

1 average concentrations of arsenic, fluorides, and total dissolved solids. However, preliminary
 2 sampling indicates that fluoride concentrations will be within the Maximum Contaminant Level of
 3 4.0 mg/l. Although Staff indicated that arsenic concentrations are not yet known, at hearing Mr.
 4 Poulos testified that two nearby wells of Picacho Water Company have recorded arsenic levels of 16
 5 and 22 parts per billion ("ppb"). Santa Rosa built into its capital cost estimates arsenic removal
 6 expenses associated with achieving the new federal guidelines (effective in 2006) of 10 ppb of
 7 arsenic. Santa Rosa's estimates are based on the assumption that its wells will encounter arsenic
 8 readings similar to those recorded by Picacho Water Company (Tr. 22-23).

9 11. Pursuant to the Commission's rules, SRWC provided five-year projections for plant
 10 values, operating revenues and expenses, and number of customers. Such projections are necessary
 11 to establish rates for new companies due to the lack of historical data. Staff reviewed SRWC's
 12 projections and recommended that the Commission find SRWC's fair value rate base to be
 13 \$3,918,169.

14 12. SRWC proposed an initial residential/commercial rate composed of a \$15.00 base rate
 15 and a single tier \$3.95 commodity rate per 1,000 gallons. Staff agreed with the Company's base rate
 16 but recommended a three-tier inverted block commodity rate structure, to encourage conservation
 17 efforts. Staff's recommended rates would generate an average water bill of \$57.38, which is
 18 comparable to SRWC's proposed average customer bill. SRWC's proposed rates and charges, and
 19 Staff's recommended rates and charges, are as follows:

	Proposed Rates	
	Company	Staff
<u>MONTHLY USAGE CHARGE:</u>		
5/8" x 3/4" Meter	\$15.00	\$15.00
3/4" Meter	15.00	15.00
1" Meter	22.00	22.00
1 1/2" Meter	33.00	33.00
2" Meter	44.00	44.00
3" Meter	0.00	66.00
4" Meter	88.00	88.00
6" Meter	176.00	176.00
8" 6" Meter	200.00	200.00
10" 6" Meter	200.00	200.00

APPROVED FOR FILING
 DECISION #: 65753

ORIGINAL

DOCKET NO. SW-04136A-02-0691 ET AL.

1	Gallons included in minimum	0	0
2	Commodity Charge per 1,000 gallons:		
3	From 0 to 8,000 Gallons	\$3.95	\$3.75
4	From 8,001 to 20,000	3.95	4.50
5	In excess of 20,000	3.95	5.25
6	<u>SERVICE LINE AND METER</u>		
7	<u>INSTALLATION CHARGES</u>		
8	5/8" x 3/4" Meter	\$0.00	0.00
9	3/4" Meter	0.00	0.00
10	1" Meter	0.00	0.00
11	1 1/2" Meter	0.00	0.00
12	2" Meter (compound)	0.00	0.00
13	3" Meter (compound)	0.00	0.00
14	4" Meter (compound)	0.00	0.00
15	6" Meter (turbo)	0.00	0.00
16	6" Meter (compound)	0.00	0.00
17	<u>SERVICE CHARGE:</u>		
18	Establishment	\$30.00	\$30.00
19	Establishment (After Hours)	37.50	37.50
20	Reconnection (Delinquent)	25.00	25.00
21	Meter Test (If Correct)	35.00	35.00
22	Deposit	*	*
23	Deposit Interest	*	*
24	Re-establishment (Within 12 Months)	**	**
25	NSF Check	15.00	15.00
26	Deferred Payment	1.50%	1.50%
27		Per month of	Per month of
28		unpaid balance	unpaid balance
	Meter Reread (If Correct)	25.00	25.00
	Late Payment Penalty (per month)	0.00%	1.5%
	Main Extension	Cost	Cost
29	<u>MONTHLY SERVICE CHARGE FOR FIRE</u>		
30	<u>SPRINKLER:</u>		
31	4" or smaller	***	***
32	6"	***	***
33	8"	***	***
34	10"	***	***
35	Larger than 10"	***	***

APPROVED FOR FILING
DECISION #: 65753

- 1 * Per Commission rule A.A.C. R14-2-403(B).
2 ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-
3 403(D).
4 *** 1.00% of the Monthly Minimum for a Comparable Sized Meter Connection, but no
5 less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable
6 for service lines separate and distinct from the primary water service line.

7 13. Based on the entirety of its review, Staff recommended that the Commission grant
8 SRWC's application for a CC&N to provide water services, subject to the following conditions:

- 9 a. That the Commission find the fair value of SRWC's property devoted to water
10 service to be \$3,918,169;
11 b. That the Commission authorize SRWC to charge the rates and charges proposed
12 by Staff on Schedule ENZ-2 attached to the Staff Report (as set forth above);
13 c. That the Commission require SRWC to file within 24 months of the effective date
14 of this Decision a copy of the initial "Approval to Construct" issued by the
15 Arizona Department of Environmental Quality ("ADEQ");
16 d. That the Commission require SRWC to notify the Commission within 15 days of
17 providing service to its first permanent customer;
18 e. That the Commission require SRWC to file a rate application no later than three
19 months following the fifth anniversary of the date the Company begins providing
20 service to its first customer¹;
21 f. That the Commission require SRWC to maintain its books and records in
22 accordance with the NARUC Uniform System of Accounts for water utilities;
23 g. That the Commission require SRWC to file all related franchise agreements within
24 365 days of the effective date of this Decision; and
25 h. That the Commission require SRWC to file a Curtailment Plan for approval by the
26 Utilities Division Director within 30 days of providing service to its first customer.

18 Santa Rosa Utility Company

19 14. With respect to SRUC's wastewater infrastructure, Staff indicated that the Company's
20 wastewater treatment plant will be constructed in three phases of 1.7 million gallons per day ("mgd")
21 each, resulting in a total treatment capacity of approximately 5.0 mgd at build out. The treatment
22 facilities will be conventional activated sludge with an anoxic zone providing nitrogen removal. The
23 effluent will be further improved to tertiary standards by a disc filter, and then disinfected by
24 ultraviolet radiation.

25 15. Disposal of the treated effluent will be accomplished by reuse on the golf courses,
26

27 ¹ In his rebuttal testimony, Mr. Poulos stated that he would prefer this requirement for both SRWC and SRUC be changed
28 from a mandatory rate filing to a prohibition against filing a rate application for the first five years of the companies'
operations. However, at the hearing, Mr. Poulos stated that he did not find Staff's recommendation to be objectionable
(Tr. 12).

1 parks, and common areas. Staff states that the effluent should easily meet "open access" standards:
2 Effluent storage will be provided by the golf course lakes.

3 16. According to Staff, wastewater treatment plants at the high level of environmental
4 sophistication contained in SRUC's proposal usually cost between \$6.00 to \$8.00 per gallon.
5 excluding effluent disposal costs. In this instance, the Company has projected the wastewater plant
6 cost for Phase I to be \$7,409,666, excluding the effluent pumps and recharge basins. Even with the
7 addition of a 20 percent contingency, which would increase the projected cost to \$8,891,599, the
8 Phase I cost per gallon is estimated to be less than \$5.25 per gallon. Although additional capital will
9 be required for construction of the Phase II and III facilities. Staff states that some of the costs for
10 future phases are embedded in Phase I (e.g., head works, outfall structures, and site preparations).
11 Staff believes that future per gallon treatment costs will decrease as the fixed capital costs are spread
12 over higher volume wastewater flows. Based on its review, Staff concludes that SRUC's estimated
13 capital requirements are reasonable and appropriate.

14 17. Pursuant to the Commission's rules, SRUC provided five-year projections for plant
15 values, operating revenues and expenses, and number of customers. Such projections are necessary
16 to establish rates for new companies due to the lack of historical data. Staff reviewed SRUC's
17 projections and recommended that the Commission find SRUC's fair value rate base to be
18 \$11,037,387.

19 18. SRUC proposed an initial residential/commercial flat rate of \$52.44. Effluent sales
20 would be charged at \$0.87 per 1,000 gallons. Staff found the Company's proposed commercial,
21 residential and effluent rates to be reasonable and recommended approval of those rates. SRUC's
22 proposed rates and charges for initial wastewater service are as follows:

	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
<u>MONTHLY USAGE CHARGE:</u>		
Residential - Flat Rate	\$52.44	\$52.44
Commercial - Per meter	52.44	52.44
Effluent - Per 1,000 Gallons	\$0.87	\$0.87

APPROVED FOR FILING
DECISION #: 65753

1	<u>SERVICE LINE CONNECTION CHARGES</u>		
	(Non-Refundable)		
2	Residential	\$0.00	\$0.00
	Commercial	0.00	0.00

3	<u>TREATMENT PLANT AVAILABILITY</u>		
4	<u>FEE</u>		
5	Per New Connection	\$ -	\$ -

6	<u>SERVICE CHARGE:</u>		
7	Establishment	\$30.00	\$30.00
	Establishment (After Hours)	-	0.00
8	Reconnection (Delinquent)	30.00	30.00
9	Deposit	*	*
	Deposit Interest	*	*
10	Re-establishment (Within 12 Months)	**	**
	NSF Check	15.00	15.00
11	Late Payment Penalty	***	***

- * Per Commission rule A.A.C. R14-2-603(B)(7).
- ** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-603(D)(1).
- *** Per Commission rule A.A.C. R14-2-608(F)(1).

19. Staff points out that construction of SRUC's wastewater treatment plant will require an individual Aquifer Protection Permit ("APP") from ADEQ. Staff recommends that SRUC be required to obtain the APP within 24 months from the effective date of this Decision, and submit a copy of the APP to the Director of the Utilities Division within that same time frame.

20. Staff also indicates that environmental quality regulations require SRUC to obtain approval of an individual wastewater facility plan, often referred to as a "\$208 Plan", from the designated water quality planning agency. The Central Area Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N area. CAAG has the authority to develop and approve general wastewater plans which include land development policies service areas, objectives, principles, and standards for local growth and development. Staff recommends that the Commission make approval of SRUC's CC&N contingent on the Company obtaining §208 approval from CAAD within 24 months from the effective date of this Decision, and submitting a copy of the §208 approval with the Director of the Utilities Division within that same

APPROVED FOR FILING
 DECISION #: 65753
 7