

COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

ORIGINAL

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DATE: OCTOBER 1, 2013

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DOCKET NO.: W-01344A-13-0032

AZ CORP COMMISSION
DOCKET CONTROL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

TACNA WATER MANAGEMENT COMPANY
(SUPPLEMENTING DECISION NO. 73932)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 10, 2013

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

OCTOBER 16, 2013 and OCTOBER 17, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
DOCKETED

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Handwritten initials, possibly "BJL".

Handwritten signature of Jodi Jerich.
JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 TACNA WATER MANAGEMENT COMPANY
10 FOR AN EMERGENCY RATE INCREASE.

DOCKET NO. W-01344A-13-0032

DECISION NO. _____

11 **ORDER SUPPLEMENTING**
12 **DECISION NO. 73932**

13 Open Meeting
14 October 16 and 17, 2013
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

17 Having considered the entire record herein and being fully advised in the premises, the
18 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

19 **FINDINGS OF FACT**

20 1. On February 21, 2013, Tacna Water Management Company ("Tacna" or "Company"),
21 filed with the Commission an application requesting an emergency rate increase ("Application").
22 The Application was prepared and filed by Nancy Miller of Sunstate Environmental Services,
23 Tacna's Interim Manager.

24 2. In Decision No. 68658 (April 12, 2006), the Commission approved a \$195,201 loan
25 from the Arizona Water Infrastructure Finance Authority ("WIFA"), and approved a \$6.78 per
26 customer, per month WIFA Surcharge in Decision No. 69215 (December 21, 2006). The monthly
27 WIFA debt service payment was \$1,782.54.

28 3. Tacna stopped making payments on the WIFA loan in October 2010 and Tacna was
still in default when it filed the Application. While the Application was pending, WIFA staff advised
Tacna that if the Company began making the monthly debt service payments on July 1, 2013, WIFA
Staff would request the WIFA Board to waive \$18,393.20 in accumulated back interest and fees.

1 4. In Decision No. 73932 (June 27, 2013), the Commission found that emergency
 2 conditions existed and that interim rates were appropriate. The Decision required the Company to
 3 comply with the following terms and conditions:

- 4 • Tacna must continue to collect the \$6.78 WIFA Surcharge authorized by Decision
 5 Nos. 68658 and 69215. (Page 26, lines 3 – 4.)
- 6 • Tacna must segregate the WIFA Surcharge funds into a segregated bank account.
 7 (Page 26, lines 5 – 8.)
- 8 • In addition to the \$6.78 WIFA Surcharge, Tacna must set aside \$6.14 per customer,
 9 per month collected from the interim rates and deposit the funds into the dedicated
 10 WIFA Surcharge account for repayment of the WIFA loan. (Page 26, lines 16 – 20.)
- 11 • Tacna must begin making the monthly WIFA debt service payments on July 1, 2013.
 12 (Page 26, lines 21 – 23.)
- 13 • Tacna must submit a letter requesting WIFA staff to propose to the WIFA Board that
 14 the back interest and fees on the loan be waived. (Page 26, lines 24 – 26.)
- 15 • Beginning February 1, 2014, Tacna must establish a dedicated replacement reserve
 16 account to be funded with \$278.41 of the WIFA Surcharge per month until the WIFA
 17 loan has been paid in full. (Page 26, lines 9 - 12.)
- 18 • Tacna’s access to and use of the funds in the dedicated replacement reserve account
 19 must comply with the terms of the WIFA loan documents. (Page 26, lines 13 – 15.)
- 20 • Tacna must provide monthly income statements to the Chief of the Commission’s
 21 Financial and Regulatory Analysis Section. (Page 27, lines 22 – 26.)

22 5. The interim rates approved by the Commission are as follow:

23 **MONTHLY CHARGES:**

24 <u>Meter size</u>	25 <u>Residential</u>	26 <u>Commercial</u>
27 5/8 x 3/4-Inch Meter	28 \$28.00	\$100.00
3/4-Inch Meter	32.00	132.00
1-Inch Meter	38.00	138.00
1 - 1/2-Inch Meter	45.00	145.00
2-Inch Meter	65.00	165.00
3-Inch Meter	85.00	185.00
4-Inch Meter	120.00	220.00
6-Inch Meter	250.00	250.00

29 **WIFA SURCHARGE:** \$6.78 \$6.78

30 **COMMODITY CHARGE (All Classes):**
 31 **(Per 1,000 gallons)**

32 0 to 3,000 gallons	33 \$1.00
34 3,001 to 7,000 gallons	35 1.50
36 Over 7,000 gallons	37 1.75

1 **INTERIM SERVICE CHARGES:**

2	Late Fee (Residential)	\$ 5.00
3	Late Fee (Commercial)	10% of Unpaid Balance

4 6. Decision No. 73932 also held the docket open in the event circumstances necessitated
5 prompt attention from the Commission before permanent rates were approved.

6 7. In compliance with Decision No. 73932, the Interim Manager sent a letter to WIFA on
7 July 30, 2013, asking that WIFA waive all back interest and fees due on the WIFA loan.¹

8 8. On September 20, 2013, the Commission's Utilities Division ("Staff") docketed a
9 Supplemental Staff Report, advising the Commission that WIFA had decided to forgive the entire
10 loan and all back interest and fees. Because the WIFA debt was a key factor in setting the interim
11 rates, Staff recommended changes to Decision No. 73932 to reflect WIFA's forgiveness of the loan.

12 9. Staff stated that it had discussed with Tacna the possibility of pursuing further WIFA
13 loans to help the Interim Manager rehabilitate the system's infrastructure. Staff observed that, given
14 Tacna's customer base's low income level, the Company might be eligible for WIFA funding options
15 that would allow a portion of a loan's principal to be forgiven.

16 10. As such, Staff proposed the following alterations to Decision No. 73932:

- 17 • The WIFA Surcharge in the amount of \$6.78 per customer, per month should be
18 suspended until further order of the Commission.
- 19 • The requirement that the Company segregate and deposit the WIFA Surcharge funds
20 into a dedicated bank account should be suspended.
- 21 • The WIFA Surcharge funds already deposited in the dedicated WIFA Surcharge
22 account should be held there for future disposition and may be used for possible future
23 WIFA debt service payments.
- 24 • The requirement that Tacna segregate an additional \$6.14 per customer per month
25 from interim rates and deposit the funds into the dedicated WIFA Surcharge account
26 should be suspended.
- 27 • Tacna should be permitted to use the \$6.14 previously segregated from interim rates to
28 help rehabilitate the water system at the discretion of the Interim Manager.
- The requirement that Tacna begin making WIFA loan payments starting July 1, 2013,
 is now unnecessary and should be suspended.

¹ A copy of the letter was docketed on August 22, 2013.

- The requirement that beginning February 1, 2014, Tacna segregate \$278.41 per month of the WIFA Surcharge into a dedicated replacement reserve account should be suspended.
- Staff asserted that since the WIFA loan is no longer a concern, Staff recommended that the Company's income statement filing requirement should be revised to require Tacna to file quarterly income statements.

11. Given the circumstances, we find that Staff's recommendations are reasonable and should be adopted.

12. We believe it is reasonable to require that Tacna's first quarterly income statement should be filed on or before November 29, 2013, which will allow Staff sufficient time to meet the requirement for filing a Status Update in this docket and in Docket No. W-01344A-12-0336² no later than December 31, 2013, as required in Decision No. 73932.³

13. Because the requirement that Tacna make deposits into a replacement reserve account beginning February 1, 2014, is being suspended, it is reasonable to also suspend the requirement that access to and use of any funds in the replacement reserve account must be in accordance with the WIFA loan documents.

CONCLUSIONS OF LAW

1. Tacna is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281 and 40-282.

2. The Commission has jurisdiction over Tacna.

3. The Commission approved Tacna's interim rates in Decision No. 73932 and held open this docket until permanent rates are approved.

4. Circumstances necessitate changes to certain provisions of Decision No. 73932.

5. Staff's requested changes to Decision No. 73932, and those stated in Findings of Fact Nos. 12 and 13, are reasonable and should be adopted.

...

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...

² *In the Matter of the Investigation of the Compliance Status of Tacna Water Management Company.*

³ Decision No. 73932, pages 27 – 29.

ORDER

1
2 IT IS THEREFORE ORDERED that Tacna Water Management Company shall suspend
3 collection of the \$6.78 per customer, per month WIFA Surcharge authorized by Decision Nos. 68658
4 and 69215, until further order of the Commission.

5 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company
6 segregate and deposit the WIFA Surcharge funds in a dedicated bank account is suspended until
7 further order of the Commission.

8 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company
9 segregate an additional \$6.14 per customer, per month from interim rates and deposit the funds into
10 the dedicated WIFA Surcharge account, is suspended.

11 IT IS FURTHER ORDERED that the funds already deposited into the dedicated WIFA
12 Surcharge account shall be held in that account until further order of the Commission.

13 IT IS FURTHER ORDERED that Tacna Water Management Company is now authorized
14 going forward to use the \$6.14 collected per customer each month from interim rates to help
15 rehabilitate the water system at the discretion of the Interim Manager, until further order of the
16 Commission.

17 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company
18 shall suspend making WIFA loan payments until further order of the Commission.

19 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company
20 segregate \$278.41 per month of the WIFA Surcharge beginning February 1, 2014, into a dedicated
21 replacement reserve account, is suspended until further order of the Commission.

22 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company's
23 access to and use of any funds in the replacement reserve account must be in accordance with the
24 WIFA loan documents, is suspended until further order of the Commission.

25 IT IS FURTHER ORDERED that the requirement that Tacna Water Management Company
26 provide monthly income statements is revised to require Tacna Water Management Company to file
27 quarterly income statements, until further order of the Commission.

28 ...

1 IT IS FURTHER ORDERED that Tacna Water Management Company shall file the first
2 quarterly income statement with the Chief of the Commission's Financial and Regulatory Analysis
3 Section on or before November 29, 2013.

4 IT IS FURTHER ORDERED that all other provisions of Decision No. 73932 remain in effect.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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8

9 CHAIRMAN _____ COMMISSIONER

10
11 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

12
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this _____ day of _____ 2013.

18
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21 DISSENT _____

22 DISSENT _____
23 BM:ru

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1 SERVICE LIST FOR: TACNA WATER MANAGEMENT COMPANY

2 DOCKET NO.: W-01344A-13-0032

3

4 Nancy Miller, Interim Manager
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