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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

DEC 17 2015

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
CORDES LAKES WATER COMPANY FOR
APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02060A-15-0245

DECISION NO. 75354

ORDER

Open Meeting
December 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

On July 2, 2015, Cordes Lakes Water Company ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its permanent rates and charges.

The Company filed certification with its application for a rate increase that Applicant had mailed with its regular customer billing a notice of its proposed rates and charges to its customers of record on July 1, 2015. To date, the Commission has not received any comments or protests.

On July 30, 2015, the Commission's Utilities Division ("Staff") filed a Notice of Sufficiency for the Company's rate application, pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, and classified the Company as a Class D utility.

On October 13, 2015, Staff filed a Staff Report which recommends approval of Staff's recommended rates and charges.

On October 19, 2015, the Company filed comments to the Staff Report stating that it agrees with all of the recommendations proposed by Staff and does not believe that a hearing is required on its application.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the

1 Commission finds, concludes, and orders that:

2 **FINDINGS OF FACT**

3 1. Pursuant to authority granted by the Commission in Decision No. 39646 (September 13,
4 1968) the Company is a for profit C corporation which is engaged in the business of providing public
5 water utility service in the vicinity of Cordes Junction in Yavapai County, Arizona.

6 2. On July 2, 2015, the Company filed an application requesting authority to increase its
7 rates and charges for water service.

8 3. Applicant's present rates and charges for water service were approved in Decision No.
9 74155 (November 1, 2013).

10 4. On July 30, 2015, after the Company filed its additional information, Staff filed a Notice
11 of Sufficiency and classified the Company as a Class D utility.

12 5. The Company filed certification with its application that it had provided public notice
13 to its customers of its proposed rates and charges by mailing with the customers' regular bills notice of
14 the Company's proposed rates.

15 6. During the test year ending December 31, 2014 ("TY"), Applicant served approximately
16 1,333 customers of which the majority are residential users who are served by 3/4-inch meters.

17 7. Average and median usage of water for customers with 3/4-inch meters during the TY
18 were 3,753 and 2,814 gallons per month, respectively.

19 8. On October 13, 2015, Staff filed its Staff Report in response to the Company's rate
20 request after conducting an analysis of the Applicant's proposed rates and charges for water service.
21 Staff recommended that the Commission issue a Decision which approves Staff's proposed rates.

22 9. On October 19, 2015, the Company filed Comments to the Staff Report stating that the
23 Company agrees with all of the recommendations contained in the Staff Report.

24 10. Staff found, and the Company agreed, that Applicant's fair value rate base ("FVRB") is
25 \$242,011, which is the same as the original cost rate base.¹

26 11. Staff made five adjustments to operating income, decreasing the Company's proposed
27

28 ¹ Staff made two adjustments to the Company's proposed rate base and these minor adjustments resulted in a \$1,274 net increase to the Company's proposed rate base, from \$240,737 to \$242,011.

1 total operating loss by \$14,003, from \$56,382 to \$42,380.

2 12. The water rates and charges for the Company at present, as recommended by Staff and
3 as agreed to by the Company are as follows:

<u>MONTHLY USAGE CHARGES:</u>	<u>Present Rates</u>	<u>Staff Recommended Rates²</u>
5/8 x 3/4-Inch Meter	N/A	\$14.40
3/4-Inch Meter	\$11.75	14.40
1-Inch Meter	19.50	24.00
1 1/2-Inch Meter	39.25	48.00
2-Inch Meter	62.50	76.80
3-Inch Meter	125.00	153.60
4-Inch Meter	220.00	240.00
6-Inch Meter	390.00	480.00
<u>Commodity Rate: (Per 1,000 gallons)</u>		
<u>5/8 x 3/4-Inch Meter</u>		
0 to 3,000 gallons	\$2.85	\$3.43
3,001 to 8,000 gallons	4.25	5.11
Over 8,000 gallons	6.50	7.01
<u>3/4-Inch Meter</u>		
0 to 3,000 gallons	2.85	3.43
3,001 to 8,000 gallons	4.25	5.11
Over 8,000 gallons	6.50	7.01
<u>1-Inch Meter</u>		
0 to 10,000 gallons	4.25	5.11
Over 10,000 gallons	6.50	7.01
<u>1 1/2-Inch Meter</u>		
0 to 17,000 gallons	4.25	5.11
Over 17,000 gallons	6.50	7.01
<u>2-Inch Meter</u>		
0 to 26,000 gallons	4.25	5.11
Over 26,000 gallons	6.50	7.01
<u>3-Inch Meter</u>		
0 to 50,000 gallons	4.25	5.11
Over 50,000 gallons	6.50	7.01
<u>4-Inch Meter</u>		
0 to 75,000 gallons	4.25	5.11
Over 75,000 gallons	6.50	7.01

28 ² As stated in the Company's Comments to Staff Report on October 19, 2015, Applicant agrees with all recommendations contained therein which includes Staff's recommended rates and charges.

6-Inch Meter

1	0 to 150,000 gallons	4.25	5.11
2	Over 150,000 gallons	6.50	7.01
3	Bulk Water (per 1,000 Gallons)		\$7.01
3	Construction (per 1,000 Gallons)		7.01

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

	<u>Present</u> <u>Service</u> <u>Line</u> <u>Charges</u>	<u>Present</u> <u>Meter</u> <u>Installation</u> <u>Charges</u>	<u>Present</u> <u>Total</u>	<u>Staff</u> <u>Recommended</u> <u>Service Line</u> <u>Charges</u>	<u>Staff</u> <u>Recommended</u> <u>Meter</u> <u>Installation</u> <u>Charges</u>	<u>Staff</u> <u>Recommended</u> <u>Total</u>
8	5/8 x 3/4" Meter	N/A	N/A	N/A	N/A	N/A
8	3/4" Meter	\$426	\$624	\$426	\$198	\$624
9	1" Meter	486	732	486	246	732
9	1 1/2" Meter	528	1,026	528	498	1,026
10	2" Meter	720	1,818	720	1,098	1,818
10	3" Meter	930	2,694	930	1,764	2,694
11	4" Meter	1,332	4,032	1,332	2,700	4,032
11	6" Meter	2,000	7,350	2,000	5,350	7,350

	<u>Present</u> <u>Rates</u>	<u>Staff</u> <u>Recommended</u>
13	<u>SERVICE CHARGES:</u>	
14	Establishment	\$30.00
14	Establishment (After Hours)	N/T
15	Reconnection (Delinquent)	\$20.00
15	Meter Test (If Correct)	30.00
16	Deposit	*
16	Deposit Interest	*
17	Re-Establishment (Within 12 Months)	**
17	NSF Check	\$15.00
18	Deferred Payment	1.5%
18	Meter Re-Read (If Correct)	\$12.00
19	Late Fee	1.5%
19	After Hours Charge	\$35.00
20	Road Cutting or Boring	N/T
20		At Cost

MONTHLY SERVICE CHARGE FOR
FIRE SPRINKLERS:

22	4" or Smaller	***	***
23	6"	***	***
23	8"	***	***
24	10"	***	***
24	Larger than 10"	***	***

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

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

*** 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 service line.

1 13. According to the Staff Report, the Company experienced an operating loss of \$42,380
2 during the TY. Staff is recommending, and the Company is in agreement, to rates and charges which
3 would produce an increase in revenue of \$84,243 over TY operating revenue to produce adjusted
4 operating revenues of \$516,440 and adjusted operating expenses of \$492,238, resulting in net operating
5 income of \$24,201, or a 10.0 percent rate of return on FVRB.

6 14. Staff and the Company agreed to an increase in operating expenses of approximately
7 \$17,662, which sum recognizes increases for property tax and income tax obligations on the authorized
8 revenue.

9 15. The projected 10 percent rate of return on FVRB of \$242,011, as recommended by Staff,
10 was agreed to by the Company.

11 16. Staff's recommended rates and charges, as agreed to by the Company, would increase
12 the average monthly customer water bill by 21.44 percent, from \$23.50 to \$28.54, and increase the
13 median monthly customer water bill by 21.66 percent, from \$19.77 to \$24.05.

14 17. According to Staff, the Arizona Department of Environmental Quality ("ADEQ") has
15 indicated that the Company is providing water which meets the requirements of the Safe Drinking
16 Water Act.

17 18. As was found in Decision No. 74155, the Company continues to experience excessive
18 water loss. Staff found that during the TY, based on the Company's data, the Company experienced a
19 water loss of 24.68 percent.

20 19. As a result of Staff's determination in the prior proceeding that the Company was
21 experiencing water losses in excess of 10 percent annually, the Company was ordered to file, within
22 six months of the effective date of Decision No. 74155, an application for financing approval to
23 construct improvements to its system.

24 20. On November 13, 2014, in Docket No. W-02060A-14-0387, the Company filed an
25 application for approval to borrow up to \$200,000 from the Water Infrastructure and Finance Authority
26 ("WIFA") for system improvements to prevent future excessive water losses.

27 21. On April 7, 2015, the Company filed a Motion to Withdraw its Financing Application
28 stating that, due to the "delay" since the Company's last rate case, both Staff and the Company

1 concluded that it would be beneficial to withdraw the pending financing application and to refile a new
2 application once more information was “available regarding the projects the Company seeks to
3 finance.”

4 22. On April 28, 2015, Staff filed its response stating that it had no objection to the
5 Company’s Motion to Withdraw its Financing Application.

6 23. On May 13, 2015, by Procedural Order, the Motion was granted and the docket was
7 closed administratively.

8 24. Given, the water loss problem that continues for the Company, Staff recommended that
9 the Company should soon take steps to resolve this situation.

10 25. Staff concluded that the Company’s current well production and storage capacities are
11 adequate to serve the existing customers, and for reasonable future growth.

12 26. Staff further indicated that there are no delinquent property tax or compliance items for
13 the Company, and it has previously filed a curtailment plan and a back flow prevention tariff which
14 have been approved by the Commission. Additionally, the Company has five Best Management
15 Practice (“BMP”) Tariffs on file with the Commission.

16 27. Staff also noted in its report that the Company should be placed on notice that long-term
17 debt obligations require prior Commission approval before accruing such debt.

18 28. The Company should maintain its books and records in accordance with the National
19 Association of Regulatory Utility Commissioners (“NARUC”), Uniform System of Accounts
20 (“USOA”).

21 29. Because an allowance for the property tax expense of Applicant is included in the
22 Company’s rates and will be collected from its customers, the Commission seeks assurances from the
23 Company that any taxes collected from rate payers have been remitted to the appropriate taxing
24 authority. It has come to the Commission’s attention that a number of water companies have been
25 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some
26 for as many as 20 years. It is reasonable, therefore, that as a preventive measure, the Company shall
27 annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the
28 Company is current and paying its property taxes in Arizona.

3-Inch Meter

0 to 50,000 gallons 5.11
 Over 50,000 gallons 7.01

4-Inch Meter

0 to 75,000 gallons 5.11
 Over 75,000 gallons 7.01

6-Inch Meter

0 to 150,000 gallons 5.11
 Over 150,000 gallons 7.01

Bulk Water (per 1,000 Gallons) 7.01
 Construction (per 1,000 Gallons) 7.01

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

	<u>Service Line</u> Charges	<u>Meter</u> <u>Installation</u> Charges	<u>Total</u>
5/8 x 3/4" Meter	N/A	N/A	N/A
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SERVICE CHARGES:

Establishment \$30.00
 Establishment (After Hours) N/T
 Reconnection (Delinquent) \$20.00
 Meter Test (If Correct) 30.00
 Deposit *
 Deposit Interest *
 Re-Establishment (Within 12 Months) **
 NSF Check \$15.00
 Deferred Payment 1.5%
 Meter Re-Read (If Correct) \$12.00
 Late Fee 1.5%
 After Hours Charge \$35.00
 Road Cutting or Boring At Cost

MONTHLY SERVICE CHARGE
FOR FIRE SPRINKLERS:

4" or Smaller ***
 6" ***
 8" ***
 10" ***
 Larger than 10" ***

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

1 ** Number of months off the system times the monthly minimum per Commission Rule A.A.C. R14-
2 2-403(D).

3 *** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00
4 per month. The Service Charge for fire sprinklers is only applicable for service lines separate and
5 distinct from the primary service line.

6 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall notify its customers of
7 the water rates and charges approved hereinabove, and their effective date, by means of an insert in its
8 next monthly billing in a form approved by the Utilities Division.

9 IT IS FURTHER ORDERED that the rates and charges authorized hereinabove shall be
10 effective for all service provided on or after January 1, 2016.

11 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall adopt the depreciation
12 rates shown on Table F of the Engineering Report attached to the Staff Report on a going forward basis.

13 IT IS FURTHER ORDERED that Cordes Lakes Water Company, in addition to the collection
14 of its regular rates and charges, shall collect from its customers their proportionate share of any
15 privilege, sales or use tax as provided for in A.A.C. R14-2-409(D)(5).

16 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall keep its books and
17 records in accordance with the National Association of Regulatory Utility Commissioners Uniform
18 System of Accounts on a going forward basis.

19 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall closely monitor and
20 record monthly water losses and repair all leaks when discovered and located.

21 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall apply for approval prior
22 to incurring any long-term debt.

23 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall reclassify
24 notes/payables to affiliates that are owed for periods longer than 12 months to Paid in Capital on the
25 Company's balance sheet.

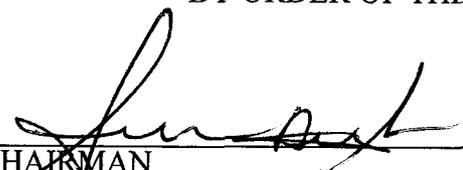
26 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall install identification
27 signs at each of its well sites to include, at a minimum, the plant site name, Arizona Department of
28 Water Resources well number, and emergency phone number.

 IT IS FURTHER ORDERED that Cordes Lakes Water Company shall repair or replace the
 hydro-pneumatic tank at Wellsite No. 4.

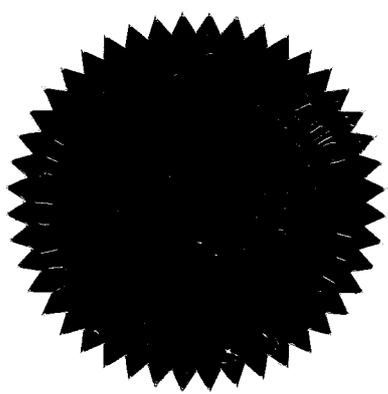
1 IT IS FURTHER ORDERED that Cordes Lake Water Company shall annually file as part of
2 its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying
3 its property taxes in Arizona.

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

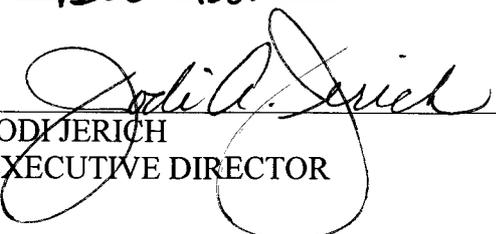
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7  
8 CHAIRMAN COMMISSIONER

9 **EXCUSED**
10 COMM. STUMP  
11 COMMISSIONER COMMISSIONER COMMISSIONER



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 MS:ru

1 SERVICE LIST FOR:

CORDES LAKES WATER COMPANY

2 DOCKET NO.:

W-02060A-15-0245

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