

ORIGINAL

OPEN MEETING



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**MEMORANDUM
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Arizona Corporation Commission
DOCKETED

2013 MAR 25 A 11: 28

MAR 25 2013

TO: THE COMMISSION

FROM: Utilities Division

CORP COMMISSION
DOCKET CONTROL

DATE: March 25, 2013

DOCKETED BY *JM*

RE: GREAT PRAIRIE OASIS L.L.C. DBA SUNLAND WATER COMPANY'S
APPLICATIONS FOR A RATE INCREASE AND FINANCING
(DOCKET NOS. W-04015A-12-0051 & W-04015A-12-0050)
(REQUEST TO IMPLEMENT LOAN SURCHARGE)

Introduction

Great Prairie Oasis L.L.C. dba Sunland Water Company ("Sunland" or "Company") is a for-profit Arizona Limited Liability Company and a Class E public service corporation serving potable water to approximately 81 customers in a rural subdivision originally named Sunland Estates and now called Brookside Farms. The service territory is located approximately five miles southeast of the City of Casa Grande near the junction of Interstate 8 and Interstate 10 in Pinal County, Arizona.

Background

The Company's current rates were approved in Decision No. 73254, issued July 30, 2012, in the above-named dockets.

Decision No. 73254 also authorized the Company to borrow up to \$122,050 from the Water Infrastructure Finance Authority of Arizona ("WIFA") for the purpose of funding the construction and installation of the Company's Environmental Protection Agency ("EPA") approved arsenic remediation blending plan.¹

The Decision further authorized the Company, after it has secured the WIFA loan, to file for implementation of a WIFA loan surcharge ("Surcharge") and for Staff to calculate the Surcharge² based on the actual loan debt service (interest and principal) payments and using the current customer count at the time of the loan closing³ and to prepare and file a recommended order for Commission consideration within 60 days.

¹ As contemplated, the EPA approved blending plan calls for the installation of approximately 0.5 miles of transmission lines to connect the Company's secondary well to storage tanks at the Company's operating well site, where water from the two wells will be blended to reduce arsenic concentrations in the combined water.

² Staff had recommended a Surcharge sufficient to meet all of the Company's obligations and also have \$2,000 in uncommitted cash flow for contingencies. Staff recommended implementing the Surcharge as a fixed monthly rate with the Surcharge varying in amount by meter size in proportion to the relative volumetric flow capacities of the meters as established by the American Water Works Association.

Sunland filed its request to implement the Surcharge on December 18, 2012.

Surcharge

Staff calculated that additional funds of \$4,753 per year are needed to provide the Company with \$2,000 of uncommitted cash flow, as shown in the attached Schedule 1. In its Staff Report (dated May 21, 2012), Staff recommended a Surcharge that varied by meter size in proportion to the American Water Works Association flow capacity multipliers, and Staff has applied those multipliers in calculating the Surcharge by meter size, as shown in the attached Schedule 2, using the debt service and debt service reserve amounts⁴ from the actual loan.⁵ The Surcharge is \$5.21 per month for customers with a 5/8 x 3/4-inch meter. Under the Company's permanent rates, as adopted in Decision No. 73254 (dated July 30, 2012), the typical bill for a 5/8 x 3/4-inch meter customer with a median usage of 3,786 gallons is \$23.34. With the \$5.21 Surcharge, the typical bill for a 5/8 x 3/4-inch meter customer with a median usage of 3,786 gallons will increase to \$28.55, or 22.32 percent, as shown in the attached Schedule 3.

Conclusions and Recommendations

Staff concludes that implementation of the Surcharge as shown in Schedule 2 is consistent with Decision No. 73254.

Staff recommends approval of the Surcharge, as shown in Schedule 2.

Staff further recommends that the Company file a tariff explaining the terms and conditions of the Surcharge within 30 days of the effective date of the Decision in this proceeding.

Staff further recommends that the Company notify its customers of the Surcharge tariff, in a form acceptable to Staff, within 30 days of the effective date of the Decision in this proceeding.



Steven M. Olea
Director
Utilities Division

SMO:JAC:lhM/RM

ORIGINATOR: John A. Cassidy

³ The Company's Surcharge application specifies a customer count of 76 at the time of the loan closing.

⁴ The annual debt service is \$9,178 and the annual reserve payment is \$1,836.

⁵ A 20-year, \$122,050 amortizing loan at 4.2 percent per annum.

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION)
OF GREAT PRAIRIE OASIS L.L.C. DBA)
SUNLAND WATER COMPANY FOR)
APPROVAL OF FINANCING)
IN THE MATTER OF THE APPLICATION)
OF GREAT PRAIRIE OASIS L.L.C. DBA)
SUNLAND WATER COMPANY FOR A)
RATE INCREASE)

DOCKET NO. W-04015A-12-0050
DOCKET NO. W-04015A-12-0051

DECISION NO. _____
ORDER

Open Meeting
April 9-10, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Great Prairie Oasis L.L.C. dba Sunland Water Company (“Sunland” or “Company”) is a for-profit Arizona Limited Liability Company and a Class E public service corporation serving potable water to approximately 81 customers in a rural subdivision originally named Sunland Estates and now called Brookside Farms. The service territory is located approximately five miles southeast of the City of Casa Grande near the junction of Interstate 8 and Interstate 10 in Pinal County, Arizona.
2. The Company’s current rates were approved in Decision No. 73254, issued July 30, 2012, in the above-named dockets.
3. Decision No. 73254 also authorized the Company to borrow up to \$122,050 from the Water Infrastructure Finance Authority of Arizona (“WIFA”) for the purpose of funding a

1 blending plan that includes construction of transmission lines between the Company's operational
2 well and secondary well and construction of blending plant at the Company's operational well.

3 4. Decision No. 73254 also authorized the Company, after it has secured the WIFA
4 loan, to file for implementation of a WIFA loan surcharge ("Surcharge") and for Staff to calculate
5 the appropriate Surcharge¹ based on the actual loan debt service (interest and principal) payments
6 and using the current customer count at the time of the loan closing² and to prepare and file a
7 recommended order for Commission consideration within 60 days.

8 5. Sunland filed its request to implement the Surcharge on December 18, 2012.

9 6. Staff calculated that additional funds of \$4,753 per year are needed to provide the
10 Company with \$2,000 of uncommitted cash flow, as shown in the attached Schedule 1.

11 7. In its Staff Report, Staff recommended a Surcharge that varied by meter size in
12 proportion to the American Water Works Association flow capacity multipliers, and Staff has
13 applied those multipliers in calculating the Surcharge by meter size, as shown in the attached
14 Schedule 2, using the debt service and debt service reserve amounts³ from the actual loan.⁴

15 8. The Surcharge is \$5.21 per month for a 5/8 x 3/4-inch meter. Details of the
16 Surcharge for all other meter sizes are presented in the attached Schedule 2.

17 9. The Surcharge combined with the Company's permanent rates will increase the
18 typical bill for a 5/8 x 3/4-inch meter customer with a median usage of 3,786 gallons by \$5.21, or
19 22.32 percent, from \$23.34 to \$28.55, as shown in the attached Schedule 3.

20 10. Staff concludes that implementation of the Surcharge as shown in Schedule 2 is
21 consistent with Decision No. 73254.

22 11. Staff recommends approval of the Surcharge as shown in Schedule 2.

23 12. Staff further recommends that the Company file a tariff explaining the terms and
24 conditions of the Surcharge within 30 days of the effective date of the Decision in this proceeding.

25
26 ¹ Staff had recommended a Surcharge sufficient to meet all of the Company's obligations and also have \$2,000 in
27 uncommitted cash flow for contingencies. Staff recommended implementing the Surcharge as a fixed monthly rate
with the Surcharge varying in amount by meter size in proportion to the relative volumetric flow capacities of the
meters as established by the American Water Works Association.

28 ² The Company's Surcharge application specifies a customer count of 76 at the time of the loan closing.

³ The annual debt service is \$9,178 and the annual reserve payment is \$1,836.

⁴ A 20-year, \$122,050 amortizing loan at 4.2 percent per annum.

1 IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company
 2 shall file with the Commission's Docket Control, as a compliance item in this docket, a tariff
 3 explaining the terms and conditions of the WIFA loan surcharge, within 30 days of the date of this
 4 Decision.

5 IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company
 6 shall notify its customers of the WIFA Loan surcharge tariff, in a form acceptable to Staff, within
 7 30 days of the effective date of the Decision resulting from this proceeding.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
 9
 10

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

CHAIRMAN	COMMISSIONER
COMMISSIONER	COMMISSIONER
COMMISSIONER	COMMISSIONER

18 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 19 Director of the Arizona Corporation Commission, have
 20 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 _____, 2013.

23 _____
 JODI JERICH
 EXECUTIVE DIRECTOR

25 DISSENT: _____

27 DISSENT: _____

28 SMO:JAC:sms/RM

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SERVICE LIST FOR:
DOCKET NO.

Judy Wischer, Managing Member
Great Prairie Oasis L.L.C.
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Chief Counsel, Legal Division
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SCHEDULES

DOCKET NOS. W-04015A-12-0051 and W-04015A-12-0050

Great Prairie Oasis LLC dba Sunland Water
 Docket Nos. W-04015A-12-0051 & W-04015A-12-0050
 Test Year Ended December 31, 2011

Schedule 1

CASH FLOW ANALYSIS

Line No.		W/O Proposed Loan	Pro Forma With Proposed Loan and Surcharge
Cash Inflows			
1	461 Metered Water Revenue	\$32,304	\$32,304
2	460 Unmetered Water Revenue	\$0	0
3	474 Other Water Revenues	\$0	0
4	Revenue - Surcharge for 1.42 DSC (\$2,000 Cash Flow)	0	4,753
5	Total Revenue	\$32,304	\$37,057
Cash Outflows			
6	601 Salaries and Wages	\$0	\$0
7	610 Purchased Water	0	0
8	615 Purchased Power	3,028	3,028
9	618 Chemicals	0	0
10	620 Repairs and Maintenance	2,385	2,385
11	621 Office Supplies & Expense	1,659	1,659
12	630 Outside Services	2,898	2,898
13	635 Water Testing	2,322	2,322
14	641 Rents	5,000	5,000
15	650 Transportation Expenses	2,972	2,972
16	657 Insurance - General Liability	2,851	2,851
17	659 Insurance - Health and Life	0	0
18	666 Regulatory Commission Expense - Rate Case	300	300
19	675 Miscellaneous Expense	26	26
20	403 Depreciation Expense	1,345	1,345
21	408 Taxes Other Than Income	0	0
22	408.11 Property Taxes	602	602
23	409 Income Tax	0	0
24	Total Expenses	\$25,388	\$25,388
25	Operating Income	\$6,916	\$11,669
26	Plus: Depreciation Expense	1,345	1,345
27	Less: Loan Payment Interest	0	5,047
28	Less: Loan Payment Principal	0	4,131
29	AIAC Refunds	0	0
30	Cash Flow from Operations before WIFA Reserve	\$8,261	\$3,836
31	WIFA Reserve (20% of Principal and Interest)	0	1,836
32	Cash Flow from Operations after WIFA Reserve	\$8,261	\$2,000

Decision No. _____

CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT**Infrastructure Surcharge Based on AWWA Meter Multiplier**

Additional Revenue Required for \$2,000 Cash Flow		\$4,753
Total Equivalent Annual Bills		912
5/8"x 3/4" Meter Surcharge Amount	$\$4,753 / 912 =$	\$ 5.21
3/4" Meter Surcharge Amount	$\$ 5.21 / \times 1.5 =$	\$ 7.82
1" Meter Surcharge Amount	$\$ 5.21 / \times 2.5 =$	\$ 13.03
1 1/2" Meter Surcharge Amount	$\$ 5.21 / \times 5.0 =$	\$ 26.06
2" Meter Surcharge Amount	$\$ 5.21 / \times 8.0 =$	\$ 41.69
3" Meter Surcharge Amount	$\$ 5.21 / \times 16.0 =$	\$ 83.38
4" Meter Surcharge Amount	$\$ 5.21 / \times 25.0 =$	\$ 130.28
6" Meter Surcharge Amount	$\$ 5.21 / \times 50.0 =$	\$ 260.57

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	76	1	76	912	\$ 5.21	\$ 62.54	\$ 4,752.78
3/4" Meter	-	1.5	-	-	7.82	\$ 93.80	-
1" Meter	-	2.5	-	-	13.03	\$ 156.34	-
1 1/2" Meter	-	5	-	-	26.06	\$ 312.68	-
2" Meter	-	8	-	-	41.69	\$ 500.29	-
3" Meter	-	16	-	-	83.38	\$ 1,000.59	-
4" Meter	-	25	-	-	130.28	\$ 1,563.42	-
6" Meter	-	50	-	-	260.57	\$ 3,126.83	-
TOTAL	<u>76</u>		<u>76</u>	<u>912</u>			<u>\$ 4,753</u>

¹ Number of customers at time of loan closing.

Great Prairie Oasis LLC dba Sunland Water
 Docket Nos. W-04015A-12-0051 & W-04015A-12-0050
 Test Year Ended December 31, 2011

Schedule 3

TYPICAL BILL ANALYSIS (with surcharge)

General Service 5/8 X 3/4 - Inch Meter

<u>Staff Recommended</u>	<u>Gallons</u>	<u>Permanent Rates</u>	<u>Permanent Rates with Surcharge</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	5,616	\$31.12	\$ 36.33	\$5.21	16.74%
Median Usage	3,786	\$23.34	\$ 28.55	\$5.21	22.32%

<u>Gallons Consumption</u>	<u>Permanent Rates</u>	<u>Permanent Rates with Surcharge</u>	<u>% Increase</u>
0	\$14.00	\$ 19.21	37.21%
1,000	16.00	21.21	32.56%
2,000	18.00	23.21	28.94%
3,000	20.00	25.21	26.05%
4,000	24.25	29.46	21.48%
5,000	28.50	33.71	18.28%
6,000	32.75	37.96	15.91%
7,000	37.00	42.21	14.08%
8,000	41.25	46.46	12.63%
9,000	45.50	50.71	11.45%
10,000	51.25	56.46	10.16%
15,000	80.00	85.21	6.51%
20,000	108.75	113.96	4.79%
25,000	137.50	142.71	3.79%
50,000	281.25	286.46	1.85%
75,000	425.00	430.21	1.23%
100,000	568.75	573.96	0.92%
125,000	712.50	717.71	0.73%
150,000	856.25	861.46	0.61%
175,000	1,000.00	1,005.21	0.52%
200,000	1,143.75	1,148.96	0.46%