cubic feet.

1 with counsel. No customers of the Company appeared to make public comment. After a full public
2 hearing, the matter was taken under advisement pending submission of a recommended Opinion and
3 Order to the Commission.

4 * * * * *

5 Having considered the entire record herein and being fully advised in the premises, the
6 Commission finds, concludes, and orders that:

7 **FINDINGS OF FACT**

8 1. Pursuant to authority granted by the Commission, Applicant provides public water
9 utility service to approximately 140 customers in Oatman, Mojave County, Arizona.²

10 2. On May 12, 2000, Applicant filed an application which requests Commission approval
11 for an emergency rate increase of one cent per gallon to cover the cost of hauling water when its
12 primary well was nearly inoperable.

13 3. Pursuant to the Commission's Procedural Order, notice of the Company's application
14 and hearing thereon was provided to its customers.

15 4. Applicant's primary well, office and storage facilities are leased from a related entity,
16 Black Eagle Investments, for six hundred dollars a month.³

17 5. Applicant's primary well was failing to produce sufficient water to meet its customers
18 needs due to a decrease in the water table and a clogged well casing related to the high mineral
19 content of the water in the Oatman area.

20 6. The Company's main well had previously pumped up to eighteen gallons per minute,
21 but water production had declined to less than five gallons per minute which is inadequate to provide
22 enough water for the Company's customers.

23 7. Although the Company has taken remedial steps to ensure the primary well's
24 continued operation, Applicant has experienced ongoing difficulties with its Oatman system due to
25 continuing mineral buildup in the well casing and it requires regular maintenance to remain trouble

26 _____
27 ² Applicant is a wholly-owned subsidiary of Americana Corporation which also owns mining claims and rental
properties in and around Oatman.

28 ³ Applicant also has access to a second well that it leases from the Oatman Fire Department; however, it produces
only approximately one gallon per minute.

1 free.

2 8. At the beginning of April 2000, the Company began experiencing more severe
3 problems and decided to have the casing cleaned with a bailer, but more problems developed.

4 9. On or about April 17, 2000, when the contractor was attempting to clean the casing
5 out with the bailer, it became stuck in the casing because of other loose PVC pipe that apparently had
6 been left there by a negligent employee of Applicant.

7 10. Subsequently, the well remained inoperable until the bailer was removed on or about
8 May 7, 2000.

9 11. During the period that the Company's primary well was out of service, Applicant was
10 required to haul water for its customers and either borrowed a truck to haul water to fill its storage
11 tank or paid a contract water hauler to perform this service.

12 12. During the hearing, the Company's representative stipulated that he concurred with
13 Staff's analysis that it cost Applicant \$9,027 to haul water when the primary well was inoperative.

14 13. After the Company's primary well casing was cleaned out and the loose PVC pipe
15 removed from inside the casing, the well was returned to service producing approximately 13 gallons
16 per minute of water.

17 14. Although the Company had initially sought to recover approximately twelve thousand
18 dollars with its proposed one cent per gallon surcharge, the Company's representative waived
19 consideration for expense involved in removing the loose PVC pipe from the casing as part of this
20 emergency proceeding.

21 15. Applicant further indicated that it has received approval from the Water Infrastructure
22 Financing Authority of Arizona ("WIFA") for a \$165,000 loan which is to be used to finance a new
23 storage tank, the drilling of two new wells, and a water hauling truck.

24 16. Applicant's representative indicated that the Company will seek approval from the
25 Commission for the aforementioned long-term debt in a permanent rate case to be filed in the near
26 future in order to service the WIFA loan.

27 17. Upon the filing of the application herein, Staff performed a thorough review of the
28 Company's request and is recommending the recovery of a substantial portion of the funds requested

1 by Applicant.

2 18. Staff's review of the cost analysis for Applicant's expenses related to the cost of
3 hauling water totals \$9,027. Staff found the remaining \$3,000 requested by Applicant for removing
4 the PVC pipe to be an unrelated maintenance expense.

5 19. The vast majority of Applicant's existing customer base consists of residential users
6 who pay a base rate of \$16.00 per month with 750 gallons of water in the minimum. The Company's
7 excess gallonage charge is \$3.75 per 750 gallons.

8 20. In order for Applicant to recover the funds expended for hauling water, Staff is
9 recommending the imposition of a \$1.63 surcharge for a period of 12 months to be added to the
10 Company's existing excess gallonage charge of \$3.75 per 50 gallons for a total of \$5.38 per 750
11 gallons of water.

12 21. According to Staff's projections, the surcharge should add \$752 a month to the
13 Company's revenues.

14 22. A Staff witness testified that he found the Company met the requirements for
15 emergency rate relief consistent with Attorney General Opinion No. 71-17 because he believes
16 Applicant has experienced a sudden change bringing hardship to the Company.⁴

17 23. Based on the record, there are no other less expensive solutions to resolve the
18 Company's water production problem.

19 24. Staff is also recommending the following: that the proposed emergency surcharge be
20 made interim and subject to refund; that the Applicant file, within 90 days of the effective date of this
21 Decision, a permanent rate application; and that Applicant maintain its books and records in
22 accordance with the NARUC Uniform System of Accounts.

23 25. Under the circumstances herein, we believe that Applicant's request for an emergency
24 surcharge should be approved as recommended by Staff together with the adoption of Staff's
25 additional recommendations herein.

26

27 ⁴ According to Attorney General Opinion No.71-17, interim or emergency rates are proper when either all or any
28 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.

1 records in accordance with the NARUC Uniform System of Accounts.

2 IT IS FURTHER ORDERED that Oatman Water Company shall file on or before August 31,
3 2000, a tariff authorizing it to collect the \$1.63 per 750 gallons emergency surcharge for a period 12
4 months.

5 IT IS FURTHER ORDERED that the surcharge authorized herein above shall be effective for
6 all service provided on and after September 1, 2000.

7 IT IS FURTHER ORDERED that Oatman Water Company shall notify its customers of the
8 emergency surcharge authorized herein and the effective date of same by mailing, within five days of
9 the effective date of this Decision, notice to its customers.

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1 IT IS FURTHER ORDERED that Oatman Water Company shall file, within ten days of the
2 effective date of this Decision, with the Director of the Utilities Division a copy of the notice mailed
3 to its customers.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN COMMISSIONER COMMISSIONER
9

10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
11 Secretary of the Arizona Corporation Commission, have
12 hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of Phoenix,
14 this ____ day of _____, 2000.

15 _____
16 BRIAN C. McNEIL
17 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR: OATMAN WATER COMPANY

2 DOCKET NO. W-1079A-00-0328

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4 Steve Anderson
OATMAN WATER COMPANY
9184 North 81st Street
5 Scottsdale, Arizona 85258

6 Lyn Farmer, Chief Counsel
Legal Division
7 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
8 Phoenix, Arizona 85007

9 Deborah Scott, Director
Utilities Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
11 Phoenix, Arizona 85007

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