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MEMORANDUM

Arizona Corporation Commission
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TO: THE COMMISSION

SEP 8 2010

2010 SEP -8 P 4:10

FROM: Utilities Division

DOCKETED BY
GRSN

AZ CORP COMMISSION
DOCKET CONTROL

DATE: September 8, 2010

RE: WILHOIT WATER COMPANY, INC. - THUNDERBIRD MEADOWS SYSTEM, AN ARIZONA CORPORATION, APPLICATION FOR AUTHORITY TO IMPLEMENT ITS INFRASTRUCTURE SURCHARGE MECHANISM (DOCKET NOS. W-02065A-07-0306, W-02065A-07-0307, W-02065A-07-0312 AND W-02065A-08-0138)

I. Introduction

Pursuant to Decision No. 71234, Wilhoit Water Company, Inc. – Thunderbird Meadows System (“Company”) filed compliance documentation from the Water Infrastructure Finance Authority (“WIFA”) on August 6, 2010, with the Arizona Corporation Commission (“Commission”), fulfilling the compliance requirements set forth in the above-referenced Decision to implement an infrastructure surcharge mechanism.

Decision No. 71234 ordered “that upon approval by WIFA of the long-term financing for Wilhoit Water Company Inc.’s Thunderbird Meadows System and the Company’s filing of the appropriate WIFA loan documentation, Staff shall calculate the actual surcharge and file the appropriate surcharge amount to be collected from customers according to their meter size within 30 days of the filing.”

II. Background

On May 21, 2007, the Company filed the following applications: an application requesting approval of retroactive financing in the amount of \$15,000 (Docket No. W-02065A-07-0306); an application requesting approval of financing in the amount of \$131,059 (Docket No. W-02065A-07-0307); and an application requesting approval for a permanent rate increase (Docket No. W-02065A-07-0312). On March 6, 2008, the Company filed an application with the Commission for an Order authorizing the Company to issue \$345,000 in long-term debt to develop a new water source (Docket No. W-02065A-08-0138). All of which were consolidated on June 12, 2008, by Procedural Order. On February 4, 2009, Docket No. W-02065A-08-0138, was administratively closed by Procedural Order.

On August 6, 2009, the Commission issued Decision No. 71234 establishing new rates for the Company, denying the retroactive financing in the amount of \$15,000, and authorizing an increased long-term debt financing in the amount of \$145,877.

On August 6, 2010, the Company filed the required loan documentation for a \$145,877 loan from WIFA in order to begin implementation of its infrastructure surcharge mechanism.

III. Calculation of Infrastructure Surcharge

Decision No. 71234 ordered that, upon the Company's filing of the appropriate WIFA loan documentation, Staff shall calculate the actual infrastructure surcharge and file the appropriate surcharge amount to be collected from the Company's customers according to their meter size. The Company has filed the required loan documentation and Staff has calculated the infrastructure surcharge necessary to recover the debt service cost. Staff's calculation utilized the Company's customer billing determinants to compute the appropriate infrastructure surcharge based on meter size. Staff's infrastructure surcharge is calculated to be collected as a monthly surcharge in addition to the customary monthly minimum charge and does not include a commodity component.

To compute the infrastructure surcharge, Staff utilized loan data provided by WIFA. This data updates the information provided by the Company in its loan documentation filing.

Based on the \$145,877 WIFA loan and a 3.675 percent interest rate, the Company would need an additional \$5,034 and \$5,276 annually for principal and interest, respectively, for a total of \$10,310 for debt service on the loan.

The infrastructure surcharge recommended by Staff is a monthly surcharge of \$6.71 for a customer with a 5/8 x 3/4-inch meter, as shown in Schedule JMM-1. When the \$6.71 surcharge is added to the existing monthly charge of \$16.50, it produces a monthly minimum charge of \$23.21 for a 5/8 x 3/4-inch meter. The typical bill for a 5/8 x 3/4-inch meter residential customer with median usage of 3,114 gallons will increase by \$6.71 or 24.45 percent, from \$27.44 to \$34.15. (See Schedule JMM-2).

Staff recommends approval of the infrastructure surcharges presented below:

<u>MONTHLY INFRASTRUCTURE SURCHARGE</u>	
5/8 x 3/4-Inch Meter	\$ 6.71
3/4-Inch Meter	\$ 10.07
1-Inch Meter	\$ 16.87
1 1/2-Inch Meter	\$ 33.56
2-Inch Meter	\$ 53.70
3-Inch Meter Surcharge	\$ 107.40
4-Inch Meter Surcharge	\$ 167.81
6-Inch Meter Surcharge	\$ 335.61

Staff recommends that the Company be required to file with the Commission an infrastructure surcharge tariff consistent with the rates reflected on Schedule JMM-1.

Staff recommends that the Company notify its customers of the infrastructure surcharge tariff approved herein within 30 days of the effective date of the Commission Decision in this proceeding.

IV. Conclusions and Recommendations

Staff concludes that the Company has filed the required loan documentation pursuant to Decision No. 71234.

Staff concludes that authorization of an infrastructure surcharge that includes the debt service costs on the financing is appropriate.

Staff recommends approval of an infrastructure surcharge comprised of the monthly customer components presented in Schedule JMM-1.

Staff recommends that the Company file within 30 days of a Decision in this matter an infrastructure surcharge tariff consistent with the rates reflected on Schedule JMM-1.

Staff recommends that the Company notify its customers of the infrastructure surcharge tariff approved herein within 30 days of the effective date of the Commission Decision in this proceeding.



Steven M. Olea
Director
Utilities Division

SMO:JMM:lhmm\RM

ORIGINATOR: Jeffrey M. Michlik

CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT

Surcharge Inclusive of AWWA Meter Multiplier

Loan Amount		\$	145,877
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 3.675% Interest Rate.		\$	10,310.00
Total Equivalent Annual Bills (128 customers x 12 months)			1,536
5/8"x 3/4" Meter Surcharge Amount	(\$10,310 / 1,536)	\$	6.71
3/4" Meter Surcharge Amount	(\$10,310 / 1,536) * 1.5	\$	10.07
1" Meter Surcharge Amount	(\$10,310 / 1,536) * 2.5	\$	16.78
1 1/2" Meter Surcharge Amount	(\$10,310 / 1,536) * 5	\$	33.56
2" Meter Surcharge Amount	(\$10,310 / 1,536) * 8	\$	53.70
3." Meter Surcharge Amount	(\$10,310 / 1,536) * 16	\$	107.40
4" Meter Surcharge Amount	(\$10,310 / 1,536) * 25	\$	167.81
6" Meter Surcharge Amount	(\$10,310 / 1,536) * 50	\$	335.61

Meter Size	Number of Customers ¹	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	128	1	128	1,536	\$ 6.71	\$ 80.55	\$ 10,310.00
3/4" Meter	-	1.5	-	-	10.07	120.82	-
1" Meter	-	2.5	-	-	16.78	201.37	-
1 1/2" Meter	-	5	-	-	33.56	402.73	-
2" Meter	-	8	-	-	53.70	644.38	-
3" Meter	-	16	-	-	107.40	1,288.75	-
4" Meter	-	25	-	-	167.81	2,013.67	-
6" Meter	-	50	-	-	335.61	4,027.34	-
TOTAL	128		128	1536			\$ 10,310.00

¹ As of Test Year.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Staff Recommended	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,033	\$ 32.20	\$ 38.91	\$ 6.71	20.84%
Median Usage	3,114	27.44	34.15	\$ 6.71	24.45%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Staff Recommended Rates	Percentage Increase
-	\$ 16.50	\$ 23.21	40.67%
1,000	19.95	26.66	33.63%
2,000	23.40	30.11	28.68%
3,000	26.85	33.56	24.99%
4,000	32.03	38.74	20.95%
5,000	37.21	43.92	18.03%
3,114	27.44	34.15	24.45%
6,000	42.39	49.10	15.83%
7,000	47.57	54.28	14.11%
8,000	52.75	59.46	12.72%
9,000	57.93	64.64	11.58%
4,033	32.20	38.91	20.84%
10,000	63.11	69.82	10.63%
11,000	69.31	76.02	9.68%
12,000	75.51	82.22	8.89%
13,000	81.71	88.42	8.21%
14,000	87.91	94.62	7.63%
15,000	94.11	100.82	7.13%
16,000	100.31	107.02	6.69%
17,000	106.51	113.22	6.30%
18,000	112.71	119.42	5.95%
19,000	118.91	125.62	5.64%
20,000	125.11	131.82	5.36%
25,000	156.11	162.82	4.30%
30,000	187.11	193.82	3.59%
35,000	218.11	224.82	3.08%
40,000	249.11	255.82	2.69%
45,000	280.11	286.82	2.40%
50,000	311.11	317.82	2.16%
75,000	466.11	472.82	1.44%
100,000	621.11	627.82	1.08%

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION)
OF WILHOIT WATER COMPANY, INC. -)
THUNDERBIRD MEADOWS SYSTEM, AN)
ARIZONA CORPORATION, FOR)
AUTHORITY TO IMPLEMENT ITS)
INFRASTRUCTURE SURCHARGE)
MECHANISM)

DOCKET NOS. W-02065A-07-0306
W-02065A-07-0307
W-02065A-07-0312
W-02065A-08-0138

DECISION NO. _____
ORDER

Open Meeting
September 21 and 22, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. Pursuant to Decision No. 71234, Wilhoit Water Company, Inc. – Thunderbird Meadows System (“Company”) filed compliance documentation from the Water Infrastructure Finance Authority (“WIFA”) on August 6, 2010, with the Arizona Corporation Commission (“Commission”), fulfilling the compliance requirements set forth in the above-referenced Decision to implement an infrastructure surcharge mechanism.

2. Decision No. 71234 ordered “that upon approval by WIFA of the long-term financing for Wilhoit Water Company Inc.’s Thunderbird Meadows System and the Company’s filing of the appropriate WIFA loan documentation, Staff shall calculate the actual surcharge and file the appropriate surcharge amount to be collected from customers according to their meter size within 30 days of the filing.”

1 3. On August 6, 2009, the Commission issued Decision No. 71234 establishing new
2 rates for the Company and authorizing long-term debt financing in the amount of \$145,877.

3 4. On August 6, 2010, the Company filed the required loan documentation for a
4 \$145,877 loan from WIFA in order to begin implementation of its infrastructure surcharge
5 mechanism.

6 **Calculation of Infrastructure Surcharge**

7 5. Decision No. 71234 ordered that, upon the Company's filing of the appropriate
8 WIFA loan documentation, Staff shall calculate the actual infrastructure surcharge and file the
9 appropriate surcharge amount to be collected from the Company's customers according to their
10 meter size. The Company has filed the required loan documentation and Staff has calculated the
11 infrastructure surcharge necessary to recover the debt service cost. Staff's calculation utilized the
12 Company's customer billing determinants to compute the appropriate infrastructure surcharge
13 based on meter size. Staff's infrastructure surcharge is calculated to be collected as a monthly
14 surcharge in addition to the customary monthly minimum charge and does not include a
15 commodity component.

16 6. To compute the infrastructure surcharge, Staff utilized loan data provided by
17 WIFA. This data updates the information provided by the Company in its loan documentation
18 filing.

19 7. Based on the \$145,877 WIFA loan and a 3.675 percent interest rate, the Company
20 would need an additional \$5,034 and \$5,276 annually for principal and interest, respectively, for a
21 total of \$10,310 for debt service on the loan.

22 8. The infrastructure surcharge recommended by Staff is a monthly surcharge of \$6.71
23 for a customer with a 5/8 x 3/4-inch meter, as shown in Schedule JMM-1. When the \$6.71
24 surcharge is added to the existing monthly charge of \$16.50, it produces a monthly minimum
25 charge of \$23.21 for a 5/8 x 3/4-inch meter, as shown in Schedule JMM-2.

26 9. Under Staff's recommended surcharge, the typical bill for a 5/8 x 3/4-inch meter
27 residential customer with median usage of 3,114 gallons will increase by \$6.71 or 24.45 percent,
28 from \$27.44 to \$34.15 for the 5/8 x 3/4-inch meter customer, as shown in Schedule JMM-2.

1 10. Staff recommends approval of the infrastructure surcharges presented below:

2 MONTHLY INFRASTRUCTURE SURCHARGE

3	5/8 x 3/4-Inch Meter	\$ 6.71
4	3/4-Inch Meter	\$ 10.07
5	1-Inch Meter	\$ 16.87
6	1 1/2-Inch Meter	\$ 33.56
7	2-Inch Meter	\$ 53.70
	3-Inch Meter Surcharge	\$ 107.40
	4-Inch Meter Surcharge	\$ 167.81
	6-Inch Meter Surcharge	\$ 335.61

8 11. Staff recommends that the Company be required to file with the Commission an
9 infrastructure surcharge tariff consistent with the rates reflected on Schedule JMM-1.

10 12. Staff recommends the Company be required to notify its customers of the
11 infrastructure surcharge tariff approved herein within 30 days of the effective date of the
12 Commission Decision, in this proceeding.

13 13. We find that Staff's conclusions and recommendations are reasonable and should
14 be adopted.

15 CONCLUSIONS OF LAW

16 1. The Company is a public service corporation within the meaning of Article XV of
17 the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

18 2. The Commission has jurisdiction over the Company and of the subject matter of the
19 application.

20 3. Approval of an infrastructure surcharge is consistent with the Commission's
21 authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

22 4. It is in the public interest to approve the Company's request for implementation of
23 the infrastructure surcharge as discussed herein.

24 ORDER

25 IT IS THEREFORE ORDERED that the application by the Company for the
26 implementation of its infrastructure surcharge mechanism is approved as discussed herein.\

27 ...

28 ...

1 IT IS FURTHER ORDERED that the Company is hereby authorized and directed to file
2 with the Commission's Docket Control, as a compliance item in this docket, within 30 days of the
3 effective date of this Decision, a revised tariff setting forth the following infrastructure surcharges:

4 **MONTHLY INFRASTRUCTURE SURCHARGE**

5	5/8 x 3/4-Inch Meter	\$ 6.71
6	3/4-Inch Meter	\$ 10.07
7	1-Inch Meter	\$ 16.87
8	1 1/2-Inch Meter	\$ 33.56
9	2-Inch Meter	\$ 53.70
	3-Inch Meter Surcharge	\$ 107.40
	4-Inch Meter Surcharge	\$ 167.81
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IT IS FURTHER ORDERED that the Company shall notify its customers of the infrastructure surcharge tariff approved herein within 30 days of the effective date of this Decision.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JMM:lhm\RM

1 SERVICE LIST FOR: Wilhoit Water Company, Inc. – Thunderbird Meadows System
2 DOCKET NOS. W-02065A-07-0306, W-02065A-07-0307, W-02065A-07-0312,
3 and W-02065A-08-0138

4 Mr. Jim West
5 Authorized Representative
6 West & Company, LLC.
7 365 East Coronado Road, Suite 200
8 Phoenix, Arizona 85004

9 Mr. Steven M. Olea
10 Director, Utilities Division
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Ms. Janice Alward
15 Chief, Legal Division
16 Arizona Corporation Commission
17 1200 West Washington
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