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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

Arizona Corporation Commission
DOCKETED

JUL 15 2015

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
GREENHAVEN SEWER COMPANY, INC. FOR
A PERMANENT RATE INCREASE.

DOCKET NO. SW-02326A-14-0321

DECISION NO. 75160

ORDER

Open Meeting
July 7 and 8, 2015
Phoenix, Arizona

BY THE COMMISSION:

\* \* \* \* \*

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

FINDINGS OF FACT

Procedural History

1. On September 3, 2014, Grenehaven Sewer Company, Inc. ("Grenehaven Sewer" or
"Company") filed an application with the Arizona Corporation Commission ("Commission") for a
determination of the current fair value of its utility plants and property and for increases in its rates
and charges for wastewater utility service provided to customers in the Company's service area in
Coconino County, Arizona.

2. On September 29, 2014, the Company filed Additional Schedules to its application.

3. On October 2, 2014, the Commission's Utilities Division ("Staff") issued a Letter of
Deficiency stating that the Company's application did not meet the sufficiency requirements outlined
in the Arizona Administrative Code ("A.A.C.") R14-2-103.

4. On October 31, 2014, the Company filed a Response to Deficiency Letter.

...

1           5.       On November 14, 2014, Staff issued a Second Letter of Deficiency requesting further  
2 information from the Company.

3           6.       On December 19, 2014, the Company filed a Response to Second Deficiency Letter.

4           7.       On December 31, 2014, Staff filed a Letter of Sufficiency indicating the Company's  
5 application had met the sufficiency requirements outlined in A.A.C. R14-2-103 and classifying  
6 Grenehaven Sewer as a Class D Utility.

7           8.       On January 20, 2015, Grenehaven Sewer filed a Notice of Change of Authorized  
8 Representative.

9           9.       On March 10, 2015, Grenehaven Sewer filed Revised Current and Proposed Service  
10 Charges.

11          10.      On March 16, 2015, Staff filed its Staff Report recommending approval of the  
12 application using Staff's recommended rates and charges.

13          11.      On March 20, 2015, the Company filed a Motion for Extension of Time requesting  
14 that the deadline for filing comments to the Staff Report be extended to April 7, 2015.

15          12.      On March 26, 2015, a Procedural Order was issued granting the Company's Motion  
16 for Extension of Time.

17          13.      On April 7, 2015, the Company filed its Response to Staff Report.

18 **Background**

19          14.      Grenehaven Sewer is a public service corporation providing wastewater service to  
20 approximately 315 connections in the Grenehaven Development, adjacent to the Lake Powell  
21 National Recreation Area located in Coconino County, approximately six miles northeast of Page,  
22 Arizona. The Commission approved the Company's present rates and charges in Decision No. 56056  
23 (July 13, 1988).

24          15.      Grenehaven Sewer is registered as an Arizona C Corporation and is in good standing  
25 with the Commission's Corporations Division.

26          16.      The Company's wastewater system consists of an aerated lined lagoon for an influent  
27 capacity of 250,000 gallons per day for storage, equalization, and pretreatment of domestic sewage  
28 prior to pumping to the City of Page for treatment. The lagoon has a total storage volume of

1 approximately 5.2 million gallons. The wastewater system utilizes three lift stations, six pumps,  
 2 force mains, collection mains, cleanouts, customer meters, and backup generators. During the test  
 3 year ending December 31, 2013, the Company experienced a high monthly wastewater flow of 106  
 4 gallons per day ("GPD") per customer connection in August, and a low wastewater flow of 71 GPD  
 5 per connection in November. The average flow during the test year was 84 GPD per connection.

6 17. Staff concludes that the Company's wastewater system has adequate capacity to serve  
 7 its existing customer base and reasonable growth. The Company estimates its service area will  
 8 experience minimal growth.

9 18. Staff's Consumer Services Section database for the period beginning January 1, 2012  
 10 to March 1, 2015, shows zero complaints filed against the Company. Staff notes that 12 opinions  
 11 were filed opposing the Company's requested rate increase.

12 19. Staff's Compliance Section database shows no outstanding compliance issues for the  
 13 Company.

14 20. According to a Department of Environmental Quality ("ADEQ") Wastewater  
 15 Compliance Status Report dated September 9, 2014, Greentown Sewer is in compliance with  
 16 ADEQ regulations for the review period of April 1, 2013 through March 31, 2014.

### 17 Rate-making

18 21. The Company's present rates and charges, as proposed by Greentown in its  
 19 application, and as recommended by Staff in its Staff Report, are as follows:

	<u>Current</u>	<u>Company</u>	<u>Staff</u>	<u>Staff</u>
<u>Flat Rates</u>	<u>Rates</u>	<u>Proposed</u>	<u>Recommended</u>	<u>Recommended</u>
			<u>Phase 1</u>	<u>Phase 2</u>
Residential Units	\$12.25	\$37.45	\$22.45	\$32.65
Condo Units	\$6.10	37.45	\$19.38	\$32.65
Recreational Vehicles and Trailers	\$6.10	18.70	\$11.05	\$16.00
Motels (Per Room)	\$6.10	18.70	\$11.05	\$16.00
Restaurants (Per Seat)	\$6.10	18.70	\$11.05	\$16.00
Other Structures (Per Restroom)	\$12.25	\$37.45	\$22.45	\$32.65
			<u>Company</u>	<u>Staff</u>
	<u>Current Rates</u>		<u>Proposed</u>	<u>Recommended</u>
<u>Service Lateral Installation Charges</u>				
4-inch lateral		N/A	At Cost	At Cost
6-inch lateral		N/A	At Cost	At Cost

1	8- inch lateral	N/A	At Cost	At Cost
2	12- inch lateral	N/A	At Cost	At Cost

		<u>Current</u> <u>Rates</u>	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
3	<b><u>SERVICE CHARGES:</u></b>			
4	Establishment	N/A	\$25.00	\$25.00
5	Re-establishment (Within 12 Months)	N/A	(a)	(a)
6	Reconnection (Delinquent)	N/A	\$35.00	\$30.00
7	Deposit	N/A	(b)	(b)
8	Deposit Interest	N/A	(b)	(b)
9	NSF Check	N/A	\$25.00	\$25.00 (c)
10	Deferred Payment (Per Month)	N/A	1.5% per month	1.5% per month
11	Late Fee (Per Month)	N/A	1.5% per month	1.5% per month
12	After Hours Service Charge (at customers request)	N/A	\$35.00	\$35.00

- (a) Number of months off the system times the monthly minimum per A.A.C. R14-2-603(D).
- (b) Per A.A.C. R14-2-603(B).
- (c) The Company may only charge one NSF fee when customers are billed for water and sewer on one bill.

22. Greenthaven Sewer proposed an original cost rate base ("OCRB") of \$42,042 and has waived the right to reconstruction cost new rate base.

23. Staff determined the Company's OCRB to be \$51,923, due to Staff's increases of \$189,345 to accumulated depreciation; \$187,843 to amortization of Contributions-in-Aid-of-Construction ("CIAC"); and \$11,383 to cash working capital. Staff's increases to accumulated depreciation and amortization of CIAC were the result of Staff's adjustment of the depreciation and amortization rates.

24. In its Response to the Staff Report, the Company accepts Staff's adjustments to the Company's proposed OCRB. The Company indicates that Staff's recommended OCRB contains a typographical error and should be \$52,923. Staff did not object to the Company's correction.

25. We find that Staff's adjustments to Greenthaven Sewer's OCRB, as corrected by the Company, are reasonable and appropriate and we will adopt them. We further find that the Company's fair value rate base ("FVRB") is equivalent to its OCRB and is \$52,923.

26. Staff did not make any adjustments to the Company's proposed test year operating revenues. We find that the Company's test year operating revenues are reasonable and appropriate, and we adopt a test year revenue figure of \$40,519.

1           27. Staff made several adjustments to the Company's proposed test year operating  
2 expenses, resulting in a decrease of \$25,521, from \$118,010 to \$92,489. The decrease to the  
3 Company's operating expenses is due to Staff's adjustments to wastewater testing expense, insurance  
4 expense, rate case expense, depreciation expense, and income tax expense.

5           28. During the test year, the Company's insurance expense was shared among  
6 Greenthaven Development Company, Greenthaven Water Company, and Greenthaven Sewer. Staff  
7 allocated one-third of the expense to Greenthaven Development Company, and employed a four-  
8 factor cost methodology to allocate the remaining insurance expense between Greenthaven Water  
9 Company and Greenthaven Sewer. The four factors considered by Staff are: (1) operating revenue;  
10 (2) number of connections; (3) net plant; and (4) purchased power. Based on Staff's analysis, the  
11 allocation percentage of insurance expense to Greenthaven Sewer was 56.38 percent.

12           29. In its Response to the Staff Report, the Company indicates that it accepts Staff's  
13 proposed adjustments to wastewater testing expense, insurance expense, rate case expense, and  
14 depreciation expense. The Company proposes an adjusted operating expense of \$116,373. The  
15 Company indicates that its adjusted operating expense remains higher than Staff's because the  
16 Company is requesting a larger revenue requirement which has a corresponding effect to property tax  
17 expense and income tax expense.

18           30. We find that Staff's adjustments to the Company's proposed operating expenses are  
19 reasonable and appropriate, and we adopt Staff's adjusted test year expense figure of \$92,489.

20           31. Based on Staff's analysis, the Company's present rates and charges produced  
21 operating revenues of \$40,519 and adjusted test year operating expenses of \$92,489, resulting in test  
22 year operating loss of \$51,970 for no rate of return on the Company's FVRB.

23           32. The Company's application requested a revenue increase of \$120,000 over test year  
24 revenues, or 296.16 percent, for total revenues of \$160,519. In its Response to the Staff Report, the  
25 Company revised its revenue increase to \$105,000 over test year revenues, or 259.13 percent, for  
26 total revenues of \$145,519. The Company's proposed operating expenses of \$116,373, results in an  
27 operating income of \$29,146; a rate of return of 55.07 percent; and an operating margin of 20.03  
28 percent.

1           33.     Staff's recommended rates and charges result in an \$84,009 increase over test year  
2 revenues, or 207.33 percent, for total revenues of \$124,528. Using the adjusted operating expense  
3 figure of \$92,489 adopted herein, this would result in operating income of \$13,061; a rate of return of  
4 24.68 percent; and an operating margin of 10.49 percent.

5           34.     The Company's proposed rates would increase the wastewater bill for residential  
6 customers from \$12.25 to \$37.45, for an increase of \$25.20, or 207.76 percent.

7           35.     Staff is recommending a two phase rate design with the second phase-in rates  
8 occurring six months after the first phase-in rates goes into effect. Staff's recommended first phase-  
9 in rates would increase the wastewater bill for residential customers from \$12.25 to \$22.45, for an  
10 increase of \$10.20, or 83.27 percent over current rates. Staffs recommended second phase-in rates  
11 would increase the wastewater bill for residential customers from \$22.45 to \$32.65, for an increase of  
12 \$10.20, or 166.53 percent over current rates.

13          36.     Staff states that its recommended increase in revenues will provide the Company with  
14 sufficient cash flow to pay operating expenses and contingencies.

15          37.     The Company argues that Staff's proposed revenue requirement will not provide the  
16 Company with enough money to pay its expenses and maintain the system. The Company notes that  
17 it has nearly seven miles of force mains and ten miles of collection mains that require ongoing repairs  
18 and that inflation, rising energy costs, and other routine expenses will rise over time. The Company  
19 asserts that its proposed revenue requirement will put Greenthaven Sewer in a sound financial  
20 position that will enable it to meet rising costs, pay for substantial repairs, and allow the Company to  
21 make system improvements.

22          38.     The Company opposes Staff's two-phase rate design. The Company concedes that the  
23 requested percentage increase in rates is high, but argues that the rate itself is in line with state  
24 averages. The Company states that, according to a Water Infrastructure Finance Authority ("WIFA")  
25 pricing survey, the median monthly bill for sewer service by a sewer with less than one thousand  
26 connections is \$35.12. According to the Company, it should not be forced to phase-in rates because  
27 it was able to maintain extremely low rates for over two decades.

28 ...

1 **Staff's Recommendations**

2 39. Staff recommends the following:

- 3 a) That Staff's recommended rates and charges be approved;
- 4 b) That Greenehaven Sewer file with Docket Control, as a compliance item in this
- 5 docket, within 30 days of the effective date of this Decision, a schedule of the rates
- 6 and charges approved herein;
- 7 c) That Greenehaven Sewer be ordered to keep invoices for plant assets purchased in
- 8 the future;
- 9 d) That Greenehaven Sewer be ordered to use the depreciation rates delineated in
- 10 Table B of the Engineering Report portion of the Staff Report in this matter;
- 11 e) That Greenehaven Sewer use a 4-factor cost allocation methodology to charge
- 12 indirect costs; and
- 13 f) That Greenehaven Sewer use a two-phase rate design. The second phase-in rates
- 14 would occur six months after the first phase-in goes into effect. The first six
- 15 months would phase in 50 percent of the revenue requirement, and the remainder
- 16 in the second six months.

17 **Resolution**

18 40. We find that Staff's recommended revenues will provide sufficient cash flow to allow  
19 the Company to meet its ongoing expenses and fund contingencies. We further find that Staff's  
20 recommended rates and charges are just and reasonable and should be adopted.

21 41. In order to allow the Company the timely opportunity to generate its authorized  
22 revenues, we decline to adopt Staff's recommendation to phase-in rates. However, to mitigate rate  
23 shock to customers in the future, we find that it is reasonable and appropriate to require the Company  
24 to file its next general rate case no later than August 1, 2020, with a test year ending December 31,  
25 2019.

26 42. Because an allowance for the property tax expense is included in the Company's rates  
27 and will be collected from its customers, the Commission seeks assurances from Greenehaven Sewer  
28 that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has

1 come to the Commission’s attention that a number of water companies have been unwilling or unable  
2 to fulfill their obligation to pay the taxes that were collected from its ratepayers, some for as many as  
3 twenty years. It is reasonable, therefore, that as a preventive measure Greenehaven Sewer shall file  
4 annually, as part of its annual report, an affidavit with the Commission’s Utilities Division attesting  
5 that the Company is current in paying its Arizona property taxes.

6 43. Staff’s recommendations set forth in Findings of Fact No. 39, as well as the  
7 requirements stated in Findings of Fact Nos. 41 and 42, are reasonable and shall be adopted.

8 **CONCLUSIONS OF LAW**

9 1. Greenehaven Sewer Company, Inc. is a public service corporation within the meaning  
10 of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

11 2. The Commission has jurisdiction over Greenehaven Sewer Company, Inc. and the  
12 subject matter of the rate application.

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

14 4. Greenehaven Sewer Company, Inc.’s fair value rate base is \$52,923.

15 5. The rates and charges and terms and conditions of service authorized herein are just  
16 and reasonable and in the public interest and should be approved without a hearing.

17 6. Staff recommendations set forth in Findings of Fact No. 39, as well as the  
18 requirements stated in Findings of Fact Nos. 41, 42, and 43, are just and reasonable and in the public  
19 interest.

20 **ORDER**

21 IT IS THEREFORE ORDERED that Greenehaven Sewer Company, Inc. is hereby directed to  
22 file with Docket Control, as a compliance item in this docket, on or before July 31, 2015, revised rate  
23 schedules setting forth the following rates and charges:

24 ...

25 ...

26 ...

27 ...

28

1 **Flat Rates**

2 Residential Units	\$32.65
3 Condo Units	\$32.65
4 Recreational Vehicles and Trailers	\$16.00
5 Motels (Per Room)	\$16.00
6 Restaurants (Per Seat)	\$16.00
7 Other Structures (Per Restroom)	\$32.65

8 **Service Lateral Installation Charges**

9 4-inch lateral	At Cost
10 6-inch lateral	At Cost
11 8- inch lateral	At Cost
12 12- inch lateral	At Cost

13 **SERVICE CHARGES:**

14 Establishment	\$25.00
15 Re-Establishment (Within 12 Months)	(a)
16 Reconnection (Delinquent)	\$30.00
17 Deposit	(b)
18 Deposit Interest	(b)
19 NSF Check	\$25.00(c)
20 Deferred Payment (Per Month)	1.5% per month
21 Late Fee (Per Month)	1.5% per month
22 After Hours Service Charge (at customers request)	\$35.00

- 23 (a) Number of months off the system times the monthly minimum per A.A.C. R14-2-603(D).  
24 (b) Per A.A.C. R14-2-603(B).  
25 (c) The Company may only charge one NSF fee when customers are billed for water and sewer on one bill.

26 IT IS FURTHER ORDERED that above rates and charges shall be effective for all service provided on or after August 1, 2015.

27 IT IS FURTHER ORDERED that Greenthaven Sewer Company, Inc. shall provide notice to its customers of the authorized rates and charges and their effective dates, in a form acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

28 IT IS FURTHER ORDERED that Greenthaven Sewer Company, Inc. shall file its next general rate case no later than August 1, 2020, with a test year ending December 31, 2019.

29 ...  
30 ...  
31 ...

1 IT IS FURTHER ORDERED that Greenghaven Sewer Company, Inc. shall use the  
2 depreciation rates delineated in Table B of the Engineering Report portion of the Staff Report in this  
3 matter.

4 IT IS FURTHER ORDERED that Greenghaven Sewer Company, Inc. shall employ the four-  
5 factor cost allocation methodology to charge indirect costs, as discussed herein.

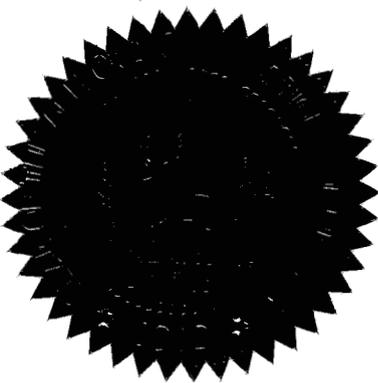
6 IT IS FURTHER ORDERED that Greenghaven Sewer Company, Inc. shall keep and maintain  
7 all invoices for plant assets purchased or acquired subsequent to the effective date of this Decision.

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

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

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER



19 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
20 Director of the Arizona Corporation Commission, have  
21 hereunto set my hand and caused the official seal of the  
22 Commission to be affixed at the Capitol, in the City of Phoenix,  
23 this 5th day of July 2015.

24   
25 JODI JERICH  
26 EXECUTIVE DIRECTOR

27 DISSENT \_\_\_\_\_

28 DISSENT \_\_\_\_\_  
SMH:ru/tv

1 SERVICE LIST FOR: GREENEHAVEN SEWER COMPANY, INC.

2 DOCKET NO.: SW-02326A-14-0321

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