

OPEN MEETING



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ORIGINAL

MEMORANDUM

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 3, 2013

DOCKETED BY

RE: IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, L.L.C. ("SWC") FOR AN INCREASE IN RATES—CAGR D ANNUAL FEE ADJUSTMENT (DOCKET NO. W-03718A-09-0359)

I. Introduction

On October 25, 2013, pursuant to Decision No. 72177 (February 11, 2011) and as modified by Decision No. 73283 (July 30, 2012), Sahuarita Water Company, L.L.C. ("Sahuarita" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR D") adjustor fees.

Decision No. 72177 authorized the Company to implement an adjustor mechanism to recover the costs paid to the CAGR D for replenishment of excess groundwater. The conditions as modified by Decision No. 73283 require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGR D fees for the next twelve-month period (along with documentation from the relevant state agencies to support the calculations), to apply to all water sold after December 1.¹ The fees for 2013 were approved in Decision 73616 on December 12, 2012. The Company made the instant filing on October 25, 2013, requesting an adjustor reset for sales billed in 2014.

II. Background

The CAGR D was established by the Arizona legislature to serve as a groundwater replenishment authority. It provides a mechanism for designated water supply providers, such as Sahuarita, to demonstrate a 100-year water supply. Members pay the CAGR D to replenish any groundwater pumped by the member that exceeds the specified pumping limits. The CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

III. Calculation of the CAGR D Adjustor Fees

Decision No. 72177 specified nine conditions regarding the CAGR D Adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees

¹ Decision No. 73283, page 3, lines 2 through 8.

paid by the Company for the most current year . . . shall be divided by the gallons sold by the Company in that year to determine a CAGR D adjustor fee per 1,000 gallons.”²

In addition, although the Decision did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the annual adjustor reset. This understanding was confirmed by the Commission’s provision for a true-up in Decision No. 72204.³

The Company proposes a rate of \$0.82 per thousand gallons (“kgal”). Staff has reviewed the Company’s proposed calculations and the supporting documentation submitted with its request. Staff agrees with the methodology employed by the Company to calculate the true-up, but it recommends an adjustor fee of \$0.86 per kgal as discussed below.

True-up

The CAGR D invoice to Sahuarita for the 2011 annual replenishment assessment was \$327,698.28. Sahuarita reports that, as of September 30, 2013, the Company had total collections and interest of \$357,536.01.⁴

This true-up calculation indicates an over-collection of \$18,953.08 as follows:

a. 2010 under-collection of CAGR D invoice	\$ 10,884.65
b. 2011 CAGR D invoice	327,698.28
c. Less: Collections and interest through September 2013	<u>\$ 357,536.01</u>
d. 2011 CAGR D over-collection [A+B-C]	<u>\$ 18,953.08</u>

Adjustor Fee

The CAGR D invoice to Sahuarita for 2012 states total fees due of \$439,872.32. The Company proposes a per kgal adjustor charge of \$0.82, based on water produced of 511,295 kgs or 1,569.1 acre feet. Staff observes that the 2012 Annual Report submitted by the Company to the Arizona Department of Water Resources (“ADWR”), indicates 2012 water sold of 1,495.28 acre feet or 487,242 kgs⁵. Decision 72177 orders that the CAGR D fee be divided by the gallons sold in that year to determine the CAGR D fee per 1,000 gallons.⁶ In that regard, Staff recommends an adjustor reset amount of \$0.86 per kgal, based on water sold, rather than the Company’s proposal of \$0.82, based on water produced.

² Decision No. 72177, page 41, lines 15-17.

³ Decision No. 72204, page 2, lines 1-7.

⁴ Company’s application dated October 23, 2013.

⁵ Exhibit A.

⁶ Decision No. 72177, page 41, lines 15-17.

Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$0.86 per 1,000 gallons.

a.	2012 CAGR D invoice	\$ 439,872.32
b.	Less over collection from 2011	<u>18,953.08</u>
c.	Amount to be recovered [A+B]	420,919.24
d.	Total kgal sold in 2012	<u>487,242</u>
e.	Charge per kgal [C ÷ D]	\$ <u><u>0.8639</u></u>

IV. Conclusions and Recommendations

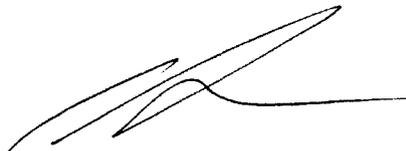
Staff concludes that the Company has duly filed the appropriate request to revise the CAGR D adjustor fees as required by Decision No. 73283.

Staff recommends approval of the CAGR D adjustor fee in the amount of \$0.86 per kgal.

Staff recommends that the Company file, within 7 days of a Decision in this matter, a CAGR D adjustor fee tariff consistent with the rate approved herein.

Staff recommends that the Company notify its customers of the CAGR D adjustor fee tariff approved herein within 30 days of the effective date of the Decision.

Staff recommends that the CAGR D adjustor fees authorized herein become effective for all water sold after December 1, 2013.



Steven M. Olea
Director Utilities Division

SMO:JK:sms\WVC

Originator: Jorn Keller

Sahuarita Water Company, LLC

W-03718A-09-0359

Exhibit A

SCHEDULE F-1 PART 2

MUNICIPAL PROVIDER WATER DELIVERIES

ANNUAL REPORT 2012

1

PROVIDER NAME

SAHUARITA WATER COMPANY

RIGHT/PERMIT NO.

56-000373.0000

Total Production 1569.1 af

Pursuant to the Third Management Plan (TMP) and the Groundwater Code, large water providers are required to supply the following information. Do not include direct use effluent on this schedule (please use Part 3 of Schedule F-1).

MONTH	DELIVERIES IN ACRE-FEET									
	RESIDENTIAL A		NON-RESIDENTIAL B							TOTAL
	Single Family	Multi-Family	Industrial	Commercial	Govt	Turf-Related Facilities	Other Turf**	Construction	Other***	
Jan	78.77	0	0	3.33	1.94	0	16.51	.42	0	100.97
Feb	73.83	0	0	3.14	2.47	0	17.87	.90	0	98.20
Mar	75.19	0	0	3.25	2.19	0	19.79	.88	0	101.30
Apr	89.93	0	0	4.62	3.06	0	28.73	2.60	0	128.94
May	89.90	0	0	4.80	4.30	0	37.70	8.99	0	145.68
Jun	86.71	0	0	4.90	3.16	0	39.53	23.37	0	157.68
Jul	86.98	0	0	3.79	3.28	0	22.50	18.91	0	135.46
Aug	88.14	0	0	4.59	3.76	0	33.08	13.16	0	142.74
Sep	76.29	0	0	4.32	3.58	0	22.75	4.31	0	111.26
Oct	90.74	0	0	6.04	3.94	0	37.45	10.27	0	148.43
Nov	79.92	0	0	4.39	2.96	0	27.88	6.48	0	121.63
Dec	79.60	0	0	3.36	1.99	0	15.65	2.39	0	102.99
Total Deliveries	2 995.99	3 0	4 0	5 50.52	6 36.64	7 0	8 319.46	9 92.67	10 0	11 1495.28
Total Active Connections	12 5,198	13 0	14 0	15 34	16 18	17 0	18 146	19 8	20 0	21 5404

* Turf Related Facilities includes turf-related facilities (10 or more acres of turf or other high water use landscaping) and landscaped public rights-of-way identified as Individual Users.

** Other Turf includes water delivered to other turf areas that are less than 10 acres.

*** Other includes unmetered deliveries. Unmetered deliveries must be calculated using a generally accepted method of estimating water use. Explain in a separate letter how any unmetered deliveries were calculated and to which category it would belong if it were metered. e.g. Industrial, Commercial, etc.

Please contact your local Active Management Area if you need assistance completing this form.

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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 SAHUARITA WATER COMPANY,
L.L.C. FOR AN INCREASE IN RATES—
CAGR D ANNUAL FEE ADJUSTMENT

DOCKET NO. W-03718A-09-0359

DECISION NO. _____

ORDER

Open Meeting
December 17 and 18, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 25, 2013, pursuant to Decision No. 72177 (February 11, 2011) and as modified by Decision No. 73283 (July 30, 2012), Sahuarita Water Company, L.L.C. (“Sahuarita” or “Company”) filed with the Arizona Corporation Commission (“Commission”) the Company’s proposed Central Arizona Groundwater Replenishment District (“CAGR D”) adjustor fees.

2. Decision No. 72177 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of groundwater. The conditions as modified by Decision No. 73283 require the Company to submit,

1 by October 25 of each year, for Commission consideration, its proposed CAGR D fees for the next
2 twelve-month period (along with documentation from the relevant state agencies to support the
3 calculations), to apply to all water sold after December 1. Accordingly, the Company made the
4 instant filing on October 25, 2013, requesting an adjustor reset for sales billed in 2014.

5 **Background**

6 3. The CAGR D was established by the Arizona legislature to serve as a groundwater
7 replenishment authority. It provides a mechanism for designated water supply providers such as
8 Sahuarita to demonstrate a 100-year water supply. Members pay the CAGR D to replenish
9 groundwater pumped by the member that exceeds the specified pumping limits. The CAGR D is
10 recognized as an important tool in Arizona's groundwater conservation efforts.

11 **Calculation of the CAGR D Adjustor Fees**

12 4. Decision No. 72177 specified nine conditions regarding the CAGR D Adjustor.
13 Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees
14 paid by the Company for the most current year . . . shall be divided by the gallons sold by the
15 Company in that year to determine a CAGR D adjustor fee per 1,000 gallons."¹

16 5. In addition, although the Order did not contain an explicit provision for a true-up, the
17 parties were in agreement that such an annual true-up would occur at the time of the annual
18 adjustor reset. This understanding was confirmed by the Commission's provision for a true-up in
19 Decision No. 72204.²

20 6. The Company proposes a rate of \$0.82 per thousand gallons ("kgal"). Staff has
21 reviewed the Company's proposed calculations and the supporting documentation submitted with
22 its request. Staff agrees with the methodology employed by the Company to calculate the true-up,
23 but it recommends an adjustor fee of \$0.86 per kgal as discussed below.

24 ...

25 ...

26 ...

27 _____
28 ¹ Decision No. 72177 page 41, lines 15-17.

² Dec. No. 72204, page 2, lines 1-7.

True-up

7. The CAGR D invoice to Sahuarita for the 2011 annual replenishment assessment was \$327,698.28. Sahuarita reports that, as of September 30, 2013, the Company will have total collections and interest of \$357,536.01.³

8. This true-up calculation indicates an over-collection of approximately \$18,953 as follows:

a.	2010 under-collection of CAGR D	\$ 10,884.65
b.	2011 CAGR D invoice	327,698.28
c.	Less: Collections and interest through September 2013	<u>\$ 357,536.01</u>
d.	2011 CAGR D over-collection	<u>\$ 18,953.08</u>
	[A+B-C]	

Adjustor Fee

9. The 2012 CAGR D invoice to Sahuarita states total charges due of \$439,872.32. The Company proposes a per kgal adjustor charge of \$0.82, based on water produced of 511,295 kgs or 1,569.1 acre feet. Staff observes that the 2012 Annual Report submitted by the Company to the Arizona Department of Water Resources ("ADWR"), indicates 2012 water sold was 1,495.28 acre feet or 487,242 kgs. Decision 72177 orders that the CAGR D fee be divided by the gallons sold in that year to determine the CAGR D fee per 1,000 gallons.⁴ In that regard, Staff recommends an adjustor reset amount of \$0.86 per kgal, based on water sold, rather than Company's proposal of \$0.82, based on water produced.

10. Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$0.86 per 1,000 gallons.

...

³ Company's application dated October 23, 2013.

⁴ Decision No. 72177, page 41, lines 15-17.

1	a.	2012 CAGR D invoice	\$ 439,872.32
2	b.	Less over-collection from	<u>18,953.08</u>
3		2011	
4	c.	Amount to be recovered	420,919.24
5		[A+B]	
6	d.	Total kgal sold in 2012	<u>487,242</u>
7	e.	Charge per kgal [C ÷ D]	\$ <u>0.8639</u>

8

9 **Conclusions and Recommendations**

10 11. Staff concludes that the Company has duly filed the appropriate request to revise
11 the CAGR D adjustor fees as required by Decision No. 73283.

12 12. Staff recommends approval of the CAGR D adjustor fees as described herein.

13 13. Staff recommends that the Company file, within 7 days of a Decision in this matter,
14 a CAGR D adjustor fee tariff consistent with the rates approved herein.

15 14. Staff recommends that the Company notify its customers of the CAGR D adjustor
16 fee tariff approved herein within 30 days from the effective date of the Decision.

17 15. Staff recommends that the CAGR D adjustor fees authorized herein become
18 effective for all water sold after December 1, 2013.

19 16. We find that Staff's conclusions and recommendations are reasonable and should
20 be adopted.

21 **CONCLUSIONS OF LAW**

22 1. Sahuarita Water Company, L.L.C. is a public water service corporation within the
23 meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

24 2. The Commission has jurisdiction over Sahuarita Water Company, L.L.C. and the
25 subject matter of the application.

26 3. Approval of the proposed CAGR D adjustor fees is consistent with the
27 Commission's authority under the Arizona Constitution, Arizona ratemaking statutes and
28 applicable case law.

1 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC docket with the
2 Commission as a compliance matter, within seven (7) days of the effective date of this Decision, a
3 CAGR D adjustor fee tariff consistent with the rates approved herein.

4 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC shall notify its
5 customers of the CAGR D adjustor fee approved herein within 30 days of the effective date of this
6 Decision.

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

8

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

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, JODI JERICH, 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
_____, 2013.

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JODI JERICH
EXECUTIVE DIRECTOR

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23

24

DISSENT: _____

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DISSENT: _____

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27

SMO:JK:sms\WVC

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1 SERVICE LIST FOR: Sahuarita Water Company, LLC
2 DOCKET NO. W-03718A-09-0359

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