

ORIGINAL
OPEN MEETING



MEMORANDUM

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Arizona Corporation Commission

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2011 JUL 29 A 9:52

TO: THE COMMISSION

FROM: Utilities Division

JUL 29 2011

AZ CORP COMMISSION
DOCKET CONTROL

DATE: July 29, 2011

DOCKETED BY

RE: WILHOIT WATER COMPANY, INC. – BLUE HILLS #3, APPLICATION FOR AN ARSENIC REMEDIATION SURCHARGE (DOCKET NOS. W-02065A-07-0313 AND W-02065A-08-0139)

I. Introduction

Pursuant to Decision No. 70658¹, Wilhoit Water Company, Inc. – Blue Hills #3 (“Wilhoit” or “Company”) filed a request with the Arizona Corporation Commission (“Commission”) for approval of an arsenic remediation surcharge². Wilhoit is an Arizona “C” corporation and a certificated Class E public service corporation that provides water service to approximately 56 customers in the town of Dewey in Yavapai County, Arizona.

II. Background

Wilhoit’s current rates were approved in Decision No. 70658.

Decision No. 70658 also authorized the Company to borrow up to \$70,000 from the Arizona Water Infrastructure Finance Authority (“WIFA”), and ordered that the Company file an arsenic remediation surcharge mechanism (“ARSM”) application for debt service of the WIFA loan.

ARSM

In the rate case, Staff recommended a methodology for determining the surcharge amount once the Company knew the final loan amount and terms. Staff’s methodology involved: 1) finding the annual payment on the loan; 2) finding the annual interest payment amount; 3) finding the annual principal payment amount; 4) finding the income taxes associated with the revenues needed to make principal payments; 5) calculating the total annual surcharge revenue requirement, which is the sum of the annual interest, principal payments, and income taxes; 6) determining the equivalent bills based on the 5/8” meter size; and 6) determining the monthly surcharge for each customer by dividing the annual surcharge revenue by the number of equivalent customer bills.

¹ Dated December 22, 2008.

² In the Decision the term “arsenic removal surcharge” was used instead of “arsenic remediation surcharge.” This memorandum uses the latter term hereafter.

Decision No. 70658 concluded that Staff's recommendations were reasonable and should be adopted.

Staff has replicated the methodology adopted by Decision No. 70658, to reflect the most recent data. The resulting surcharge would be \$8.10 per month for the typical 5/8 x 3/4-inch meter residential customer as indicated in attached Schedule DRE-1.

Staff recommends approval of the arsenic remediation surcharges as shown on Schedule DRE-1.

Conclusions and Recommendations

Staff concludes that implementation of an ARSM resulting in the surcharges listed on Schedule DRE-1, is consistent with Decision No. 70658.

Staff recommends approval of an ARSM as shown on Schedule DRE-1.

Staff further recommends that the Company file a tariff explaining the terms and conditions of the arsenic remediation surcharge within 30 days of the effective date of the Decision resulting from this proceeding.

Staff further recommends that the Company notify its customers of the Arsenic Remediation Surcharge tariff within 30 days of the effective date of the Decision resulting from this proceeding.



Steven M. Olea
Director
Utilities Division

SMO:DRE:lhj\JFW

ORIGINATOR: Darak R. Eaddy

CALCULATION OF SURCHARGE AMOUNT

Surcharge Inclusive of AWWA Meter Multiplier

Loan Amount		\$	70,000
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 3.675% Interest Rate.		\$	4,947.54
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 3.675% Interest Rate. Inclusive of associated income taxes		\$	5,590.54
Total Equivalent Annual Bills			690
5/8"x 3/4" Meter Surcharge Amount	(\$5,590.54 / 690)	\$	8.10
3/4" Meter Surcharge Amount	(\$5,590.54 / 690) * 1.5	\$	12.15
1" Meter Surcharge Amount	(\$5,590.54 / 690) * 2.5	\$	20.26
1 1/2" Meter Surcharge Amount	(\$5,590.54 / 690) * 5	\$	40.51
2" Meter Surcharge Amount	(\$5,590.54 / 690) * 8	\$	64.82
3." Meter Surcharge Amount	(\$5,590.54 / 690) * 16	\$	129.64
4" Meter Surcharge Amount	(\$5,590.54 / 690) * 25	\$	202.56
6" Meter Surcharge Amount	(\$5,590.54 / 690) * 50	\$	405.11

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	55	1	55	660	\$ 8.10	\$ 97.23	\$ 5,347.47
3/4" Meter	-	1.5	-	-	12.15	145.84	-
1" Meter	1	2.5	3	30	20.26	243.07	243.07
1 1/2" Meter	-	5	0	0	40.51	486.13	-
2" Meter	-	8	0	0	64.82	777.81	-
3" Meter	-	16	0	0	129.64	1,555.63	-
4" Meter	-	25	0	0	202.56	2,430.67	-
6" Meter	-	50	0	0	405.11	4,861.34	-
TOTAL	56		57.5	690			\$ 5,590.54

¹ As of June 22, 2011

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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 WILHOIT WATER COMPANY, INC. -)
BLUE HILLS #3, FOR AN ARSENIC)
REMEDICATION SURCHARGE)
_____)

DOCKET NOS. W-02065A-07-0313
W-02065A-08-0139

DECISION NO. _____

ORDER

Open Meeting
August 16 and 17, 2011
Phoenix, Arizona

BY THE COMMISSION:

Pursuant to Decision No. 70658¹, Wilhoit Water Company, Inc. – Blue Hills #3 (“Wilhoit” or “Company”) filed a request with the Arizona Corporation Commission (“Commission”) for approval of an arsenic remediation surcharge². Wilhoit is an Arizona “C” corporation and a certificated Class E public service corporation that provides water service to approximately 56 customers in the town of Dewey in Yavapai County, Arizona.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. The current rates were approved in Decision No. 70658, dated December 22, 2008.

¹ Dated December 22, 2008.

² In Decision No. 70658, the term “arsenic removal surcharge” was used instead of “arsenic remediation surcharge.” This order uses the latter term hereafter.

1 2. Decision No. 70658 also authorized the Company to borrow up to \$70,000 from the
2 Arizona Water Infrastructure Finance Authority ("WIFA"), and ordered that the Company file an
3 arsenic remediation surcharge mechanism ("ARSM") application for debt service of the WIFA
4 loan.

5 3. On October 26, 2010, pursuant to Decision No. 70658, Wilhoit filed with the
6 Commission a request for an arsenic remediation surcharge.

7 4. In the rate case, Staff recommended a methodology for determining the surcharge
8 amount once the Company knew the final loan amount and terms. Staff's methodology involved:
9 1) finding the annual payment on the loan; 2) finding the annual interest payment amount; 3)
10 finding the annual principal payment amount; 4) finding the income taxes associated with the
11 revenues needed to make principal payments; 5) calculating the total annual surcharge revenue
12 requirement, which is the sum of the annual interest, principal payments, and income taxes; 6)
13 determining the equivalent bills based on the 5/8" meter size; and 6) determining the monthly
14 surcharge for each customer by dividing the annual surcharge revenue by the number of equivalent
15 customer bills.

16 5. Decision No. 70658 concluded that Staff's recommendations were reasonable and
17 should be adopted.

18 6. Staff has replicated the methodology adopted by Decision No. 70658, to reflect the
19 most recent data. The resulting surcharge would be \$8.10 per month for the typical 5/8 x 3/4-inch
20 meter residential customer as indicated in attached Schedule DRE-1.

21 7. Staff concludes that implementation of an ARSM resulting in the surcharges listed
22 on Schedule DRE-1, is consistent with Decision No. 70658.

23 8. Staff recommends approval of the arsenic remediation surcharges as shown on
24 Schedule DRE-1.

25 9. Staff further recommends that the Company file a tariff explaining the terms and
26 conditions of the arsenic remediation surcharge within 30 days of the effective date of the Decision
27 resulting from this proceeding.

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IT IS FURTHER ORDERED that Wilhoit Water Company, Inc. – Blue Hills #3 shall notify its customers, in a form acceptable to Staff, of the Arsenic Remediation Surcharge tariff within 30 days of the effective date of the Decision resulting from this proceeding.

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 _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:DRE:lhmvJFW

1 SERVICE LIST FOR: Wilhoit Water Company, Inc. – Blue Hills #3
2 DOCKET NOS. W-02065A-07-0313 AND W-02065A-08-0139

3 Mr. Douglas G. Martin
4 Martin & Bell, L.L.C.
5 365 East Coronado Road, Suite 200
6 Phoenix, Arizona 85004
7 Attorneys for Wilhoit Water Company, Inc.

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

13 Ms. Janice Alward
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

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Wilhoit Water Company, Inc. - Blue Hills #3
Docket No. W-02065A-07-0313 and W-02065A-08-0139

Schedule DRE-1

CALCULATION OF SURCHARGE AMOUNT

Surcharge Inclusive of AWWA Meter Multiplier

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3" Meter	-	16	0	0	129.64	1,555.63	-
4" Meter	-	25	0	0	202.56	2,430.67	-
6" Meter	-	50	0	0	405.11	4,861.34	-
TOTAL	56		57.5	690			\$ 5,590.54

¹ As of June 22, 2011

Decision No. _____