

**COMMISSIONERS**  
Jim O'Connor - Chairman  
Lea Márquez Peterson  
Anna Tovar  
Kevin Thompson  
Nick Myers



Douglas R. Clark  
Executive Director

Jane Rodda  
Hearing Division Director

**ARIZONA CORPORATION COMMISSION**

**OPEN MEETING ITEM**

DATE: JUNE 12, 2023

DOCKET NO.: W-21093A-22-0296

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Julia L. Matter. The recommendation has been filed in the form of a Recommended Order on:

**INSCRIPTION CANYON WATER COMPANY  
(RATES)**

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by efiling at <https://efiling.azcc.gov/> or filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JUNE 22, 2023

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 Open Meeting to be held on:

JULY 11, 2023

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Handwritten signature of Douglas R. Clark in blue ink.

DOUGLAS R. CLARK  
EXECUTIVE DIRECTOR

On this 12th day of June, 2023, the following document was filed with Docket Control as a Recommended Order from the Hearing Division, and copies of the document were mailed on behalf of the Hearing Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the filed document to the following who have consented to email service.

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**Consented to Service by Email**

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**Consented to Service by Email**

By:



Elishua Cervantes  
Assistant to Julia L. Matter

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 JIM O’CONNOR – CHAIRMAN  
4 LEA MÁRQUEZ PETERSON  
5 ANNA TOVAR  
6 KEVIN THOMPSON  
7 NICK MYERS

8 IN THE MATTER OF THE APPLICATION OF  
9 INSCRIPTION CANYON WATER COMPANY FOR  
10 APPROVAL OF A RATE INCREASE.

DOCKET NO. W-21093A-22-0296

DECISION NO. \_\_\_\_\_

11 **ORDER**

12 Open Meeting  
13 July 11, 2023  
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 Having considered the entire record herein and being fully advised in the premises, the Arizona  
17 Corporation Commission (“Commission”) finds, concludes, and orders that:

18 **FINDINGS OF FACT**

19 **Procedural History**

- 20 1. On November 30, 2022, Inscription Canyon Water Company (“Inscription Canyon” or  
21 “Company”) filed an application with the Commission for approval of a rate increase.
- 22 2. On December 2, 2022, a Procedural Order was issued regarding consent to email  
23 service.
- 24 3. On December 12, 2022, Inscription Canyon filed an amendment to its application  
25 providing a signature page to its application that was omitted inadvertently from the original filing and  
26 a Certificate of Compliance/Letter of Good Standing from the Arizona Department of Revenue.
- 27 4. On the same date, Inscription Canyon filed an Affidavit certifying that notice of the  
28 application had been mailed to its customers on December 6, 2022.
- 29 5. On December 30, 2022, the Commission’s Utilities Division (“Staff”) filed a Letter of  
30 Sufficiency stating that the Company’s application met the sufficiency requirements as outlined in  
31 Arizona Administrative Code (“A.A.C.”) R14-2-103 and classifying Inscription Canyon as a Class D

1 utility.

2 6. On March 10, 2023, Staff filed a Motion for an Extension of Time. Staff indicated that  
3 it was reviewing data recently provided by the Company and that the Company needed to provide  
4 additional invoices for Staff's review. Staff requested an extension of time to file its Staff Report from  
5 March 15, 2023, to April 14, 2023, and indicated that the Company did not oppose the request.

6 7. On March 13, 2023, by Procedural Order, Staff's Motion for an Extension of Time was  
7 granted, Staff was ordered to file its Staff Report by April 14, 2023, and the timeclock was extended  
8 until July 28, 2023.

9 8. On April 17, 2023, Staff filed its Staff Report recommending approval of Staff's  
10 recommended rates and charges.<sup>1</sup>

11 9. On April 21, 2023, Inscription Canyon filed a letter in the docket indicating that it  
12 believed a response to the Staff Report was due on April 27, 2023, based on the timing of the filing of  
13 the Staff Report.

14 10. On April 27, 2023, Inscription Canyon filed a Response to the Staff Report  
15 ("Response").

16 11. On April 28, 2023, by Procedural Order, Staff was directed to file a reply to the  
17 Company's Response.

18 12. On May 1, 2023, the Inscription Canyon Board of Directors submitted a letter to the  
19 docket, supplementing the Company's Response.

20 13. On May 5, 2023, Staff filed its reply to the Company's Response ("Reply").

21 14. On May 16, 2023, by Procedural Order, Staff was directed to file revised schedules  
22 consistent with its Reply by May 22, 2023.

23 15. On May 22, 2023, Staff filed revised schedules.

24 16. On May 30, 2023, the Company filed a response to Staff's revised schedules  
25 ("Supplemental Response"), providing additional information about declining golf course water use.

26 17. Also on May 30, 2023, by Procedural Order, Staff was directed to file a reply to the  
27

28 <sup>1</sup> The Staff Report was filed after 5:00 p.m. on April 14, 2023, and was docketed on April 17, 2023.

1 Company's Supplemental Response.

2 18. On June 8, 2023, Staff filed a reply to the Supplemental Response ("Supplemental  
3 Reply").

4 19. A total of eleven separate customer comments in opposition to the rate increase were  
5 filed on December 13, 15, 20, and 21, 2022, January 11, 2023, February 2, 2023, March 13, 2023, and  
6 May 4, 2023.<sup>2</sup>

7 **Background**

8 20. Inscription Canyon is a member-owned non-profit corporation and a Class D water  
9 utility providing water service in an area approximately 12 miles northwest of Prescott, Yavapai  
10 County, Arizona.<sup>3</sup>

11 21. During the test year ending December 31, 2021, Inscription Canyon served  
12 approximately 850 customers, the majority of which are served by 5/8 x 3/4-inch meters (674). Other  
13 customers are served by 1-inch meters (147), 1 1/2-inch meters (3), and 2-inch meters (6). In addition,  
14 Inscription Canyon provides water to the Talking Rock Golf Club. The average and median water use  
15 by customers with 5/8 x 3/4-inch meters were 6,252 gallons and 4,039 gallons, respectively.<sup>4</sup>

16 22. Inscription Canyon reports that there is a potential for an increase in its customer base  
17 and new development in its service area. The Company served approximately 488 customers in 2012  
18 and now serves approximately 850, and has experienced an average growth rate of 9.8% per year, with  
19 its largest growth in customers between 2020 and 2021. Staff anticipates that the Company's customer  
20 base will continue to grow at a steady rate for the next three years. Staff concluded that the Company  
21 has adequate production and storage capacity to serve its present customer base and reasonable growth,  
22 and that the Company's production capacity is sufficient to satisfy the minimum storage requirements  
23 per A.A.C. R18-5-503.<sup>5</sup>

24 \_\_\_\_\_  
25 <sup>2</sup> Some comments were filed in the docket twice and are not included in this total. Two customers each provided two  
26 separate comments. Several of the comments were docketed as comments in support, but are more accurately characterized  
27 as comments in opposition. Several comments supported a rate increase generally but opposed the proposed rates that  
28 would apply to the golf course in the service area.

<sup>3</sup> Staff Report at 1, 3.

<sup>4</sup> Staff Report at 2; Staff Engineering Report at 1; Staff Schedule HB-5. The Staff Report states that the average and median  
water use by customers with 5/8 x 3/4-inch meters were 6,356 gallons and 4,048 gallons, respectively.

<sup>5</sup> Staff Engineering Report at 7-8.

1           23.     Inscription Canyon has two water systems—the Inscription Canyon Ranch (“ICR”)  
2 system and the Talking Rock Ranch (“TRR”) System. The Company serves its member-customers  
3 and delivers water for the Talking Rock Golf Club pursuant to a well agreement. The ICR system  
4 consists of two wells, two storage tanks with a total capacity of 560,000 gallons, one booster pump,  
5 water mains, 426 customer meters, and 150 fire hydrants. The TRR system consists of four wells, two  
6 storage tanks with a total capacity of 600,000 gallons, one pressure tank, 15 booster pumps, water  
7 mains, 461 customer meters, and 140 fire hydrants.<sup>6</sup>

8           24.     For the test year, Inscription Canyon reported 41,345,696 gallons pumped and  
9 38,993,280 gallons sold for the ICR system, resulting in a test year water loss of 5.69%. The Company  
10 reported 124,755,327 gallons pumped and 114,685,671 gallons sold for the TRR system, resulting in a  
11 test year water loss of 8.07%. The water loss for both systems was within Staff’s recommended  
12 acceptable level of 10%.<sup>7</sup>

13           25.     Inscription Canyon is not located in an Arizona Department of Water Resources  
14 (“ADWR”) Active Management Area. ADWR reported on December 12, 2022, that the Company’s  
15 water systems are in compliance with ADWR’s requirements governing water providers and  
16 community water systems.<sup>8</sup>

17           26.     The Arizona Department of Environmental Quality (“ADEQ”) reported on January 24,  
18 2023, that there are no major deficiencies for Inscription Canyon’s water systems and that both systems  
19 are delivering water that meets the water quality standards required by Title 40 Code of Federal  
20 Regulations Part 141, the National Primary Drinking Water Regulations, and A.A.C. Title 18, Chapter  
21 4.<sup>9</sup>

22           27.     Inscription Canyon has an approved Curtailment Tariff and a Backflow Prevention  
23 Tariff.<sup>10</sup>

24           28.     Staff’s review of the Commission’s Utilities Division compliance database did not find  
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26 <sup>6</sup> Staff Engineering Report at 1-4.

27 <sup>7</sup> Staff Engineering Report at 5-6.

28 <sup>8</sup> Staff Engineering Report at 9.

<sup>9</sup> Staff Engineering Report at 8.

<sup>10</sup> Staff Engineering Report at 11-12.

1 any delinquencies for Inscription Canyon.<sup>11</sup>

2 29. Staff's review of the Commission's Consumer Services records from January 1, 2020,  
3 to January 9, 2023, found no complaints. Staff noted a total of eight opinions related to the rate  
4 application—two in favor and six opposed.<sup>12</sup> As noted above, a total of eleven comments were filed  
5 by nine customers, all of which raise some opposition to the rate application, although several note a  
6 general agreement to some form of a rate increase.

7 30. Inscription Canyon is in good standing with the Commission's Corporations Division.

8 31. According to its application, Inscription Canyon is current on its property taxes.<sup>13</sup>

9 **Summary of Rate Application**

10 32. The Company's current permanent rates and charges were approved in Decision No.  
11 70977 (May 5, 2009), in a rate case filed by ICR Water Users Association. The sale of ICR Water  
12 Users Association's assets to Inscription Canyon Water Company was approved by the Commission  
13 in Decision No. 77757 (October 2, 2020).

14 33. Inscription Canyon indicates that it filed the rate application because it has not had rates  
15 approved since 2009, and because there has been substantial development in its service area and  
16 increased costs due to impacts from inflation and supply chain disruptions.<sup>14</sup>

17 34. Inscription Canyon's rate application indicates that in the test year ending December  
18 31, 2021, the Company experienced an adjusted operating loss of \$7,717 on total revenues of  
19 \$696,636.<sup>15</sup>

20 35. The Company's rate application sought an increase in total operating revenue of  
21 \$85,000, or 12.2%, from test year operating revenue of \$696,636 to \$781,636, resulting in operating  
22 income of \$76,331 and an operating margin of 9.77%.<sup>16</sup>

23 36. In its Staff Report, Staff recommended an increase in revenue of \$10,000, or 1.4%, from  
24 test year operating revenue of \$696,636 to \$706,636, resulting in operating income of \$78,388 and an  
25

26 <sup>11</sup> Staff Engineering Report at 9.

27 <sup>12</sup> Staff Report at 3.

28 <sup>13</sup> Application at 7.

<sup>14</sup> Application at 4.

<sup>15</sup> Application at Schedule 9a; Staff Schedule HB-1.

<sup>16</sup> Application at Schedule 9a; Staff Report at 2.

1 operating margin of 11.09% using Staff's recommended operating expenses. Staff also recommended  
 2 approval of a total rate case expense of \$25,000, to be collected as a monthly rate case expense  
 3 surcharge of \$0.49 per customer per month for a period of five years.<sup>17</sup>

4 37. In its Response to the Staff Report and after accepting many of Staff's operating expense  
 5 adjustments, the Company proposed an increase in revenue of \$75,000, or 10.95%, from its revised  
 6 test year revenue of \$684,755 to \$759,755, resulting in operating income of \$113,398 and an operating  
 7 margin of 14.93%.<sup>18</sup>

8 38. In its Reply, Staff revised some of its recommendations. Staff now recommends a  
 9 revenue requirement of \$721,636, an increase of \$25,000 or 3.59% from test year operating revenue of  
 10 \$696,636. Staff's recommended revenue results in operating income of \$76,662, an operating margin  
 11 of 10.62%, and cash flow of \$176,616.<sup>19</sup>

#### 12 **Rate Base**

13 39. Inscription Canyon originally proposed an Original Cost Rate Base ("OCRB") of  
 14 negative \$2,463,245.<sup>20</sup> The Company did not propose a Reconstruction Cost New Less Depreciation  
 15 Study; therefore, its Fair Value Rate Base ("FVRB") is the same as its OCRB.

16 40. Staff states that the Company has had significant development in its service area since  
 17 its 2007 rate case. The Company provided information regarding plant additions since 2007 in the total  
 18 amount of \$7,528,067.76, with a majority having been funded by developers through Advances in Aid  
 19 of Construction or Contributions in Aid of Construction ("CIAC"). Staff conducted a site inspection  
 20 and concluded that the Company's plant in service is used and useful in the provision of service.<sup>21</sup>

21 41. In its Staff Report, Staff determined the Company's FVRB to be negative \$2,451,847,  
 22 a net increase of \$11,398 from the Company's FVRB due to Staff's adjustments to Plant in Service,  
 23 Accumulated Depreciation, Service Line and Meter Installation Deposits, and Working Capital. Staff  
 24 increased Plant in Service by \$23,079, from \$12,860,045 to \$12,883,124, to include 2021 plant

26 <sup>17</sup> Staff Report at 2-3; Staff Schedule HB-1.

27 <sup>18</sup> Response filed 4/27/2023 ("Response") at 6 and Exh. 2.

28 <sup>19</sup> Staff Reply filed 5/5/2023 ("Reply") and 2-3; Staff Revised Schedules HB-1 and HB-6.

<sup>20</sup> Staff Report at 4.

<sup>21</sup> Staff Engineering Report at 11.



1 additions reported in the Company's workpapers but omitted in its schedules.<sup>22</sup> Staff increased  
 2 Accumulated Depreciation by \$513, from \$5,463,344 to \$5,463,857, to reflect Staff's recommended  
 3 Plant in Service balances. Staff acknowledges that the adjustment is below the Commission's  
 4 materiality threshold but recommends the adjustment as a companion adjustment to the Plant in Service  
 5 adjustments. Staff increased the Service Line and Meter Installation deposit by \$3,255, from \$168,232  
 6 to \$171,487, to reflect service line and meter installation deposits reported in the Company's  
 7 workpapers but omitted from its application. Last, Staff decreased the portion of working capital  
 8 allowance related to operation and maintenance expenses by \$7,913, from \$48,175 to \$40,262, to  
 9 reflect Staff's adjustments to operating expenses.<sup>23</sup>

10 42. In its response to the Staff Report, Inscription Canyon adopted Staff's adjustments to  
 11 Plant in Service, Accumulated Depreciation, and Service Line and Meter Installation Deposits. The  
 12 Company proposes a different cash working capital allowance based on differences in proposed  
 13 operating expenses. The Company proposed a total rate base of negative \$2,450,577.<sup>24</sup>

14 43. In its Reply, Staff increased its recommended FVRB by \$135. Staff revised its operating  
 15 expense adjustment related to Contractual Services – Other, as discussed further below, resulting in a  
 16 modified recommended cash working capital allowance. Staff now recommends a FVRB of negative  
 17 \$2,451,712.<sup>25</sup>

18 44. Staff's adjustments to Inscription Canyon's rate base are just and reasonable and we  
 19 adopt them. We find that the Company's FVRB is equivalent to its OCRB and is negative \$2,451,712.

20 45. Inscription Canyon proposes account specific depreciation rates that Staff states are  
 21 consistent with Staff's typical and customary depreciation rates. Staff recommends approval of the  
 22 Company's proposed depreciation rates as presented in Attachment 3 to Staff's Engineering Report.<sup>26</sup>  
 23 Staff's recommendation is reasonable, and we adopt it.

24 ...

25 \_\_\_\_\_  
 26 <sup>22</sup> The plant additions include \$10,248 of transmission and distribution mains, \$7,606 of meters and meter installations, and  
 \$5,225 of communications equipment.

27 <sup>23</sup> Staff Report at 4, Staff Schedule HB-2.

28 <sup>24</sup> Response at 1.

<sup>25</sup> Reply at 2; Staff Revised Schedule HB-2.

<sup>26</sup> Staff Engineering Report at 10.

1 **Operating Income and Expenses**

2 46. Staff adopted Inscription Canyon’s test year operating revenue of \$696,636 proposed in  
3 its application.<sup>27</sup>

4 47. Staff recommends several adjustments to the Company’s total test year operating  
5 expenses, resulting in a net decrease of \$59,660, from the Company-proposed total of \$704,353 in its  
6 application to \$644,693. After adopting some of Staff’s adjustments, the Company now recommends  
7 test year operating expenses of \$645,650, a difference of \$957 from Staff’s recommendation.<sup>28</sup>

8 48. Staff recommends a decrease in Materials and Supplies Expense of \$10,248, from  
9 \$14,459 to \$4,211, due to unsupported expenses. The Company agrees with Staff’s adjustment.<sup>29</sup>

10 49. Staff recommends a decrease in Repairs and Maintenance Expense of \$36,189, from  
11 \$64,953 to \$28,764, based on Staff’s recommendation to normalize the expense over three years based  
12 on the Company’s revised test year expenses and costs incurred in 2019 and 2020. In its Response, the  
13 Company objected to Staff’s recommendation and proposed normalizing the expense based on a five-  
14 year average of \$40,438. The five-year average is higher due to higher expenses in 2017, 2018, and  
15 the test year. The Company expressed concern with annual repair and maintenance expenses  
16 representing a small percentage of gross plant in service and recommends a total Repairs and  
17 Maintenance Expense of \$41,874. In its Reply, Staff noted that its three-year normalization provides  
18 a higher amount of annual expense than was incurred in 2019 and 2020, and thus Staff did not  
19 recommend a change to its original recommendation.<sup>30</sup>

20 50. Staff recommends a decrease in Contractual Services – Engineering Expense of \$4,717,  
21 from \$20,000 to \$15,283, based on a normalization of engineering costs of the three-year period from

22 <sup>27</sup> Staff Schedule HB-1.

23 <sup>28</sup> Staff Report at 4-5; Response at Exh. 2; Reply at 1-2; Staff Revised Schedule HB-3.

24 <sup>29</sup> Staff Report at 4; Response at 1; Staff Revised Schedule HB-3.

25 <sup>30</sup> Staff Report at 4-5; Response at 2; Reply at 1; Staff Revised Schedule HB-3. The Company’s Response provides the  
26 following Repair and Maintenance Expense totals:

Year	Expense Amount
2017	\$43,407
2018	\$76,074
2019	\$20,286
2020	\$20,550
2021 (Test Year)	\$41,874

1 2019 to 2021. The Company agrees with Staff's adjustment.<sup>31</sup>

2 51. Staff recommends a decrease in Contractual Services – Accounting Expense of \$3,073,  
3 from \$53,931 to \$50,858, to reclassify \$3,073 of Board Election Costs to Contractual Services – Other.  
4 The Company agrees with the reclassification.<sup>32</sup>

5 52. Staff initially recommended a decrease in Contractual Services – Other Expense by  
6 \$1,076, from \$8,747 to \$7,671, to reflect a normalized level of Board Election costs over three years.  
7 In its Response, the Company objected to the adjustment, stating that the normalization was not  
8 necessary. In its Reply, Staff agreed with the Company and adopted the proposed amount of \$8,747,  
9 noting that the Company had provided additional information indicating that the Board election is held  
10 annually.<sup>33</sup>

11 53. Staff recommends removal of rate case expense, decreasing Regulatory Commission  
12 Expense – Rate Case by \$8,000, from \$8,000 to \$0, to instead recover rate case expense through a  
13 separate rate case expense surcharge.<sup>34</sup> The Company agrees with the removal of rate case expense  
14 from base rates.<sup>35</sup>

15 54. Staff initially recommended a reduction in Depreciation Expense of \$12,914, from  
16 \$168,519 to \$155,605, to reflect Staff's recommended amortization of CIAC based on a composite  
17 depreciation rate of 2.65%. In its Response, the Company objected to the adjustment and Staff's  
18 applied CIAC amortization rate. The Company proposed amounts for CIAC amortization based on its  
19 calculation of the actual composite rate for each development. In its Reply, Staff recommended  
20 adoption of the Company's revised amortization rates and amortization expense based on the additional  
21 information provided by the Company. Staff now recommends a total depreciation expense of  
22 \$171,086, an increase of \$2,567, the same as proposed by the Company.<sup>36</sup>

23 55. In its Response, the Company proposed new adjustments—a decrease in test year  
24 metered water revenue of \$11,880 and a \$5,970 decrease in Purchased Power Expense. The Company  
25

26 <sup>31</sup> Staff Report at 5; Response at 1.

<sup>32</sup> Staff Report at 5; Response at 1; Staff Revised Schedule HB-3.

27 <sup>33</sup> Staff Report at 5; Response at 2-3; Reply at 2; Staff Revised Schedule HB03.

<sup>34</sup> \$8,000 represents the annual recovery of total rate case expense of \$40,000 over five years.

28 <sup>35</sup> Staff Report at 5; Response at 3; Staff Revised Schedule HB-3.

<sup>36</sup> Staff Report at 5; Response at 3-4, Exh. 2; Reply at 2; Staff Revised Schedule HB-3.

1 explained that in its original application, a proforma metered water revenue adjustment was made to  
2 approximate golf course water usage. The adjustment was made because a well failed during 2021 and  
3 a new one had to be drilled. During the well outage, the Company was unable to provide golf course  
4 water for a few months. The Company further stated that water supplied to the golf course has not  
5 reached the consumption level prior to the well failure, negating the need for the original proforma  
6 adjustment. In addition to the revenue adjustment, the Company proposed removing the corresponding  
7 proforma purchased power expense that was added in the original application. The Company estimates  
8 that 8,486,000 gallons of usage has been lost. The Company also indicated that the new well does not  
9 have the production capacity of the prior well and that production capacities are limiting the water  
10 provided to the golf course. In its Reply, Staff indicated that it did not recommend any change to the  
11 test year metered water revenue and purchased power expense. Staff explained that based on the  
12 Company's representations, the failed well has been replaced with a new well to meet the continuous  
13 demand of the golf course. Staff stated that absent evidence demonstrating that the golf course demand  
14 has declined, the proposed additional adjustments are unnecessary in this proceeding and that Staff's  
15 recommendations are consistent with the Company's application.<sup>37</sup>

16         56. In its Supplemental Response, the Company provided additional information regarding  
17 the decrease in golf course water usage. The Company stated that during the test year, it sold  
18 81,514,000 to the golf course, which it expected to increase to 90,000,000 with its new well. However,  
19 according to the Company, in 2022, 73,862,600 gallons were sold to the golf course and usage  
20 continues to decrease in 2023. The Company explained that the wells for the TRR system are located  
21 near each other, and a cone of depression occurs when each is pumped at the same time, limiting the  
22 pumping ability of the system. And when pumping capacity is limited, water is provided first to  
23 residents and businesses instead of the lake. The Company noted that revenue from golf course water  
24 has a lower cost of service and, therefore, the loss of revenue has a more dramatic impact on operating  
25 income.<sup>38</sup>

26         57. In its Supplemental Reply, Staff noted that the Company has not provided specific  
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28 <sup>37</sup> Response at 4-5; Reply at 1.

<sup>38</sup> Supplemental Response at 2, 4.

1 information indicating inadequate capacity to meet present and future customers' water demands. In  
2 addition, Staff notes that there is no indication that reduced water usage by the golf course has  
3 negatively impacted metered water revenues because declines in golf course water usage occurred in  
4 conjunction with increases in revenue from residential customers. Staff further notes that metered  
5 water revenue increased from \$658,639 during the 2021 test year to \$713,566 in 2022, an increase of  
6 8.32%. Staff's Engineer reevaluated the Company's production capacity concerns and again determined  
7 that the Company has adequate production and storage capacity, noting that Inscription Canyon has  
8 approximately 1,060,000 gallons of storage capacity, of which 600,000 gallons is devoted to the golf  
9 course.<sup>39</sup>

10 58. The test year revenue proposed by the Company in its application and adopted by Staff  
11 is reasonable and appropriate, and we adopt it. We agree with Staff that absent specific evidence  
12 demonstrating a sustained decrease in metered water revenues resulting from a permanent decline in  
13 golf course water usage, the additional modifications to revenue and purchased power expenses  
14 proposed by the Company in its Response are unnecessary. Staff's adjustments to Materials and  
15 Supplies Expense, Repairs and Maintenance Expense, Contractual Services – Engineering Expense,  
16 Contractual Services – Accounting Expense, and Regulatory Commission Expense – Rate Case  
17 outlined above also are reasonable and should be adopted. We agree with Staff that a three-year  
18 normalization for Repairs and Maintenance Expense is reasonable. Therefore, we find that for the test  
19 year, Inscription Canyon had total operating revenue of \$696,636 and total adjusted operating expenses  
20 of \$644,693, resulting in adjusted test year operating income of \$51,943 and an operating margin of  
21 7.46%.

### 22 **Revenue Requirement**

23 59. In its application, Inscription Canyon proposed total operating revenue of \$781,636, an  
24 increase of \$85,000 or 12.2% over test year revenue of \$696,636. In its Response, the Company  
25 proposed total operating revenue of \$759,755, an increase of \$63,119 or 9.06% over the adopted test  
26 year revenue.<sup>40</sup> The Company's proposed revenue would produce operating income of \$113,398 using

27 \_\_\_\_\_  
28 <sup>39</sup> Supplemental Reply at 1-2.

<sup>40</sup> Staff Report at 2; Response at 6.

1 the Company's proposed operating expenses of \$646,357, resulting in an operating margin of 14.93%.

2         60. Staff initially recommended a revenue requirement of \$706,636, an increase of \$10,000  
3 or 1.4% over test year revenue of \$696,636. Following the modified recommendations made in its  
4 Reply, Staff now recommends a revenue requirement of \$721,636, an increase of \$25,000 or 3.59%  
5 over test year revenue. Staff's recommended revenue and recommended operating expenses of  
6 \$644,974 result in operating income of \$76,662, an operating margin of 10.62%, and cash flow of  
7 \$176,616. Because of the Company's negative rate base, Staff recommends using a cash  
8 flow/operating margin approach to establish the revenue requirement. Staff states that its  
9 recommended revenue provides cash flow that is adequate for it to continue to operate its system in a  
10 safe and reliable manner and makes sufficient cash available for contingencies.<sup>41</sup>

11         61. In its Response, Inscription Canyon objected to Staff's recommended revenue  
12 requirement. The Company indicated that it has substantial advance repayments that must be factored  
13 into the operating margin to provide sufficient cash flow to meet the repayment obligations. The  
14 Company modified its original request and proposed an increase in revenue of \$75,000, or 10.95%,  
15 from its revised test year revenue of \$684,755 to \$759,755, resulting in operating income of \$113,398  
16 and an operating margin of 14.93%. The Company further stated that 86% of its proposed cash  
17 contingency amount results from depreciation expense, which is recovery of assets already purchased  
18 or advanced, and redirection of cash from depreciation expense deprives the utility of recovery of asset  
19 investments and could limit reinvestment in plant upgrades and capital repairs.<sup>42</sup>

20         62. In addition, the Board of Directors for the Company submitted a letter to the docket on  
21 May 1, 2023, further explaining its revenue request. The letter explained that the increase requested in  
22 its application was agreed to by the Board as the amount necessary to continue to make the future water  
23 supply reliable. The Board stated that any reduction would be detrimental to the community. In  
24 addition, the Board stated that the Talking Rock Golf Club is a customer, but not a member, and the  
25 current well capacity will not be able to continue providing the golf course with its historical volume  
26 of water as residential usage increases, and that the potential reduction in revenue is a significant

27 \_\_\_\_\_  
28 <sup>41</sup> Staff Report at 5, 8; Reply at 2-3; Staff Revised Schedule HB-1.

<sup>42</sup> Response at 6 and Exh. 2.

1 concern. If the Company cannot provide the golf course with the water it needs, the Board expressed  
2 concern that the golf course would find another source and the Company would lose the subsidization  
3 from the golf course's water usage. The Board also expressed concerns with the frequency at which  
4 its original plant is experiencing problems, noting that the Company has started making regular  
5 investments in plant due to the age of some parts of the system. Along with increases in repairs and  
6 maintenance, capital investments also have increased because some repairs are expensive or result in  
7 replacement.<sup>43</sup> In its Supplemental Response, the Company reiterated its concerns with declining golf  
8 course water usage, arguing that Staff's proposed revenue is inadequate to maintain and reinvest in the  
9 Company's plant.<sup>44</sup>

10 63. In its Supplemental Reply, Staff noted that the reduction in golf course water usage is  
11 being met with an increase in demand from residential customers, resulting in an increase in revenue.  
12 Staff did not modify its recommended revenue requirement.<sup>45</sup>

13 64. In this case, a rate of return analysis on FVRB would not result in a reasonable revenue  
14 requirement because of the Company's negative rate base. In addition, because the Company is a non-  
15 profit entity, a rate of return analysis would not be appropriate. We find that using a cash flow analysis  
16 to determine the revenue requirement is reasonable and appropriate under these circumstances. We  
17 find that Staff's recommended revenue requirement of \$721,636 and its recommended operating  
18 expenses of \$644,974 are just and reasonable, and we adopt them. The adopted revenue and operating  
19 expenses result in operating income of \$76,662 and an operating margin of 10.62%, which we find is  
20 just and reasonable, and provides cash flow of \$176,616, which is sufficient to address the maintenance  
21 and capital investment concerns of the Company, and to address a reduction in revenue from golf course  
22 water sales. We note that the Company's customer base is experiencing growth, which will likely  
23 result in continuing increases in metered water revenue even with a reduction in golf course water sales.

#### 24 **Rate Case Expense Surcharge**

25 65. Inscription Canyon initially proposed a total rate case expense of \$40,000 as a  
26 component of base rates. Staff recommends, and the Company agrees, with recovery of rate case

27 <sup>43</sup> Letter dated May 1, 2023.

28 <sup>44</sup> Supplemental Response at 7.

<sup>45</sup> Supplemental Reply at 2.

1 expense through a separate Rate Case Expense Surcharge instead of through base rates. Staff states  
2 that its recommendation ensures that the Company will fully recover its authorized rate case expense.<sup>46</sup>

3 66. Staff recommends a total rate case expense of \$25,000 to be recovered over five years  
4 (annual rate case expense of \$5,000). Based on its recommended total rate case expense, Staff estimates  
5 the monthly Rate Case Expense Surcharge to be \$0.49 per customer. Staff also recommends that the  
6 surcharge cease after five years from the effective date of this Decision or when the Company has  
7 recovered the total rate case expense, whichever occurs first.<sup>47</sup>

8 67. In its Response, the Company modified its proposal and requested recovery of a total  
9 rate case expense of \$30,000 to be collected over four years, for an estimated monthly Rate Case  
10 Expense Surcharge of \$0.74 per customer. As part of its Response, the Company did not provide  
11 additional support for the amount of rate case expense and did not provide a basis for recovering the  
12 expense over four years instead of five years as recommended by Staff.<sup>48</sup>

13 68. In its Reply, Staff did not modify its original recommendation, stating that the Company  
14 failed to provide Staff with invoices in support of its requested rate case expense.<sup>49</sup>

15 69. In the absence of additional information or evidence from the Company to support its  
16 proposed rate case expense, Staff's recommendation is reasonable. Therefore, we authorize recovery  
17 of a total rate case expense of \$25,000, to be recovered through a monthly surcharge in the amount of  
18 \$0.49 per customer, for a period of not more than five years, commencing on the effective date of the  
19 rates approved in this Decision and terminating automatically after the authorized amount is recovered  
20 or after five years, whichever is sooner. In addition, we also find that it is reasonable and appropriate  
21 to require Inscription Canyon to file a report reconciling its collection of the authorized rate case  
22 expense at the end of the five-year period or after collecting of \$25,000, whichever comes first.

### 23 **Rate Design**

24 70. Inscription Canyon's present rates and charges, the rates and charges proposed by the  
25 Company in its Response, the rates and charges recommended by Staff, and the rates adopted in this

26 \_\_\_\_\_  
27 <sup>46</sup> Staff Report at 5, 8; Response at 3.

<sup>47</sup> Staff Report at 8.

<sup>48</sup> Response at 3.

28 <sup>49</sup> Reply at 2.



Order are as follows:<sup>50</sup>

<b><u>Monthly Minimum Charge:</u></b>	<b><u>Present Rates</u></b>	<b><u>Proposed Rates Company</u></b>	<b><u>Proposed Rates Staff</u></b>	<b><u>Order</u></b>
5/8 x 3/4-inch Meter	\$20.00	\$22.00	\$20.23	\$20.30
3/4-inch Meter	20.00	33.00	30.35	30.45
1-inch Meter	50.00	55.00	50.58	50.75
1 1/2-inch Meter	100.00	110.00	101.15	101.50
2-inch Meter	160.00	176.00	161.84	162.40
3-inch Meter	300.00	352.00	303.45	324.80
4-inch Meter	500.00	550.00	505.75	507.50
6-inch Meter	1,000.00	1,100.00	1,011.50	1,015.00
8-inch Meter	—	1,760.00	1,618.40	1,624.00
10-inch Meter	—	2,530.00	2,326.45	2,334.50
12-inch Meter	—	3,410.00	4,349.45	4,364.50

<b><u>Commodity Rates (Per 1,000 gallons):</u></b>	<b><u>Present Rates</u></b>	<b><u>Proposed Rates Company</u></b>	<b><u>Proposed Rates Staff</u></b>	<b><u>Order</u></b>
<b><u>5/8 x 3/4-inch Meter</u></b>				
0 to 4,000 Gallons	\$2.80			
4,001 to 9,000 Gallons	4.00			
Over 9,000 Gallons	5.00			
0 to 3,000 Gallons		\$2.72		\$2.50
3,001 to 7,000 Gallons		4.44		4.00
Over 7,000 Gallons		5.55		5.00
0 to 3,000 Gallons			\$2.54	
3,001 to 8,000 Gallons			4.10	
Over 8,000 Gallons			5.50	
<b><u>3/4-inch Meter</u></b>				
0 to 4,000 Gallons	\$2.80			
4,001 to 9,000 Gallons	4.00			
Over 9,000 Gallons	5.00			
0 to 3,000 Gallons		\$2.72		\$2.50
3,001 to 7,000 Gallons		4.44		4.00
Over 7,000 Gallons		5.55		5.00
0 to 3,000 Gallons			\$2.54	
3,001 to 8,000 Gallons			4.10	
Over 8,000 Gallons			5.50	
<b><u>1-inch Meter</u></b>				
0 to 22,500 Gallons	\$4.00	\$4.44	\$4.10	
Over 22,500 Gallons	5.00	5.55	5.50	
0 to 25,000 Gallons				\$4.00

<sup>50</sup> Staff Report at 6-8; Revised Staff Schedule HB-4; Response at 7, Ex. 4.

1	Over 25,000 Gallons				5.00
2	<b><u>1 1/2-inch Meter</u></b>				
3	0 to 45,000 Gallons	\$4.00	\$4.44	\$4.10	
4	Over 45,000 Gallons	5.00	5.55	5.50	
5	0 to 60,000 Gallons				\$4.00
6	Over 60,000 Gallons				5.00
7	<b><u>2-inch Meter</u></b>				
8	0 to 72,000 Gallons	\$4.00	\$4.44	\$4.10	
9	Over 72,000 Gallons	5.00	5.55	5.50	
10	0 to 100,000 Gallons				\$4.00
11	Over 100,000 Gallons				5.00
12	<b><u>3-inch Meter</u></b>				
13	0 to 144,000 Gallons	\$4.00	\$4.44	\$4.10	
14	Over 144,000 Gallons	5.00	5.55	5.50	
15	0 to 210,000 Gallons				\$4.00
16	Over 210,000 Gallons				5.00
17	<b><u>4-inch Meter</u></b>				
18	0 to 225,000 Gallons	\$4.00	\$4.44	\$4.10	
19	Over 225,000 Gallons	5.00	5.55	5.50	
20	0 to 335,000 Gallons				\$4.00
21	Over 335,000 Gallons				5.00
22	<b><u>6-inch Meter</u></b>				
23	0 to 450,000 Gallons	\$4.00	\$4.44	\$4.10	
24	Over 450,000 Gallons	5.00	5.55	5.50	
25	0 to 675,000 Gallons				\$4.00
26	Over 675,000 Gallons				5.00
27	<b><u>8-inch Meter</u></b>				
28	0 to 560,000 Gallons		\$4.44	\$4.10	
29	Over 560,000 Gallons		5.55	5.50	
30	0 to 1,090,000 Gallons				\$4.00
31	Over 1,090,000 Gallons				5.00
32	<b><u>10-inch Meter</u></b>				
33	0 to 805,000 Gallons		\$4.44	\$4.10	
34	Over 805,000 Gallons		5.55	5.50	
35	0 to 1,575,000 Gallons				\$4.00
36	Over 1,575,000 Gallons				5.00
37	<b><u>12-inch Meter</u></b>				
38	0 to 1,085,000 Gallons		\$4.44	\$4.10	

1	Over 1,085,000 Gallons		5.55	5.50	
	0 to 3,000,000 Gallons				\$4.00
2	Over 3,000,000 Gallons				5.00
3	<b><u>Bulk/Standpipe</u></b>				
4	Per 1,000 Gallons (All Gallons)	\$5.00	\$5.55	\$5.50	\$5.00
5					
6	<b><u>Golf Course Water for Talking Rock Golf Club, LLC and Construction Water for Talking Rock Land, LLC</u></b>				
7					
8					
9	Per 1,000 Gallons (All Gallons)	\$1.40	\$1.57	\$1.67	\$1.48

**Service Line and Meter Installation Charges:**  
(Refundable pursuant to A.A.C. R14-2-405)

	<b><u>Present Rates</u></b>			<b><u>Proposed Rates Company and Staff</u></b>			
	<b><u>Service Line</u></b>	<b><u>Meter Charge</u></b>	<b><u>Total Charge</u></b>	<b><u>Service Line</u></b>	<b><u>Meter Charge</u></b>	<b><u>Total Charge</u></b>	
13	5/8 x 3/4" Meter	\$385.00	\$135.00	\$520.00	\$565.00	\$158.00	\$723.00
14	3/4" Meter	385.00	215.00	600.00	565.00	260.00	825.00
15	1" Meter	435.00	255.00	690.00	629.00	321.00	950.00
16	1 1/2" Meter	470.00	465.00	935.00	699.00	536.00	1,235.00
17	2" Turbine Meter	630.00	965.00	1,595.00	1,054.00	1,066.00	2,120.00
18	2" Compound Meter	630.00	1,690.00	2,320.00	1,054.00	1,928.00	2,982.00
19	3" Turbine Meter	805.00	1,470.00	2,275.00	1,327.00	1,703.00	3,030.00
20	3" Compound Meter	845.00	2,265.00	3,110.00	1,480.00	2,596.00	4,076.00
21	4" Turbine Meter	1,170.00	2,350.00	3,520.00	1,892.00	2,723.00	4,615.00
22	4" Compound Meter	1,230.00	3,245.00	4,475.00	2,121.00	3,718.00	5,839.00
23	6" Turbine Meter	1,730.00	4,545.00	6,275.00	2,807.00	5,126.00	7,933.00
	6" Compound Meter	1,770.00	6,280.00	8,050.00	2,959.00	7,058.00	10,017.00
	8" Turbine Meter	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
	10" Turbine Meter	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
	12" Turbine Meter	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

	<b><u>Present Rates</u></b>	<b><u>Proposed Rates Company</u></b>	<b><u>Proposed Rates Staff</u></b>	
24	<b><u>Service Charges:</u></b>			
25	Establishment	\$25.00	\$30.00	\$30.00
26	Establishment (After Hours)	\$50.00	No Tariff	No Tariff
27	After Hours Service Charge (At Customer's Request)	No Tariff	\$35.00/Hour	\$35.00
28	Reconnection (Delinquent)	\$20.00	\$35.00	\$35.00
	Reconnection (After Hours)	\$40.00	No Tariff	No Tariff

Meter Test (Calibration or Leak Detection)	\$20.00	\$20.00	\$20.00
Deposit	*	*	*
Deposit Interest	6.00%	6.00%	6.00%
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	\$15.00	\$20.00	\$20.00
Deferred Payment (Per Month)	***	***	***
Meter Re-Read (If Correct)	\$10.00	\$20.00	\$20.00
Late Payment (Per Month)	***	****	****
Monthly Service Charge for Fire Sprinkler:			
4" or Smaller	*****	*****	*****
6"	*****	*****	*****
8"	*****	*****	*****
10"	*****	*****	*****
Larger than 10"	*****	*****	*****

- \* Per Commission Rule A.A.C. R14-2-403(B)(7).
- \*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).
- \*\*\* 1.50% of the unpaid monthly balance per Commission Rule A.A.C. R14-2-409(G)(6).
- \*\*\*\* 1.50% of the unpaid balance per month or \$3.00, whichever is greater.
- \*\*\*\*\* 1% of the Monthly Minimum Charge for a comparable sized meter connection, but no less than \$5.00 per month. The Service Charge for fire sprinklers only is applicable to service lines separate and distinct from the primary water service line.

In addition to the collection of its regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax per Commission Rule A.A.C. R14-2-409(D)(5).

71. Inscription Canyon’s current rates include a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate structure with breakover points at 4,000 and 9,000 gallons for the 5/8 x 3/4-inch and 3/4-inch meters.<sup>51</sup> The Company’s current rates generate 68.67% of revenue from the first-tier commodity and monthly minimum charges, 16.59% from the second tier, and 14.74% from the third tier.

**Company’s Proposed Rate Design**

72. Inscription Canyon proposes a rate design that includes higher monthly minimum charges that increase by meter size and an inverted three-tier commodity structure with lower breakover points at 3,000 and 7,000 gallons for the 5/8 x 3/4-inch and 3/4-inch meters. For the larger meters, the Company proposes two tiers using the existing breakover points. The Company’s proposed rates would generate 65.43% of revenue from the first-tier commodity and monthly minimum charges, 17.11%

<sup>51</sup> Staff Report at 6; Staff Schedule HB-4.

1 from the second tier, and 17.46% from the third tier.<sup>52</sup>

2 73. The Company's proposed rates, designed to collect the Company's proposed revenue  
3 requirement would increase the typical residential bill for a 5/8 x 3/4-inch meter, with a median usage  
4 of 4,039 gallons, from \$31.36 to \$34.77, an increase of \$3.41 or 10.87%. With the Company's  
5 requested monthly Rate Case Expense Surcharge of \$0.74 per customer, the typical residential bill for  
6 a 5/8 x 3/4-inch meter would increase to \$35.51, a total increase of \$4.15 or 13.23%.<sup>53</sup>

7 **Staff's Proposed Rate Design**

8 74. Staff's recommended rate design accepts the Company's approach to structure rates that  
9 increase by meter size and inverted three-tier commodity rates for the 5/8 x 3/4-inch and 3/4-inch  
10 meters. Staff recommends breakover points at 3,000 gallons and 8,000 gallons for the 5/8 x 3/4-inch  
11 and 3/4-inch meters, and accepts the Company-proposed breakover points for the larger meters. Staff  
12 states that in designing its recommended rates, it considered the Commission's water policy outlined  
13 in Commission Decision No. 75626 (July 25, 2016), which states that a company's rates should  
14 generate at least 50% of the revenue requirement from the monthly minimum and first-tier commodity  
15 rates, and the third tier should generate at least 10% but no more than 20% of the revenue requirement.  
16 According to Staff, its recommended rates would generate 59.28% of revenue from the first-tier  
17 commodity and monthly minimum charges, 21.76% from the second tier, and 18.96% from the third  
18 tier. Therefore, Staff's recommendation complies with the above policy.<sup>54</sup>

19 75. Staff's recommended rates would increase the typical residential bill for a 5/8 x 3/4-  
20 inch meter, with a median usage of 4,039 gallons, from \$31.36 to \$32.11, an increase of \$0.75 or 2.39%.  
21 With Staff's monthly Rate Case Expense Surcharge of \$0.49 per customer, the typical residential bill  
22 for a 5/8 x 3/4-inch meter would increase to \$32.60, a total increase of \$1.24 or 3.95%.

23 **Adopted Rate Design**

24 76. As explained below, we adjust the Company's and Staff's proposed rate designs with  
25 modifications to the breakover points, proposed monthly minimum charges, and commodity rates. For  
26

27 <sup>52</sup> Staff Report at 6; Response, Exh. 4.

<sup>53</sup> The Company indicates that its proposed rates would increase the typical residential bill for a 5/8 x 3/4-inch meter, with  
28 a median usage of 4,039 gallons, from \$32.37 to \$35.54, an increase of \$3.17 or 9.79%. Response, Exh. 5.

<sup>54</sup> Staff Report at 6; Staff Revised Schedules HB-4 and HB-7.

1 the 5/8 x 3/4-inch and 3/4-inch meters, we adopt the breakover points proposed by the Company of  
2 3,000 and 7,000 gallons. We adopt two tiers for the 1-inch meters and larger as proposed by the  
3 Company and Staff, but increase the breakover points.

4 77. It is reasonable to modify Staff's rate design by adopting the Company's proposed  
5 breakover points for the smaller meter sizes to promote conservation. In addition, we adjust the  
6 breakover points for the larger meters to more equitably recover costs among the meter sizes. In  
7 addition, we note that the Company's and Staff's proposed rates provide revenue in excess of their  
8 respective proposals. The adopted rate for golf course water, although lower than recommended by  
9 the Company and Staff, provides 33% of the total increase in revenue from water sales and represents  
10 a 5.41% revenue increase versus the overall 3.26% revenue increase for all customer classes. The  
11 adopted golf course rate addresses the written comments from customers expressing concern that the  
12 golf course rate should be raised more than residential customers because the use of potable water for  
13 irrigation is inappropriate. But in light of the Company's concerns about potential declining golf course  
14 water sales, a greater increase in the golf course rate is not appropriate and could undermine the ability  
15 of the Company to recover its revenue requirement.

16 78. Under the rates adopted herein, the Company would generate 66.76% of its revenue  
17 from the monthly minimum charges and first-tier commodity charges, 17.02% from the second tier,  
18 and 16.22% from the third tier. This rate design complies with the policy outlined in Commission  
19 Decision No. 75626.

20 79. The rates adopted herein would increase the typical residential bill for a 5/8 x 3/4-inch  
21 meter, with a median usage of 4,039 gallons, from \$31.36 to \$31.95, an increase of \$0.59 or 1.88%.  
22 With the adopted monthly Rate Case Expense Surcharge of \$0.49 per customer, the typical residential  
23 bill for a 5/8 x 3/4-inch meter would increase to \$32.44, a total increase of \$1.08 or 3.44%.

#### 24 **Service Charges**

25 80. The Company did not propose any changes to its Meter Test, Deposit, Deposit Interest,  
26 Re-Establishment (Within 12 Months), Deferred Payment, or Fire Sprinkler service charges, and Staff  
27  
28

1 agrees.<sup>55</sup>

2 81. The Company proposed an increase to its Establishment Charge from \$25 to \$30, an  
3 increase to its Reconnection (Delinquent) Charge from \$20 to \$35, an increase to its NSF Check Charge  
4 from \$15 to \$20, an increase to its Meter Re-Read (If Correct) Charge from \$10 to \$20, and a change  
5 to its Late Fee Charge from 1.5% to 1.5% or \$3, whichever is greater, and Staff agrees. The Company  
6 also proposed a new After Hours Service Charge (At Customer's Request) of \$35, and eliminating the  
7 Establishment (After Hours) and Reconnection (After Hours) Charges. Staff agrees that an additional  
8 fee for service provided after normal business hours is appropriate when requested by the customer.  
9 Staff further concludes that it is appropriate to apply an After Hours Service Charge in addition to the  
10 charge for the utility service provided. In its Response to the Staff Report, the Company stated that the  
11 After Hours Service Charge of \$35 should be per hour, and that a flat fee does not cover the cost for a  
12 technician to visit a customer's location because the Company services a rural area. In its Reply, Staff  
13 disagreed, maintaining its position that a \$35 charge is reasonable.<sup>56</sup>

14 82. The Company proposed changes to its service line and meter installation charges. Staff  
15 states that the proposed charges are in the middle of Staff's typical range of charges, and Staff  
16 recommends adoption of the charges proposed by the Company as shown on Table 12 of Staff's  
17 Engineering Report.<sup>57</sup>

18 83. We find that the service charges proposed by the Company and recommended by Staff,  
19 except for the After Hours Service Charge, are just and reasonable, and we adopt them. A flat-fee  
20 After Hours Service Charge as recommended by Staff is consistent with other Commission decisions,  
21 including those for companies serving rural areas, while an hourly charge could pose an undue financial  
22 burden on customers that require after-hours service. Therefore, we approve a flat-fee After Hours  
23 Service Charge of \$35, as recommended by Staff. We also believe that the service line and meter  
24 installation charges proposed by the Company and recommended by Staff are just and reasonable, and  
25 we adopt them.

26 84. We also believe it is reasonable to allow Inscription Canyon to collect from its

27 <sup>55</sup> Staff Report at 7.

28 <sup>56</sup> Staff Report at 7; Response at 7; Reply at 2.

<sup>57</sup> Staff Report at 8; Staff Engineering Report at 10.

1 customers a proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-  
2 409(D)(5).

3 85. Staff recommends that Inscription Canyon file with Docket Control, as a compliance  
4 item in this docket, within 30 days of the effective date of this Decision, a schedule of the approved  
5 rates and charges.<sup>58</sup> Staff's recommendation is reasonable and shall be adopted.

6 86. Staff also recommends that Inscription Canyon notify its customers of the authorized  
7 rates and charges approved in this Decision, and their effective date, in a form acceptable to Staff, by  
8 means of an insert in its next regular billing, and should file a copy of the notice with Docket Control,  
9 as a compliance item in this docket, within 30 days of the effective date of this Decision.<sup>59</sup> Staff's  
10 recommendation is reasonable and shall be adopted with the modification that a copy of the notice shall  
11 be filed within 10 days of the notice being sent to customers.

12 87. In addition, because an allowance for property tax expense is included in the Company's  
13 rates and will be collected from its customers, the Commission seeks assurances from the Company  
14 that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has  
15 come to the Commission's attention that a number of water companies have been unwilling or unable  
16 to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as  
17 twenty years. It is reasonable, therefore, that Inscription Canyon should file annually, as part of its  
18 Annual Report to the Utilities Division, an affidavit attesting that the Company is current on its property  
19 taxes in Arizona.

20 **Emergency Water Augmentation Surcharge Tariff**

21 88. Staff recommends adoption of an Emergency Water Augmentation Surcharge Tariff to  
22 put in place a process for Inscription Canyon to recover costs incurred for water purchases when it  
23 experiences an emergency water shortage.<sup>60</sup> Staff's recommendation is reasonable, and we adopt it.  
24 Thus, the Company shall file, as a compliance item in this docket, within 90 days of the effective date  
25 of this Decision, an Emergency Water Augmentation Surcharge Tariff and Plan of Administration,  
26 consistent with that included in Attachment B to the Staff Report.

27 <sup>58</sup> Staff Report at 8.

28 <sup>59</sup> Staff Report at 9.

<sup>60</sup> Staff Report at 8.



**CONCLUSIONS OF LAW**

1  
2 1. Inscription Canyon is a public service corporation within the meaning of Article XV of  
3 the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

4 2. The Commission has jurisdiction over Inscription Canyon and the subject matter of the  
5 rate application.

6 3. Inscription Canyon provided notice of the application in accordance with Arizona Law.

7 4. Inscription Canyon has a FVRB of negative \$2,451,712.

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

10 6. With the modifications to Staff's rate design, Staff's recommendations as modified  
11 herein are just and reasonable and in the public interest, and should be adopted.

**ORDER**

12  
13 IT IS THEREFORE ORDERED that Inscription Canyon Water Company is authorized and  
14 directed to file with Docket Control, as a compliance item in this docket, by July 31, 2023, a revised  
15 tariff setting forth the following rates and charges:

**Monthly Minimum Charge:**

16	5/8 x 3/4-inch Meter	\$20.30
17	3/4-inch Meter	30.45
18	1-inch Meter	50.75
19	1 1/2-inch Meter	101.50
20	2-inch Meter	162.40
21	3-inch Meter	324.80
22	4-inch Meter	507.50
23	6-inch Meter	1,015.00
24	8-inch Meter	1,624.00
25	10-inch Meter	2,334.50
26	12-inch Meter	4,364.50

**Commodity Rates  
(Per 1,000 gallons):****5/8 x 3/4-inch Meter**

26	0 to 3,000 Gallons	\$2.50
27	3,001 to 7,000 Gallons	4.00
28	Over 7,000 Gallons	5.00

1	<b><u>3/4-inch Meter</u></b>	
	0 to 3,000 Gallons	\$2.50
2	3,001 to 7,000 Gallons	4.00
	Over 7,000 Gallons	5.00
3		
	<b><u>1-inch Meter</u></b>	
4	0 to 25,000 Gallons	\$4.00
5	Over 25,000 Gallons	5.00
6		
	<b><u>1 1/2-inch Meter</u></b>	
	0 to 60,000 Gallons	\$4.00
7	Over 60,000 Gallons	5.00
8		
	<b><u>2-inch Meter</u></b>	
9	0 to 100,000 Gallons	\$4.00
	Over 100,000 Gallons	5.00
10		
	<b><u>3-inch Meter</u></b>	
11	0 to 210,000 Gallons	\$4.00
12	Over 210,000 Gallons	5.00
13		
	<b><u>4-inch Meter</u></b>	
	0 to 335,000 Gallons	\$4.00
14	Over 335,000 Gallons	5.00
15		
	<b><u>6-inch Meter</u></b>	
	0 to 675,000 Gallons	\$4.00
16	Over 675,000 Gallons	5.00
17		
	<b><u>8-inch Meter</u></b>	
18	0 to 1,090,000 Gallons	\$4.00
	Over 1,090,000 Gallons	5.00
19		
	<b><u>10-inch Meter</u></b>	
20	0 to 1,575,000 Gallons	\$4.00
21	Over 1,575,000 Gallons	5.00
22		
	<b><u>12-inch Meter</u></b>	
	0 to 3,000,000 Gallons	\$4.00
23	Over 3,000,000 Gallons	5.00
24		
	<b><u>Golf Course Water for Talking Rock</u></b>	
25	<b><u>Golf Club, LLC and Construction</u></b>	
	<b><u>Water for Talking Rock Land, LLC</u></b>	
26	Per 1,000 Gallons (All Gallons)	\$1.48
27		
	<b><u>Bulk/Standpipe</u></b>	
28	Per 1,000 Gallons (All Gallons)	\$5.00

**Service Line and Meter Installation Charges:**

(Refundable pursuant to A.A.C. R14-2-405)

	<b>Service Line</b>	<b>Meter Charge</b>	<b>Total Charge</b>	
3	5/8 x 3/4" Meter	\$565.00	\$158.00	\$723.00
4	3/4" Meter	565.00	260.00	825.00
5	1" Meter	629.00	321.00	950.00
6	1 1/2" Meter	699.00	536.00	1,235.00
7	2" Turbine Meter	1,054.00	1,066.00	2,120.00
8	2" Compound Meter	1,054.00	1,928.00	2,982.00
9	3" Turbine Meter	1,327.00	1,703.00	3,030.00
10	3" Compound Meter	1,480.00	2,596.00	4,076.00
11	4" Turbine Meter	1,892.00	2,723.00	4,615.00
12	4" Compound Meter	2,121.00	3,718.00	5,839.00
13	6" Turbine Meter	2,807.00	5,126.00	7,933.00
14	6" Compound Meter	2,959.00	7,058.00	10,017.00
15	8" Turbine	At Cost	At Cost	At Cost
16	10" Turbine	At Cost	At Cost	At Cost
17	12" Turbine	At Cost	At Cost	At Cost

**Service Charges:**

15	Establishment	\$30.00
16	After Hours Service Charge (At Customer's Request)	\$35.00
17	Reconnection (Delinquent)	\$35.00
18	Meter Test (Calibration or Leak Detection)	\$20.00
19	Deposit	*
20	Deposit Interest	6.00%
21	Re-Establishment (Within 12 Months)	**
22	NSF Check	\$20.00
23	Deferred Payment Per Month	***
24	Meter Re-Read (If Correct)	\$20.00
25	Late Payment Penalty (Per Month)	****
26	Monthly Service Charge for Fire Sprinkler:	
27	4" or Smaller	*****
28	6"	*****
29	8"	*****
30	10"	*****
31	Larger than 10"	*****

\* Per Commission Rule A.A.C. R14-2-403(B)(7).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* 1.50% of the unpaid monthly balance per Commission Rule A.A.C. R14-2-409(G)(6).

\*\*\*\* 1.50% of the unpaid balance per month or \$3.00, whichever is greater.

1 \*\*\*\*\* 1% of the Monthly Minimum Charge for a comparable sized meter connection, but no less than \$5.00 per  
2 month. The Service Charge for fire sprinklers only is applicable to service lines separate and distinct from  
the primary water service line.

3 In addition to the collection of its regular rates, the utility will collect from its customers a proportionate share of  
any privilege, sales, or use tax per Commission Rule A.A.C. R14-2-409(D)(5).

4 IT IS FURTHER ORDERED that, in addition to collection of its regular rates and charges,  
5 Inscription Canyon Water Company shall collect from its customers a proportionate share of any  
6 privilege, sales, or use tax, per A.A.C. Rule 14-2-409(D)(5).

7 IT IS FURTHER ORDERED that Inscription Canyon Water Company is authorized to recover  
8 a total rate case expense of \$25,000 by means of a monthly surcharge of \$0.49 per connection per  
9 month over a period of five years, commencing on the effective date of the rates approved in this  
10 Decision and terminating automatically after the authorized amount is recovered or after five years,  
11 whichever is sooner.

12 IT IS FURTHER ORDERED that Inscription Canyon Water Company shall file with Docket  
13 Control, as a compliance item in this docket, a report reconciling its collection of the authorized rate  
14 case expense after collection of the rate case expense surcharge for five years or after collecting  
15 \$25,000, whichever is sooner.

16 IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for  
17 all service provided on and after August 1, 2023.

18 IT IS FURTHER ORDERED that Inscription Canyon Water Company shall notify its  
19 customers of the authorized rates and charges approved in this Decision, including the Rate Case  
20 Expense Surcharge, and their effective date by means of an insert in its next regular billing or by  
21 separate mailing, in a form acceptable to Staff, and shall file a copy of the notice with Docket Control,  
22 as a compliance item in this docket, within 10 days of the notice being sent to customers.

23 IT IS FURTHER ORDERED that Inscription Canyon Water Company shall use the  
24 depreciation rates as shown on Attachment 3 of Staff's Engineering Report in this matter on a going-  
25 forward basis.

26 IT IS FURTHER ORDERED that Inscription Canyon Water Company shall file annually with  
27 the Commission's Utilities Division, as part of its Annual Report, an affidavit attesting that it is current  
28 on its property taxes in Arizona.

1 IT IS FURTHER ORDERED that Inscription Canyon Water Company shall file, as a  
2 compliance item in this docket, within 90 days of the effective date of this Decision, for Staff's review  
3 and approval, an Emergency Water Augmentation Surcharge Tariff and Plan of Administration.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
6  
7

8 CHAIRMAN O'CONNOR

COMMISSIONER MÁRQUEZ PETERSON

9  
10 COMMISSIONER TOVAR

COMMISSIONER THOMPSON

COMMISSIONER MYERS

11  
12 IN WITNESS WHEREOF, I, DOUGLAS R. CLARK,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

17 \_\_\_\_\_  
18 DOUGLAS R. CLARK  
19 EXECUTIVE DIRECTOR

20  
21 DISSENT \_\_\_\_\_

22  
23 DISSENT \_\_\_\_\_  
24 JLM/ec

1 SERVICE LIST FOR:

INSCRIPTION CANYON WATER COMPANY

2 DOCKET NO.:

W-21093A-22-0296

3 Sonn Ahlbrecht  
4 PINKERTON UTILITY SOLUTIONS  
5 PO Box 50793  
6 Phoenix, AZ 85076  
7 [sonncpa@gmail.com](mailto:sonncpa@gmail.com)

8 **Consented to Service by Email**

9 Robin Mitchell, Director  
10 Legal Division  
11 ARIZONA CORPORATION COMMISSION  
12 1200 West Washington Street  
13 Phoenix, AZ 85007

14 [LegalDiv@azcc.gov](mailto:LegalDiv@azcc.gov)  
15 [utildivservicebyemail@azcc.gov](mailto:utildivservicebyemail@azcc.gov)

16 **Consented to Service by Email**

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