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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF CEDAR GROVE WATER, INC. FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-20541A-15-0119

DECISION NO. 75344

ORDER

Arizona Corporation Commission

DOCKETED

DEC 17 2015

DOCKETED BY [Signature]

Open Meeting
December 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

Procedural History

On April 9, 2015, Cedar Grove Water, Inc. ("Cedar Grove" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for approval of a rate increase. Cedar Grove's rate application requests authorization to increase its rates to generate an additional \$89,087 in revenues, resulting in a 50.14 percent increase over test year revenues ("TY") of \$177,685 to \$266,772. Under the Company's proposed rates, the typical residential monthly bill, with a median usage of 2,482 gallons, would increase from \$30.57 to \$47.16, an increase of \$16.59 or 54.3 percent.

On April 30, 2015, the Company filed an amendment to the rate application.

On May 4, 2015, the Commission's Utilities Division ("Staff") issued a Letter of Deficiency, requesting that the Company submit additional information related to its application.

On May 22, 2015, Cedar Grove docketed responses to Staff's Letter of Deficiency.

On June 11, 2015, Cedar Grove filed an amendment to its application that included an adjusted Comparative Statement of Income and Expenses.

On June 12, 2015, Staff filed a Letter of Sufficiency, stating that Cedar Grove's application has met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C.") R14-2-103 and that Cedar Grove had been classified as a Class D utility.

1 On July 31, 2015 and August 18, 2015, Cedar Grove filed amendments to its rate application.

2 On August 26, 2015, Staff filed a Staff Report in this matter, recommending approval of the
3 Company's rate application subject to Staff's recommended conditions, rates, and charges.

4 On August 31, 2015, by Procedural Order, Cedar Grove was ordered to file either a letter
5 attesting that the Company is in agreement with Staff's recommendations as stated in the Staff Report
6 or comments discussing any disagreements with Staff's recommendations. Staff was also ordered to
7 file a response to any comments/disagreements filed by the Company regarding Staff's
8 recommendations in the Staff report.

9 On September 15, 2015, Cedar Grove filed its comments to the Staff Report stating that the
10 Company agreed with Staff's recommendations, but requesting clarification on Staff's
11 recommendation No. 8.

12 On September 25, 2015, Staff filed a Memorandum modifying Staff's recommendation to allow
13 the Company additional time to research and implement a water shutoff on its manually filled storage
14 tank.

15 On November 3, 2015, Cedar Grove docketed a letter consenting to Staff's modified
16 recommendation.

17 * * * * *

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

20 **FINDINGS OF FACT**

21 **Water System/Compliance**

22 1. Cedar Grove is an Arizona public service corporation authorized to provide water utility
23 services in portions of Apache County, Arizona.

24 2. Cedar Grove is an Arizona Sub-Chapter S corporation owned by Thomas Grapp.¹ In
25 addition to Cedar Grove, Mr. Grapp also owns other regulated and non-regulated companies in Arizona
26 which include: A. Peterson Water Company; Cedar Grove Water Management Company; Vernon
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28 ¹ Mr. Grapp's acquisition of Cedar Grove was approved in Decision No. 57990 (August 26, 1992), when the Commission approved Sunrise Vista Estates Water Company's application to sell its assets and transfer its CC&N to Cedar Grove.

1 Valley Water Company, Inc.; and Watco, Inc.

2 3. Cedar Grove currently serves approximately 377 customers in a service area
3 encompassing eight square miles, located near Show Low, Arizona.

4 4. As part of its review of Cedar Grove's rate application, Staff conducted an on-site
5 inspection of the Company's water system. Cedar Grove's water system consists of five wells, four
6 storage tanks, five booster stations with 14 booster pumps, two pressure tanks, 11 fire hydrants, 26
7 individually metered water loadout stations and a distribution system serving 377 customers.²
8 According to Staff, the system has a back-up emergency tie in with Lord Arizona Water Systems, Inc.
9 through a 2-inch master meter.³

10 5. Staff explained that Cedar Grove provides metered loadout yard hydrants for customers
11 who do not have service to their properties and who may reside within or outside the Company's
12 CC&N.⁴ Staff states that each individual loadout yard hydrant is secured by a personal lock provided
13 by the customer.⁵ To get water, customers attach a garden hose to the hydrant and fill water tanks
14 pulled by a vehicle or pick-up truck.⁶ Staff states that the Company's current loadout operation may
15 not meet the Arizona Department of Environmental Quality's ("ADEQ") water loading guidelines in
16 that the guidelines require "a device shall be installed on the fill line to provide an air break and prevent
17 a submerged discharge line."⁷ During the site visit, Staff observed that there were not measures in
18 place to prevent submergence of the discharge line.⁸

19 6. Staff believes that the Company's current loadout operations could potentially allow
20 contaminated water to be introduced in the water system because the drain port is open even when the
21 hydrants are in the shut-off position and insects and dirt may enter the hydrant. Staff recommends that
22 the Company file with Docket Control, as a compliance item in this docket within 90 days of the
23 effective date of a Decision in this matter, documentation demonstrating that the 26 individually
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25 ² Staff Report, Attachment A at 1.

26 ³ *Id.*

27 ⁴ Staff Report, Attachment A at 13.

28 ⁵ *Id.*

⁶ *Id.*

⁷ Staff citing ADEQ Engineering Bulletin No. 10, Chapter 7.K "Guidelines for the Construction of Water Systems," May 1978.

⁸ Staff Report, Attachment A at 13.

1 metered loadout yard hydrants and mobile water tank filling procedures have been approved by
2 ADEQ.⁹

3 7. During its site visit, Staff observed other plant deficiencies. Staff's recommendations
4 to address the described deficiencies are outlined below:¹⁰

Location	Issue Type	Description of Issue	Possible Consequence	Recommend Company	Regulation - Guideline
Sunrise Vista Well site	Substandard Installation / Safety	Exposed Electrical wiring to both booster pumps	Bodily Harm	Rewire booster pumps utilizing conduits installed in professional manner	OSHA 29 CFR 1910.305 & 1910.307 ¹¹
Eagle Ridge Well site	Substandard Installation / Safety	Exposed electrical wiring to baseboard heater	Bodily Harm	Rewire baseboard heater utilizing conduits installed in professional manner	OSHA 29 CFR 1910.305 & 1910.307
Well No. 2 Well site	Substandard Installation / Safety	Exposed electrical wiring to well pump	Bodily Harm & Tripping	Rewire well pump utilizing conduits installed in professional manner	OSHA 29 CFR 1910.305 & 1910.307
Warehouse Building	Substandard Installation / Safety	Electrical wiring to booster pumps not installed within conduit	Bodily Harm	Rewire booster pumps utilizing conduits installed in professional manner	OSHA 29 CFR 1910.305 & 1910.307
Rippy Booster	Substandard Installation / Safety	Exposed electrical wiring to both booster pump	Bodily Harm	Rewire booster pumps utilizing conduits installed in professional manner	OSHA 29 CFR 1910.305 & 1910.307

19 8. Cedar Grove's well has a capacity of 73 gallons per minute ("gpm") and its storage tank
20 has a capacity of 377,000 gallons. Staff believes Cedar Grove's water system has adequate capacity to
21 serve its existing customers as well as reasonable growth.¹²

22 9. Staff states that for the 2014 TY, Cedar Grove's water system had a non-account water
23 loss of 11.5 percent, which is above Staff's recommended water loss of 10 percent or less.¹³ The
24 Company reported that it believed its non-account water loss was the result of water overflow from the
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26 ⁹ Staff Report, Attachment A at 13.

¹⁰ *Id.* at 14.

27 ¹¹ United States Department of Labor, Occupational Health and Safety Administration ("OSHA"), Title 29 – Labor Code of Federal Regulations ("CFR"), Part 190.

28 ¹² Staff Report, Attachment A at 8.

¹³ *Id.* at 7.

1 Company's manually filled 300,000 gallon storage tank, the Vernon Fire Department ("VFD")
2 acquiring water from an unmetered source and not reporting its water usage to the Company, and a
3 leaking 3/4-inch PVC pipe that has now been repaired.¹⁴

4 10. Staff recommends that the Company file with Docket Control, as a compliance item in
5 this docket, within 180 days of the effective date of this Decision, documentation demonstrating that
6 the Company has installed a water shutoff means for its manually filled storage tank to eliminate water
7 loss due to overflow.

8 11. Staff also recommends that the Company send a letter to VFD, documenting Cedar
9 Grove's requirements for the fire department to report its estimated water usage, and the procedures to
10 be used for contacting the Company to verify the amount of water used by VFD. Staff recommends
11 that Cedar Grove file with Docket Control, as a compliance item in this docket, within 90 days of the
12 effective date of this Decision, documentation demonstrating the Company's correspondence with
13 VFD.¹⁵

14 12. According to Staff, ADEQ has determined that Cedar Grove's water system has no
15 major deficiencies and the water system is currently delivering water that meets water quality standards
16 as set by the National Primary Drinking Water Regulations and as set forth in the A.A.C.¹⁶

17 13. Cedar Grove is required to participate in the Monitoring Assistance Program ("MAP")
18 because its water system serves less than 10,000 persons (approximately 3,300 service connections).
19 To participate in MAP the Company is required to perform monthly and/or annual water tests. Staff
20 recommends an annual water testing expense of \$1,833.

21 14. Cedar Grove's CC&N area is not located within an Arizona Department of Water
22 Resources ("ADWR") Active Management Area ("AMA"). Staff states that ADWR has determined
23 that Cedar Grove is currently in compliance with departmental requirements governing water providers
24 and/or community water systems.¹⁷

25 15. Cedar Grove currently has three Best Management Practice tariffs and approved
26

27 ¹⁴ Staff Report, Attachment A at 7.

¹⁵ *Id.* at 8.

¹⁶ *Id.* at 9.

28 ¹⁷ *Id.* at 10.

1 Curtailment and Backflow Prevention tariffs on file with Commission.

2 16. Cedar Grove has no delinquent Commission Utilities Division compliance items.

3 17. All consumer complaints filed with the Commission against Cedar Grove have been
4 resolved and closed.¹⁸

5 18. Staff's recommendations described above are reasonable, and we will adopt them.

6 **Rates**

7 19. On April 9, 2015, Cedar Grove filed an application with the Commission requesting a
8 permanent increase in its rates and charges, using a TY ending December 31, 2014. Cedar Grove's
9 rate application states that the Company is requesting a rate increase due to insufficient revenues to
10 meet the Company's needs.

11 20. The Company's current rates and charges were approved in Decision No. 73084 (April
12 4, 2012).

13 21. Notice of the application was given in accordance with the law.

14 22. Five comments/inquiries were filed in opposition to the rate application.¹⁹

15 23. Staff recommends approval of Cedar Grove's rate application using Staff's
16 recommended rates and charges.

17 **Fair Value Rate Base ("FVRB")**

18 24. Cedar Grove proposed a FVRB for the TY of \$39,836, with net operating income of
19 \$61,633, generated from a 154.72 percent rate of return, and an operating margin of 23.10 percent. The
20 Company's proposed FVRB did not differ from its proposed original cost rate base ("OCRB").

21 25. Staff recommends two adjustments to the Company's proposed FVRB related to
22 accumulated depreciation and working capital. Staff's net adjustments to rate base result in a decrease
23 of \$17,239 from the Company's proposed rate base of \$39,836 to \$22,597.²⁰

24 26. Staff recommends an increase to accumulated depreciation by \$14,092 to include an
25 accumulated depreciation expense for the years 2010-2014, using a half-year convention for plant
26 additions and/or retirements, and subtracting accumulated depreciation for the recorded retired plant.

27 ¹⁸ Staff Report at 4.

28 ¹⁹ Staff calculated the percentage of comments/opinions as 1.33 percent of 377 Cedar Grove customers.

²⁰ Staff Report, Schedule BAB-1 1-3.

1 27. Staff also recommends a downward adjustment to working capital, reducing the
2 Company's proposed operations and maintenance portion of cash working capital by \$3,147, resulting
3 in a working capital allowance of \$18,702. Both Staff and the Company calculated a cash working
4 capital allowance based on the formula method.²¹

5 28. Staff's recommended adjustments result in TY Plant-in-Service of \$763,860,
6 accumulated depreciation of \$295,131, and a rate base of \$22,597.²²

7 29. Cedar Grove did not object to Staff's recommended adjustments to rate base.

8 30. We find Staff's adjustments to rate base reasonable, and we will adopt them.

9 **Operating Income and Revenues**

10 31. Staff recommends total revenues of \$214,002, an increase of \$36,317, or 20.44 percent,
11 over the Company's proposed TY revenues of \$177,685. Staff's recommended revenues would result
12 in an operating income of \$28,881, for a 127.81 percent rate of return on Staff's adjusted rate base of
13 \$22,597, or an operating margin of 13.50 percent, resulting in a cash flow of \$41,457.²³ Staff states its
14 recommended revenues will provide Cedar Grove sufficient cash flow to meet its debt obligations to
15 the Water Infrastructure Financing Authority ("WIFA"), normal operating expenses, recommended
16 repairs to the system, and other contingencies.²⁴

17 32. Staff expressed concerns regarding the cost allocation proposed by the Company
18 related to its affiliated companies. According to Staff, Cedar Grove's owner also owns and operates
19 five companies, four of which are Commission-regulated; the owner uses shared services to manage
20 and operate the five companies; and the owner's salary is allocated among the four regulated utilities.
21 Staff states that all five companies share the same office space and that the owner's payroll company
22 (Four Star Land Development) is used to process the payrolls for the four regulated utilities. Cedar
23 Grove states that there is no affiliate profit included in the billings received from any affiliate company.

24 33. Staff states that it reviewed the methodology used by Cedar Grove to determine cost
25 allocation and found that the shared expenses are divided in portion to how many customers there are

26 _____
27 ²¹ The formula method is based on 1/8 of the operating expenses less depreciation, taxes, purchased power and purchase
water expenses. Staff's adjustment to working capital also accounted for Staff's adjustments to TY expenses.

28 ²² Staff Report, Schedule BAB 1-3.

²³ Staff Report, Schedule BAB-1.

²⁴ Staff Report at 8.

1 per regulated utility. Staff states the Company's "single factor approach to cost allocation is
2 inappropriate and results in the utility with the largest number of customers paying the largest amount
3 of the allocated cost regardless of any direct causal relationship between the number of customers and
4 that cost."²⁵

5 34. On a going forward basis, Staff recommends that the Company comply with the
6 National Association of Regulatory Commissioners ("NARUC") Guidelines for Cost Allocation and
7 Affiliate Transactions. Staff also recommends that Cedar Grove should be directly charged for salaries
8 and wages for the system operator, based on the time the system operator specifically works on Cedar
9 Grove's system.

10 35. Based on the NARUC guidelines, Staff identified what it believes to be the four relevant
11 cost factors related to the Company's shared expenses. The four factors include: 1) Direct Labor Hours;
12 2) Direct Operating Expenses; 3) Number of Customers; and 4) Net Plant.

13 36. Below is a summary of Staff's recommended cost allocation percentages for Cedar
14 Grove, using the 4-factor method.²⁶

Direct Labor Hours	% Direct Labor Hours	Direct Oper. Exp.	% Direct Oper. Exp.	No. of Customers	% of Customers	Net Plant	% of Net Plant	4-factor %
652	54.33	\$38,688	32.88	383	52.32	\$468,729	34.64	43.55

17
18 37. Staff's Direct Operating expenses were derived from Purchased Water of \$0; Purchased
19 Power of \$18,927; Chemicals of \$0; Water Testing of \$1,833; Depreciation of \$12,576; Taxes (other
20 than income) of \$0; and Property Taxes of \$5,352, for a total direct operating expenses of \$38,688.

21 38. Staff recommends a net decrease of \$24,975 to the Company's proposed TY operating
22 expenses of \$205,139 to \$180,164.²⁷ Staff's recommended adjustments include:

- 23 a. Decreasing Salaries and Wages by \$19,906, from \$102,331 to
24 \$82,425, to reflect Staff's recalculation of Salaries and Wages
25 using Staff's recommended 4-factor allocation method.
26 b. Increasing Repairs and Maintenance by \$872, from \$2,266 to
\$3,138, to reflect Staff's normalization adjustment that used the
average of 2010-2014 repair and maintenance expenses.

27 ²⁵ Staff Report at 5.

28 ²⁶ Staff Report, Attachment A, Schedule BAB-3.

²⁷ *Id.*

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- c. Decreasing Office Supplies by \$476, from \$4,435 to \$3,959, to reflect Staff's adjustment using Staff's recommended 4-factor allocation method.
- d. Decreasing Outside Services by \$708, from \$24,676 to \$23,968, to reflect Staff's recalculation of the expense using Staff's recommended 4-factor allocation method.
- e. Decreasing Water Testing by \$320, from \$2,153 to \$1,833, to reflect Staff's estimated annual average water testing expense for the Company's participation in the MAP program.
- f. Decreasing Rents by \$2,644, from \$15,510 to \$12,866, to reflect Staff's recalculation of the expense using Staff's recommended 4-factor allocation method.
- g. Decreasing Transportation by \$1,269, from \$10,008 to \$8,739, to reflect Staff's recalculation of the expense using Staff's recommended 4-factor allocation method.
- h. Decreasing Insurance expense by \$724, from \$4,058 to \$3,334, to reflect Staff's recalculation of the expense using Staff's recommended 4-factor allocation method.
- i. Decreasing Depreciation by \$1,682, from \$14,258 to \$12,576, to reflect Staff's recommended depreciation rates as applied to Staff's recommended depreciable plant balances and offset by the amortization of Contributions in Aid of Construction.
- j. Increasing Property Tax by \$1,882, from \$3,470 to \$5,352, to reflect Staff's recalculation of the expense.
- k. Increasing Income Tax from \$0 (no expense was proposed by the Company) to \$4,592 based on Staff's recommended increase in revenues.
- l. Decreasing Interest by \$3,106, from \$4,301 to \$1,195, to reflect Staff's calculation of the expense based on the Company's documentation.²⁸

39. Cedar Grove did not object to Staff's recommended operating income, operating expenses, or revenue requirement.

40. We find Staff's recommended revenue requirement of \$214,002, operating income of \$28,881, and operating expenses of \$180,164 are reasonable, and we will adopt them.

Rate Design

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

<u>MONTHLY USAGE CHARGE</u>	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$22.50	\$34.75	\$27.20
3/4" Meter	33.75	52.11	38.45

²⁸ This expense represents below-the-line non-operating expense.

1	1" Meter	56.25	86.85	60.95
	1 1/2" Meter	112.50	173.70	117.20
2	2" Meter	180.00	277.92	184.70
	3" Meter	360.00	555.84	364.70
3	4" Meter	562.50	868.50	567.20
4	6" Meter	1,125.00	1,737.00	1,129.70

COMMODITY CHARGES (per 1,000 gallons)

6	<u>5/8 x 3/4" Meter</u>			
7	0 to 3,000 gallons	\$3.25	\$5.00	\$3.85
8	From 3,000 to 9,000 gallons	5.00	7.75	6.10
	Over 9,000 Gallons	7.00	10.80	8.55
9	<u>3/4" Meter</u>			
10	0 to 3,000 gallons	NT	NT	\$3.85
11	From 3,000 to 9,000 gallons	NT	NT	6.10
	Over 9,000 Gallons	NT	NT	8.55
12	<u>1" Meter</u>			
13	0 to 13,000 gallons	\$5.00	\$7.70	\$6.10
	Over 13,000 Gallons	7.00	10.78	8.55
14	<u>1 1/2" Meter</u>			
15	0 to 50,000 gallons	NT	NT	\$6.10
16	Over 50,000 Gallons	NT	NT	8.55
17	<u>2" Meter</u>			
18	0 to 70,000 gallons	\$5.00	\$7.70	\$6.10
	Over 70,000 Gallons	7.00	10.78	8.55
19	<u>3" Meter</u>			
20	0 to 150,000 gallons	NT	NT	\$6.10
	Over 150,000 Gallons	NT	NT	8.55
21	<u>4" Meter</u>			
22	0 to 300,000 gallons	NT	NT	\$6.10
23	Over 300,000 Gallons	NT	NT	8.55
24	<u>6" Meter</u>			
25	0 to 500,000 gallons	NT	NT	\$6.10
	Over 500,000 Gallons	NT	NT	\$8.55
26	Standpipe, Bulk Water			
27	Per 1,000 Gallons	\$7.00	\$10.78	\$8.55

28 ...

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-40-5)

	<u>Present Rates</u>			<u>Company Proposed Rates</u>			<u>Staff Recommended Rates</u>		
	<u>Service Line</u>	<u>Meter Charge</u>	<u>Total Charge</u>	<u>Service Line</u>	<u>Meter Charge</u>	<u>Total Charge</u>	<u>Service Line</u>	<u>Meter Charge</u>	<u>Total Charge</u>
5/8" x 3/4" Meter	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3/4" Meter	90.00	230.00	320.00	90.00	230.00	320.00	230.00	90.00	320.00
1" Meter	140.00	230.00	370.00	140.00	230.00	370.00	230.00	140.00	370.00
1 1/2" Meter	265.00	280.00	545.00	265.00	280.00	545.00	280.00	265.00	545.00
2" Meter	420.00	330.00	750.00	420.00	330.00	750.00	330.00	420.00	750.00
3" Meter	600.00	380.00	980.00	600.00	380.00	980.00	380.00	600.00	980.00
4" Meter	1,170.00	650.00	1,820.00	1,170.00	650.00	1,820.00	650.00	1,170.00	1,820.00
6" Meter	2,720.00	1,200.00	3,920.00	2,720.00	1,200.00	3,920.00	1,200.00	2,720.00	3,920.00

SERVICE CHARGES:

	<u>Present</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
Establishment	\$25.00	\$30.00	\$30.00
After Hours Service Charge	25.00	35.00	35.00
Reconnection (Delinquent)	50.00	30.00	30.00
Meter Test (If Correct)	50.00	50.00	50.00
Deposit	*	*	*
Deposit Interest	*	*	**
Reestablishment (Within 12 Months)	****	****	****
NSF Check	\$30.00	\$30.00	\$30.00
Deferred Payment	***	***	***
Meter Reread (If Correct)	\$15.00	\$20.00	\$20.00

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

** Per Commission Rule A.A.C. R-14-2-403(B)(3).

*** 1.5% of unpaid monthly balance.

**** Month off system times the monthly minimum A.A.C. R-14-2-403(D).

42. In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule A.A.C. 14-2-409(D)(5).

43. Cedar Grove did not propose any changes to its current rate design.

44. Cedar Grove's proposed rates would increase the typical 5/8" x 3/4"-inch meter residential bill with a median usage of 2,478 gallons from \$30.56 to \$47.14, for an increase of \$16.58, or 54.3 percent.²⁹

45. Staff concurs with Cedar Grove's current rate design. Staff's recommended rates would increase the typical 5/8" x 3/4"-inch meter residential bill with a median usage of 2,478 gallons from

²⁹ Staff Report, Schedule BAB-5.

1 \$30.56 to \$36.76, for an increase of \$6.19, or 20.2 percent.³⁰

2 46. There is no dispute between Staff and the Company related to rate design, Service Line
3 and Meter Installation Charges, and Service Charges.

4 47. We find Staff's recommended rate design, Service Line and Meter Installation Charges
5 and Service Charges are reasonable, and we will adopt them.

6 48. Because an allowance for the property tax expense is included in the Company's rates
7 and will be collected from its customers, the Commission seeks assurances from the Company that any
8 taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to
9 the Commission's attention that a number of water companies have been unwilling or unable to fulfill
10 their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years.
11 It is reasonable, therefore, that Cedar Grove should annually file, as part of its annual report, an affidavit
12 with the Utilities Division attesting that the Company is current on its property taxes in Arizona.

13 **CONCLUSIONS OF LAW**

14 1. Cedar Grove is a public service corporation within the meaning of Article XV of the
15 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

16 2. The Commission has jurisdiction over Cedar Grove and the subject matter of the rate
17 application.

18 3. Notice of the application was given in accordance with the law.

19 4. The rates and charges authorized herein are just and reasonable and should be approved
20 without a hearing.

21 5. Staff recommendations, as set forth herein, are reasonable and should be adopted.

22 **ORDER**

23 IT IS THEREFORE ORDERED Cedar Grove Water, Inc., is hereby authorized and directed to
24 file with the Commission, as a compliance item in this docket, on or before December 31, 2015, a
25 revised tariff setting forth following rates and charges:

26 ...

27

28 ³⁰ Staff Report, Schedule BAB-5.

MONTHLY USAGE CHARGE

1	5/8" x 3/4" Meter	\$27.20
2	3/4" Meter	38.45
	1" Meter	60.95
3	1 1/2" Meter	117.20
	2" Meter	184.70
4	3" Meter	364.70
	4" Meter	567.20
5	6" Meter	1,129.70

COMMODITY CHARGES (per 1,000 gallons)

7	<u>5/8 x 3/4" Meter</u>	
8	0 to 3,000 gallons	\$3.85
9	From 3,000 to 9,000 gallons	6.10
	Over 9,000 Gallons	8.55
10	<u>3/4" Meter</u>	
11	0 to 3,000 gallons	\$3.85
12	From 3,000 to 9,000 gallons	6.10
	Over 9,000 Gallons	8.55
13	<u>1" Meter</u>	
14	0 to 13,000 gallons	\$6.10
	Over 13,000 Gallons	8.55
15	<u>1 1/2" Meter</u>	
16	0 to 50,000 gallons	\$6.10
17	Over 50,000 Gallons	8.55
18	<u>2" Meter</u>	
19	0 to 70,000 gallons	\$6.10
	Over 70,000 Gallons	8.55
20	<u>3" Meter</u>	
21	0 to 150,000 gallons	\$6.10
	Over 150,000 Gallons	8.55
22	<u>4" Meter</u>	
23	0 to 300,000 gallons	\$6.10
24	Over 300,000 Gallons	8.55
25	<u>6" Meter</u>	
26	0 to 500,000 gallons	\$6.10
	Over 500,000 Gallons	\$8.55
27	Standpipe, Bulk Water	
28	Per 1,000 Gallons	\$8.55

1 **SERVICE LINE AND METER INSTALLATION CHARGES:**
2 **(Refundable pursuant to A.A.C. R14-2-40-5)**

	<u>Service Line</u>	<u>Meter Charge</u>	<u>Total Charge</u>
3	5/8" x 3/4" Meter	\$0.00	\$0.00
4	3/4" Meter	230.00	90.00
5	1" Meter	230.00	140.00
6	1 1/2" Meter	280.00	265.00
7	2" Meter	330.00	420.00
8	3" Meter	380.00	600.00
9	4" Meter	650.00	1,170.00
10	6" Meter	1,200.00	2,720.00

11 **SERVICE CHARGE:**

12	Establishment	\$30.00
13	After Hours Service Charge	35.00
14	Reconnection (Delinquent)	30.00
15	Meter Test (If Correct)	50.00
16	Deposit	*
17	Deposit Interest	**
18	Reestablishment (Within 12 Months)	****
19	NSF Check	\$30.00
20	Deferred Payment	***
21	Meter Reread (If Correct)	\$20.00

- 22 * Per Commission rule A.A.C. R-14-2-403(B)(D).
- 23 ** Per Commission Rule A.A.C. R-14-2-403(B)(3).
- 24 *** 1.5% of unpaid monthly balance.
- 25 **** Month off system times the monthly minimum A.A.C. R-14-2-403(D).

26 IT IS FURTHER ORDERED that the rates and charges approved herein shall become effective
 27 thirty days (30) after, Cedar Grove Water, Inc. has filed with Docket Control, as a compliance item in
 28 this docket, documentation demonstrating: the Company's request for the Arizona Department of
 Environmental Quality to inspect the 26 individually metered loadout yard hydrants and to review the
 mobile water tank filing procedures used by the Company, to insure they meet Arizona Department of
 Environmental Quality rules and regulations; and that the repairs to the loose and/or exposed wiring at
 the Sunrise Vista well site, Eagle Ridge well site, Well No. 2 well site, Warehouse Building, and Rippy
 Booster Station have been completed.

IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall file with Docket Control, as a
 compliance item in this docket, within 90 days of the effective date of this Decision, documentation

1 demonstrating that the 26 individually metered loadout yard hydrants and mobile water tank filling
2 procedures have been approved by the Arizona Department of Environmental Quality.

3 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
4 Cedar Grove Water Company, Inc., may collect from its customers a proportionate share of any
5 privilege, sales, or use tax as provided for in A.A.C. R14-2-409.D.

6 IT IS FURTHER ORDERED that Cedar Grove Water, Inc., shall notify its customers of the
7 revised schedules of rates and charges authorized herein in by means of an insert, in a form acceptable
8 to Staff, included in its next regularly scheduled billing or as a separate mailing to be completed no
9 later than thirty (30) days after the effective date of this Decision.

10 IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall use the depreciation rates
11 delineated in Table 7 of the Engineering Report attached hereto as Exhibit A and incorporated herein.

12 IT IS FURTHER ORDERED that on a going forward basis, Cedar Grove Water, Inc. shall use
13 the 4-factor allocation cost analysis articulated by Staff in this Decision, to charge indirect and/or
14 shared service costs.

15 IT IS FURTHER ORDERED that if Cedar Grove Water, Inc. fails to use the 4-factor allocation
16 cost analysis articulated by Staff in this Decision, the Company is put on notice that its next rate case
17 filing may not be found sufficient, pursuant to Arizona Administrative Code R14-2-103, until such
18 time as the Company has complied with the 4-factor allocation method.

19 IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall file with Docket Control, as a
20 compliance item in this docket, within 90 days of the effective date of this Decision, documentation
21 demonstrating that it has communicated in writing with the Vernon Fire Department, the Company's
22 procedures for verifying the fire department's water usage.

23 IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall file with Docket Control, as a
24 compliance item in this docket, within 180 days of the effective date of this Decision, documentation
25 demonstrating that the Company has installed a water shutoff on the manually filled storage tank to
26 eliminate water loss due to overflow.

27 ...

28 ...

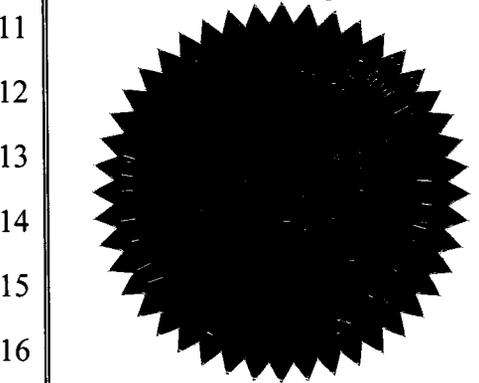
1 IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall file annually, with the
2 Commission's Utilities Division, as part of its Annual Report, an affidavit attesting that it is current on
3 its property taxes in Arizona.

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

9   
10 COMMISSIONER COMMISSIONER COMMISSIONER



11
12 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director
13 of the Arizona Corporation Commission, have hereunto set my
14 hand and caused the official seal of the Commission to be affixed
15 at the Capitol, in the City of Phoenix, this 17th day
16 of December 2015.

17 
18 JODI JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____
22 YK:ru

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SERVICE LIST FOR: CEDAR GROVE WATER, INC.

DOCKET NO.: W-20541A-15-0119

CEDAR GROVE WATER, INC.
P.O. Box 364
Overgaard, AZ 85933

Thomas Grapp
CEDAR GROVE WATER, INC.
P.O. Box 85160
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Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Thomas M. Broderick, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

EXHIBIT A

Table 7. 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	2.5
306	Lake, River, Canal Intakes	40	2.5
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2
310	Power Generation Equipment	20	5
311	Pumping Equipment	**5	20
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20
320.3	Point-of-Use Treatment Devices	10	10
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5
331	Transmission & Distribution Mains	50	2
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2
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
341	Transportation Equipment	5	20
342	Stores Equipment	25	4
343	Tools, Shop & Garage Equipment	20	5
344	Laboratory Equipment	10	10
345	Power Operated Equipment	20	5
346	Communication Equipment	10	10
347	Miscellaneous Equipment	10	10

**Note: In prior rate cases, a 5 year service life was established for Acct. 311 – Pumping Equipment. Staff recommends that the 5 year life be retained.