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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

DEC 12 2012

DOCKETED BY
nr

IN THE MATTER OF THE APPLICATION)
OF BOB B. WATKINS DBA EAST SLOPE)
WATER COMPANY, AN ARIZONA)
CORPORATION, FOR AUTHORITY TO)
IMPLEMENT AN INFRASTRUCTURE)
SURCHARGE.)

DOCKET NOS. W-02031A-10-0168
W-02327A-10-0169
W-01906A-10-0170
W-01906A-10-0171
W-02031A-10-0171
W-02327A-10-0171
W-01906A-10-0183
W-02031A-10-0184
W-02327A-10-0185

DECISION NO. 73615
ORDER MODIFYING
DECISION NO. 73091

Open Meeting
December 11 and 12, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction and Background

1. Bob D. Watkins d/b/a East Slop Water Company ("East Slope" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On April 4, 2012, the Arizona Corporation Commission ("Commission") issued Decision No. 73091 approving adjusted rates and a water infrastructure surcharge mechanism for Bob B. Watkins DBA East Slope Water Company ("Company"). As part of the Decision, the Commission authorized the Company to obtain a 20-year amortizing loan in an amount not to exceed \$2,748,504 to finance the proposed improvement projects, and at an interest rate not to

1 exceed that which is available from the Water Infrastructure Finance Authority of Arizona
2 (“WIFA”). The Commission also ordered the Company to file with Docket Control, as a
3 compliance item, copies of the executed loan documents between the Company and WIFA within
4 30 days of execution. The Commission further ordered the Utilities Division (“Staff”) to calculate
5 the surcharge mechanism and file a recommended order for Commission consideration within 30
6 days of executed loan documents filing.

7 3. On October 2, 2012, the Company filed copies of the executed loan documents with
8 WIFA.

9 4. Based on Staff’s review of the loan documentation that was filed by the Company,
10 Staff believes the term of the loan is not in compliance with Commission Decision No. 73091.
11 However, Staff believes that the process described below is in the public interest. To that end,
12 Staff supports and recommends the two-step process.

13 5. The Company is requesting a two-step process for the \$2,748,504 loan to recognize
14 that the system improvements are still in the planning stages and that the Company may not move
15 forward with the full list of Commission-approved infrastructure improvements. In step-one, the
16 Company is proposing to receive a \$282,748, three-year, 1.00 percent, interest-only loan for the
17 purpose of planning and designing. In step-two, the Company is proposing that the outstanding
18 balance of the planning and designing loan be incorporated into a second, consolidated loan used
19 to finance the actual construction of the approved infrastructure improvements. The consolidated
20 loan would be a 17-year (20 total years less the 3-year term of the planning and designing loan)
21 amortizing loan for a total amount not to exceed a combined total of \$2,748,504. To qualify for
22 the second loan, the Company will need to complete a second WIFA Project Priority List
23 Application and a Project Finance Application. It is anticipated that the Company will file these
24 applications when the planning and designing phase nears completion and a final list of
25 construction projects is accepted. The initial three-year loan will be retired once the planning
26 activities are completed and the second loan application is approved. The length of the second
27 loan coupled with the actual length of the first loan shall equal 20-years, as approved in Decision
28 No. 73091.

1 6. On October 31, 2012, Staff filed a Memorandum and Proposed Order
 2 recommending that the Commission modify Decision No. 73091 to authorize the Company’s
 3 proposed two-step loan and approve Staff’s recommended surcharge mechanism.

4 **Modification to Decision No. 73091**

5 7. Although the Company’s proposed two-step loan differs from the loan authorization
 6 requested by the Company in Decision No. 73091, Staff believes the Company’s current proposal
 7 is in the public interest. Accordingly, Staff recommends that the Commission, pursuant to
 8 Arizona Revised Statute § 40-252, modify Decision No. 73091 as follows:

9 Page 41, Lines 3-6:

10 DELETE: “IT IS FURTHER ORDERED that Bob B. Watkins d/b/a East Slope Water
 11 Company is hereby authorized to obtain a 20-year amortizing loan in an
 12 amount not to exceed \$2,748,504 to finance the proposed improvement
 13 projects, and at an interest rate not to exceed that which is available from
 14 WIFA.”

15 REPLACE WITH: “IT IS FURTHER ORDERED that Bob B. Watkins d/b/a East Slope
 16 Water Company is hereby authorized to obtain an interest only loan, for a
 17 term not to exceed three years from WIFA, in an amount not to exceed
 18 \$282,748 for the purpose of planning and designing improvements to the
 19 Bob B. Watkins d/b/a East Slope Water Company’s water system. The Bob
 20 B. Watkins d/b/a East Slope Water Company shall then roll the outstanding
 21 balance of that loan into a second loan in an amount not to exceed a
 22 combined total of \$2,748,504 for the purpose of constructing improvements
 23 to the Bob B. Watkins d/b/a East Slope Water Company’s water system.
 24 The length of the second loan coupled with the actual length of the first loan
 25 shall equal 20-years.

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1 Page 41, Lines 16-18:

2 DELETE: "IT IS FURTHER ORDERED that within 30 days of executed loan
3 documents' filing, Staff shall calculate the WIFA Surcharge and prepare and
4 file a recommended order for Commission Consideration."

5 REPLACE WITH: IT IS FURTHER ORDERED that within 30 days of executed loan
6 documents' filing for the consolidated loan, Staff shall calculate any
7 additional WIFA Surcharge necessary and prepare and file a recommended
8 order for Commission consideration.

9 Page 42, Lines 5-6:

10 DELETE: "IT IS FURTHER ORDERED that the granted authorization to incur debt
11 shall terminate December 31, 2014."

12 REPLACE WITH: IT IS FURTHER ORDERED that the granted authorization to incur
13 debt shall terminate December 31, 2015.

14 Page 43, Lines 6-9:

15 DELETE: "IT IS FURTHER ORDERED that Bob B. Watkins d/b/a/ East Slope Water
16 Company shall file with Docket Control, as a compliance item in this
17 docket, no later than December 31, 2014, copies of the Approvals of
18 Construction for each of the proposed improvement projects outlined in the
19 attached Exhibit B."

20 REPLACE WITH: IT IS FURTHER ORDERED that Bob B. Watkins d/b/a/ East Slope
21 Water Company shall file with Docket Control, as a compliance item in this
22 docket, no later than December 31, 2015, copies of the Approvals of
23 Construction for each improvement project outlined in attached Exhibit B.

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1 IT IS FURTHER ORDERED that Bob B. Watkins d/b/a/ East Slope Water
 2 Company is authorized the WIFA surcharges for the planning and designing
 3 loan as presented in Schedule JMM-1 (Attached). This surcharge is to be
 4 supplanted on approval by the Commission of a surcharge on the combined
 5 loan.

6 8. We find and conclude that the modifications described herein to Decision No.
 7 73091 are just and reasonable and in the public interest.

8 9. We further find and conclude that all other provisions, terms and rates in Decision
 9 No. 73091 shall remain in full force and effect.

10 **Calculation of Step-One Infrastructure Surcharge**

11 10. Staff has calculated the infrastructure surcharge necessary to recover the planning
 12 and designing loan. Staff's calculation utilized the Company's customer billing determinants to
 13 compute the appropriate infrastructure surcharge based on meter size. Staff's infrastructure
 14 surcharge is calculated to be collected as a monthly surcharge in addition to the customary
 15 monthly minimum charge and does not include a commodity component.

16 11. The annual interest on a \$282,748 interest only, three-year WIFA loan amount at
 17 1.00 percent per annum is \$2,828.

18 12. Staff calculated a monthly infrastructure surcharge for a customer with a 5/8 x 3/4-
 19 inch meter at \$0.23. The typical residential customer bill with median usage of 5,330 gallons and
 20 a 5/8 x 3/4-inch meter will increase by \$0.23, or 1.22 percent, from \$18.81 to \$19.04 as presented
 21 in Schedule JMM-1.

22 13. Staff recommends approval of the amended infrastructure surcharges presented
 23 below:

24 **MONTHLY INFRASTRUCTURE SURCHARGE**

25	5/8 x 3/4-Inch Meter	\$ 0.23
26	3/4-Inch Meter	\$ 0.35
27	1-Inch Meter	\$ 0.58
28	1 1/2-Inch Meter	\$ 1.15
	2-Inch Meter	\$ 1.84

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1	3-Inch Meter Surcharge	\$ 3.69
2	4-Inch Meter Surcharge	\$ 5.76
3	6-Inch Meter Surcharge	\$ 11.52

4 14. Staff recommends directing the Company to file with the Commission an
5 infrastructure surcharge tariff consistent with the rates reflected on Schedule JMM-1.

6 15. Staff recommends the Company be required to notify its customers of the
7 infrastructure surcharge tariff approved in this proceeding within 30 days of the effective date of
8 this Decision.

9 CONCLUSIONS OF LAW

10 1. Bob D. Watkins d/b/a East Slop Water Company is a public service corporation
11 within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

12 2. The Commission has jurisdiction over Bob D. Watkins d/b/a East Slop Water
13 Company and of the subject matter of these consolidated applications and Staff's Memorandum
14 dated October 31, 2012.

15 3. Pursuant to A.R.S. § 40-252, the Commission, having reviewed the record,
16 concludes that it is in the public interest to approve the modifications to Decision No. 73091, as
17 discussed herein.

18 4. The Commission further concludes that approval of an infrastructure surcharge
19 recovery mechanism is consistent with the Commission's authority under the Arizona
20 Constitution, Arizona ratemaking statutes, and applicable case law.

21 5. The Commission further concludes that it is in the public interest to approve the
22 infrastructure surcharge for Bob D. Watkins d/b/a East Slop Water Company, as discussed herein.

23 ORDER

24 IT IS THEREFORE ORDERED that Decision No. 73091 is amended to adopt Staff's
25 recommendations in Findings of Fact, Number 7, as discussed above.

26 IT IS FURTHER ORDERED that the infrastructure surcharge mechanism for Bob D.
27 Watkins d/b/a East Slop Water Company is approved, as discussed herein.

28 IT IS FURTHER ORDERED that Bob D. Watkins d/b/a East Slop Water Company is
hereby authorized and directed to file with the Commission's Docket Control, as a compliance

1 item in this docket, within 30 days of the effective date of this Decision, a revised tariff setting
2 forth the following infrastructure surcharges:

3 **MONTHLY INFRASTRUCTURE SURCHARGE**

4	5/8 x 3/4-Inch Meter	\$ 0.23
5	3/4-Inch Meter	\$ 0.35
6	1-Inch Meter	\$ 0.58
7	1 1/2-Inch Meter	\$ 1.15
8	2-Inch Meter	\$ 1.84
	3-Inch Meter Surcharge	\$ 3.69
	4-Inch Meter Surcharge	\$ 5.76
	6-Inch Meter Surcharge	\$ 11.52

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1 IT IS FURTHER ORDERED that Bob D. Watkins d/b/a East Slop Water Company shall
2 notify its customers of the infrastructure surcharge tariff approved herein within 30 days of the
3 effective date of this Decision.

4 IT IS FURTHER ORDERED that all other matters set forth in Decision No. 73091 shall
5 continue to be in full force and effect.

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

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

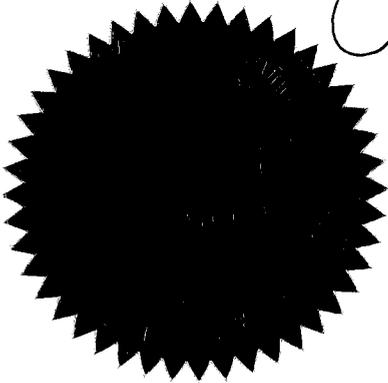
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CHAIRMAN

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COMMISSIONER

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12 **EXCUSED**
13 COMM. NEWMAN
COMMISSIONER

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COMMISSIONER



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15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
16 Executive Director of the Arizona Corporation Commission,
17 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 12th day of December, 2012.

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19 
20 ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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22 DISSENT: _____

23 DISSENT: _____

24 SMO:JMM:sms\RRM

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1 SERVICE LIST FOR: BOB B. WATKINS DBA EAST SLOPE WATER COMPANY

2 DOCKET NOS. W-02031A-10-0168, W-02327A-10-0169, W-01906A-10-0170, W-01906A-10-
3 0171, W-02031A-10-0171, W-02327A-10-0170, W-01906A-10-0183, W-02031A-10-0184 AND
4 W-02327A-10-0185.

4 Mrs. Bonnie L. O'Connor
5 President, Owner
6 Ste 107, 2015 Forbes Boulevard
7 Tucson, Arizona 85745

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

11 Ms. Janice Alward
12 Chief, Legal Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

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