



BEFORE THE ARIZONA CORPORATION CC

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COMMISSIONERS

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

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 11 2011

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF)
 SAHUARITA WATER COMPANY, L.L.C.)
 FOR AN OPINION AND ORDER OF THE)
 COMMISSION (i) DETERMINING THE FAIR)
 VALUE OF THE UTILITY PROPERTY FOR)
 RATEMAKING PURPOSES, (ii) FIXING A)
 JUST AND REASONABLE RATE OF)
 RETURN THEREON, (iii) APPROVING)
 RATES AND CHARGES DESIGNED TO)
 PRODUCE REVENUES SUFFICIENT TO)
 RECOVER COST OF SERVICE AND)
 AUTHORIZED RATE OF RETURN, AND (iv))
 PROVIDING FOR THE RECOVERY OF)
 CERTAIN FINANCINGS AND OPERATING)
 EXPENSES THROUGH A SURCHARGE)

DOCKET NO. W-03718A-09-0359

SAHUARITA WATER COMPANY,
 L.L.C.'S COMMENTS ON
 COMMISSION STAFF'S
 FEBRUARY 3, 2011 OPEN
 MEETING MEMORANDUM AND
 PROPOSED FORM OF ORDER

I.

INTRODUCTION

Pursuant to the February 3, 2011 letter from the Director of the Commission's Utilities Division transmitting copies of (i) a February 3, 2011 Open Meeting Memorandum and (ii) a related proposed form of Order, as filed that same date with Commission's Docket Control, Sahuarita Water Company, LLC ("SWC") submits the following Comments on and suggested revisions to the Commission Staff's Calculation of the CAGR Adjustor Fees, as set forth in the aforesaid Open Meeting Memorandum and proposed form of Order.

Lawrence V. Robertson, Jr.
 Attorney at Law
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II.

DISCUSSION

A. The CAGR D Adjustor Fee Calculation Should Exclude Volumes of Groundwater Pumped By SWC Pursuant to The Town of Sahuarita's ("Town") Type 1 Grandfathered Groundwater Right ("Type 1 Right") for the Use of the Town.

SWC withdraws groundwater from three (3) wells in connection with the operation of its water utility system. Well #18 and Well #23 are owned and operated by SWC; and, groundwater withdrawals from these two (2) wells are made by SWC pursuant to a "service area" right of withdrawal (ADWR #56-000373.000) established by SWC pursuant to the Arizona Groundwater Management Code. Well #14 is owned by the Town and leased to and operated by SWC, which withdraws water from Well #14 for use by the Town and SWC, respectively. Water withdrawn by SWC for use by the Town is withdrawn under the authority of the Town's Type 1 Right (ADWR #58-100316.0018). Water withdrawn from Well #14 by SWC for use by SWC is deemed by ADWR to be water "received" by SWC as a consequence of the Town's Type 1 Right.¹

The 509,132 thousand gallons contained in SWC's 2009 Annual Report to the Commission includes the gallonage (194.83 acre feet) withdrawn from Well #14 for use by the Town pursuant to exercise of the Town's Type 1 Right. This gallonage also is recorded in SWC's billing registers to account for the Town's usage, and for each entity's respective ADWR reporting. However, this gallonage is not "sold" by SWC to the Town. Rather it is "delivered" by SWC to the Town following withdrawal from Well #14.

The end result of including the Town's Type 1 gallonage in the calculation of CAGR D Adjustor Fees, as reflected in the aforesaid Open Meeting Memorandum and related Order, is to understate that amount CAGR D Adjustor Fee (per 1,000 gallons) which is necessary in order to

¹ ADWR treats this portion of SWC's supply as "water received from other rights," or water rights other than SWC's "service area" right of withdrawal. CAGR D includes this portion of SWC's supply, as well as SWC's "service area" right withdrawals, in the determination of SWC's replenishment obligation to CAGR D.

1 fully reimburse SWC for the fees it actually pays to CAGRDR. More specifically, during calendar
2 2009, a total of 351.43 acre feet of groundwater was withdrawn from well #14 of which 194.83
3 acre feet was withdrawn pursuant to the Town's Type 1 Right. The balance of 156.60 acre feet
4 was "received" by SWC in the manner described above. SWC included the 194.83 acre feet within
5 the 509,132 thousand gallons of water reported as "sold" in the 2009 Annual Report filed with the
6 Commission, because the format of that report calls for gallons "sold," as opposed to gallons
7 delivered.² However, when that amount of water is deducted from the 509,132 thousand gallons
8 factor used in the Commission Staff's Calculation of the CAGRDR Adjustor Fee, then the resulting
9 charge per 1,000 gallons should be \$0.452 rather than the \$0.394 per 1,000 gallons amount shown
10 in the February 3, 2011 Open Meeting Memorandum and the accompanying proposed form of
11 Order.³

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14 Appendix "A" to these Comments sets forth a table which (i) reconciles the aforementioned
15 differences in content and approach between SWC's 2009 ACC Annual Report and SWC's 2009
16 ADWR report, and (ii) calculates the CAGRDR Adjustor Fee using the corrected gallonage amount
17 associated with SWC's CAGRDR replenishment obligation.

18 **III.**

19 **CONCLUSION**

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21 Based upon the foregoing discussion, SWC requests that the proposed form of Order
22 accompanying the February 3, 2011 Open Meeting Memorandum be revised at page 2, lines 18-20
23 to reflect the following calculation:

24

A Total CAGRDR Fees	\$200,489
B Total Gallons Sold (1,000)	443,461
C Charge per 1,000 gallons (A ÷ B)	\$0.452

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28 ² The Town files its own annual report with ADWR which reflects the amount of groundwater withdrawn from Well #14 pursuant to the Town's Type 1 Right.

³ As indicated on Appendix "A" hereto, the 509,132 thousand gallons figure becomes 443,461 thousand gallons by reason of such deduction, which has the effect of increasing the amount of the CAGRDR Adjustor Fee necessary in order to fully reimburse SWC.

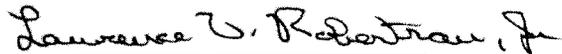
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1 In addition, on page 2, line 15, the figure 443,461 should be substituted for 509,132; and, on page
2 2, line 17 and on page 3, line 5, the figure \$0.452 should be substituted for \$0.394.

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4 Dated this 11th day of February 2011.

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Lawrence V. Robertson, Jr.

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P. O. Box 1448

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Tubac, Arizona 85646

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Attorney for Sahuarita Water Company, L.L.C.

10 The original and thirteen (13) copies of the
11 above Comments will be filed
12 this 11th day of February 2011 with:

12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007

16 A copy of the above Comments will
17 be emailed/mailed that same date to:

18 Jane L. Rodda, Administrative Law Judge
19 Hearing Division
20 Arizona Corporation Commission
21 400 West Congress, Suite 218
22 Tucson, Arizona 85701

23 Janice M. Alward, Chief Counsel
24 Legal Division
25 Arizona Corporation Commission
26 1200 West Washington Street
27 Phoenix, Arizona 85007

28 Wesley Van Cleve
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1200 West Washington Street
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Appendix “A”

**Sahuarita Water Company
Comments on Commission Staff
Memorandum
February 11, 2011
Docket No. W-03718-09-0359**

Reconciliation Between ACC Annual Report and ADWR Report-2009

Gal/af

325,861

Water Pumped

	Acre Feet	Million Gallons	
Well 14 (T1=194.83+SWC=156.60)	351.43	114,517,331.23	Per 2009 ACC Annual Report
Well 18	1262.20	411,301,754.20	
Well 23	8.90	2,900,162.90	
Sub-Total	1,622.53	528,719,248.33	
Type 1 Right Reported-W14	(194.83)	(63,487,498.63)	No replenishment for Type 1 for SWC
	1,427.70	465,231,749.70	
Well 23 Adjustment Based on Run Time	9.74	3,173,886.14	Per 2009 ADWR Report
	1,437.44	468,405,635.84	

Water Sold/Delivered

	Acre Feet	Million Gallons	
Water Sold/Delivered	1562.47	509,148,036.67	Per 2009 ACC Annual Report
Type 1 Right Reported	(194.83)	(63,487,498.63)	No replenishment for Type 1 for SWC
Water Delivered-Not Billed	(6.75)	(2,199,561.75)	New Well Flushing
Water Delivered	1360.89	443,460,976.29	Per 2009 ADWR Report

CAGR Fee -AC Ft Sold/Delivered

Acre Ft Sold-1000 gal		443,461
CAGR Fee	\$	200,489.00
Cost per 1000	\$	0.452