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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES LLC DBA
JOHNSON UTILITIES COMPANY FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES

DOCKET NO. WS-02987A-08-0180
DECISION NO. 72089
ORDER

Arizona Corporation Commission

DOCKETED

JAN 20 2011

Open Meeting
January 11 and 12, 2011
Phoenix, Arizona

DOCKETED BY

BY THE COMMISSION:

FINDINGS OF FACT

A. Introduction

1. On September 23, 2010, pursuant to Decision No. 71854 (August 25, 2010), Johnson Utilities LLC dba Johnson Utilities Company ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR") adjustor fees for the Phoenix and Pinal Active Management Areas ("AMAs").

2. Decision No. 71854 authorized the Company to implement a CAGR adjustor mechanism, subject to the conditions proposed by Staff.

3. The conditions approved in Decision No. 71854 require the Company to submit for Commission consideration a new tariff with its proposed fee calculation and supporting documentation prior to the fee becoming effective.¹

¹ Dec. No. 71854 at 38:10-39:3 and 73:25-27.

1 4. Pursuant to Decision No. 71854, the Company made the instant filing.

2 5. On October 18, 2010, the Company filed a "Notice of Correction of CAGR
3 Compliance Filing Pursuant to Decision 71854.

4 6. Upon review by Staff, Staff issued a supplemental memo on November 1, 2010,
5 and a Notice of Errata on November 2, 2010, revising its recommended CAGR
6 calculations.

7 7. On December 10, staff filed a second supplemental memo which presented two
8 alternative sets of CAGR calculations.

8 **B. Background**

9 8. The CAGR was established by the Arizona legislature to serve as a groundwater
10 replenishment entity for its members and provides a mechanism for property owners and water
11 providers to demonstrate a 100-year assured water supply. The CAGR is recognized as an
12 important tool in Arizona's groundwater conservation efforts.

13 9. Member Service Areas are served by water providers such as Johnson that hold a
14 Designation of Assured Water Supply ("DAWS"). Member Service Area providers pay the
15 CAGR to replenish any groundwater pumped by the provider that exceeds the specified pumping
16 limits.

17 10. Member Lands are individual subdivisions that are served by water providers that
18 do not hold a DAWS but, instead, hold a Certificate of Assured Water Supply ("CAWS"). A
19 Member Land property owner pays the CAGR via his property tax bill based on the volume of
20 groundwater delivered to his home.

21 11. We conclude that obtaining a DAWS should be encouraged among water providers.

22 12. On August 25, 2010, the Commission issued Decision No. 71854 which, among
23 other things, authorized Johnson to implement a CAGR adjustor mechanism to recover its
24 CAGR expenses, subject to the conditions proposed by Staff.

25 13. The authorized adjustor mechanism provides for recovery of the Company's
26 CAGR expenses as a per thousand gallon charge applied to each customer's bill based on that
27 customer's consumption of groundwater.

28 ...

1 14. Condition No. 7 ordered that "by August 25th of each year, beginning in 2010, the
2 Company shall submit for Commission consideration its proposed CAGR D adjustor fees for the
3 Phoenix and Pinal AMAs, along with the calculations and documentation from the relevant state
4 agencies to support the data used in the calculations."²

5 15. Condition No. 7 further ordered that the "Commission-approved fees shall become
6 effective on the following October 1st."³

7 16. The Company is requesting a rate of \$0.75 per thousand gallons for customers in
8 the Phoenix AMA and \$.025 per thousand gallons for customers in the Pinal AMA.

9 **C. Calculation of the CAGR D Adjustor Fees**

10 17. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total
11 CAGR D fees for the most current year in the Phoenix AMA shall be divided by the gallons sold in
12 that year to determine a CAGR D fee per 1,000 gallons. Similarly, the total CAGR D fees for the
13 most current year in the Pinal AMA shall be divided by the gallons sold in that year to determine a
14 CAGR D fee per 1,000 gallons."⁴

15 Phoenix AMA

16 18. Staff's calculation of the CAGR D adjustor fee is shown below. The fee for a
17 customer in the Phoenix AMA is \$0.747 per 1,000 gallons.

19	A	Total CAGR D Fees	\$ 1,637,956
20	B	Total Gallons Sold (1,000s)	2,191,644
21	C	Charge per 1,000 gallons (A ÷ B)	\$ 0.747

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26 ² Dec. 71854 at 38:26-39:1. In Decision No. 71910 Order Nunc Pro Tunc and Extension of Deadlines (issued
27 September 28, 2010), the Commission approved an extension of the deadline for filing the Company's proposed new
CAGR D adjustor fees and supporting documentation from August 25,2010, to September 23,2010.

28 ³ *Id.* at 39:2-3.

⁴ *Id.* at 38:22-25.

Pinal AMA

19. Staff's calculation of the CAGR D adjustor fee is shown below. The fee for a customer in the Pinal AMA is \$0.252 per 1,000 gallons.

A	Total CAGR D Fees	\$ 58,320
B	Total Gallons Sold (1,000s)	231,545
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.252

D. Customer Complaints

20. Staff has received a customer complaint that Johnson has charged the CAGR D adjustor retroactively to June 2010. Consistent with Decision No. 71854, Staff believes that the surcharge should become effective October 1, 2010, rather than June 2010.

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

CONCLUSIONS OF LAW

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

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

3. Approval of the proposed CAGR D adjustor fees is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

4. It is in the public interest to approve the Company's request for implementation of the CAGR D adjustor fees as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the application by Johnson Utilities, LLC dba Johnson Utilities Company for the implementation of CAGR D adjustor fees is approved for all customer billings subsequent to October 1, 2010.

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1 IT IS FURTHER ORDERED that the CAGR D adjustor fees for Johnson Utilities, LLC dba
2 Johnson Utilities Company shall be in accordance with the rates as discussed herein.

3 IT IS FURTHER ORDERED that Johnson Utilities, LLC dba Johnson Utilities Company
4 docket with the Commission as a compliance matter, within 7 days of the effective date of this
5 Decision, a CAGR D adjustor fee tariff consistent with the rates approved herein.

6 IT IS FURTHER ORDERED that Johnson Utilities LLC dba Johnson Utilities Company
7 shall notify its customers of the CAGR D adjustor fees approved herein within 30 days of the
8 effective date of this Decision.

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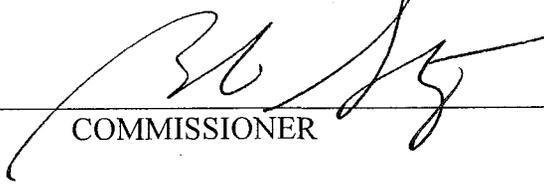
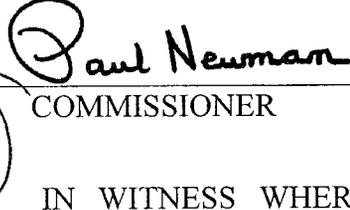
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1 IT IS FURTHER ORDERED that, to the extent that Johnson Utilities, LLC dba Johnson
 2 Utilities Company has charged fees associated with the CAGR adjutor prior to October 1,
 3 2010, Johnson Utilities, LLC dba Johnson Utilities Company shall refund those amounts either
 4 through a direct refund or as a credit on customer bills.

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

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 7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

8
 9  CHAIRMAN  COMMISSIONER
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 11  COMMISSIONER  COMMISSIONER  COMMISSIONER
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13
 14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
 15 Executive Director of the Arizona Corporation Commission,
 16 have hereunto, set my hand and caused the official seal of
 17 this Commission to be affixed at the Capitol, in the City of
 18 Phoenix, this 19th day of JANUARY, 2011.

19 
 20 ERNEST G. JOHNSON
 21 EXECUTIVE DIRECTOR

22 DISSENT: _____

23 DISSENT: _____

24 SMO:NLS:lh\RM

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